[redacted]

From: Martinez, Sara 6-4144
Sent: Tuesday, November 5, 2019 10:41 AM
To: McMillan, Chris 6-9196
Subject: FW: 2020 QAP Comments

From: Josh Thomason [redacted]
Sent: Monday, November 4, 2019 4:52 PM
To: Martinez, Sara 6-4144
Cc: Jon McKnight
Subject: 2020 QAP Comments

Sara,

Please find our comments to the final draft of the 2020 QAP below:

VI. NEW CONSTRUCTION SCORING CRITERIA:

The Authority, in the initial QAP draft, published a companion document to the QAP with specific instructions on how Applicants can access the data to score specific sites under the criteria in Section VI. of the QAP. In the most recent draft, that instructions document was removed and replaced with Appendix C (Positive Site Characteristic Scoring). While we understand and appreciate the Authority's desire to publish the scoring information in a simple format for applicants to use as was done in Appendix C, we would like to point out some additional considerations and unintended consequences of the Authority publishing this information in Appendix C instead of directing Applicants to the source data to access it on their own.

- The Authority did an outstanding job in identifying the data used to score sites in the 2020 QAP. The Authority should not have to compile, collate and publish that information as was done in Appendix C but rather the onus should be on the Applicants to appropriately gather, score and report on this data in the Application to justify any points being claimed using the simple published instructions. Should any discrepancies arise between the data published in Appendix C and the data available via the sources on the initial instructions document, the Authority may find itself in the difficult position of having to argue to award or deny points to applicants based on these discrepancies. We would like the Authority to re-consider publishing this scoring data as has been in Appendix C for these reasons and consider removing Appendix C and only publishing the instructions as was done in the initial draft. If it is too late to make this change for 2020, please consider only publishing the instructions in future years.
- For example, as the Authority is aware, many SC counties have multiple school districts and those different districts each have different mean ACT scores. For those counties with multiple districts, district attendance boundaries do not exactly mirror census tract boundaries. Assigning scores for points under 3a is not consistent with the school district boundaries for these counties and may lead to scoring discrepancies.
- Additionally for item 3a, a number of census tracts list "unknown" when there is only one county wide school district for that county. For example, please look at tract 9501.00 in Abbeville County. It lists "unknown" but shouldn't tract 9501.00 be eligible for 3 points like the other tracts in Abbeville County that are all serviced by the same school system?

APPENDIX B, I. DESIGN DOCUMENT STANDARDS, B. APPLICATION PLAN REQUIREMENTS:

The requirement to provide a complete site specific soils report and boring site plan with the criteria listed in the QAP is onerous. This requirement is impractical from a cost perspective as it will add $7,000-$15,000 in additional "application costs" to every application that is submitted. Further it isn't realistic that a land seller is going to allow a developer to clear a significant amount of trees and disturb a significant amount of land in order to bring augers onto their land to obtain the numerous boring samples that the Authority is requiring prior to application. It is difficult enough for developers to entice land owners to take their land off of the market for a year while we submit the applications and wait for awards, but now we are going to be tasked with also asking them to allow us to disturb large portions of their property when they have no idea whether or not we will receive a tax credit award and actually be able to close the land deal. We are already paying land sellers a premium on their land and expending large sums of non-refundable option monies for them to "take the ride" with us. Once we inform land sellers that we also need to perform invasive testing on their property, land prices and non-refundable option monies are going to continue to rise (at least on the land where sellers will allow it at any price).

V. THRESHOLD PARTICIPATION CRITERIA, H. Required Capacity, 1 Financial Statements:

a. The Authority is considering requiring personal financial statements for every individual in the general partner or developer. Requiring this discourages developers from bringing employees into ownership roles in their company (this process helps to build capacity in the affordable housing community in South Carolina). Furthermore, it doesn't match how investors and lenders underwrite the development team. If I am the principal that is signing personal guarantees, investors and lenders only want to ensure that I have the financial wherewithal to serve as a guarantor and to perform on those guarantees. The ability of other "junior partners" (with ownership interest in the General Partner and/or Developer entities who are not signing guarantees) to fund development or operational shortfalls is inconsequential to investors and lenders and therefore I don't believe the Authority should require that all individuals in the general partner/developer provide their personal financial statements to the Authority.
b. The requirement to provide reviewed financial statements is onerous and cumbersome, with no benefit. We recommend that the Authority continue to allow compiled financial statements so long as the compilation is performed in accordance with the "Statements on Standards for Accounting and Review Services promulgated by the Accounting and review Services Committee of the AICPA". Even this threshold of a compilation is higher than the threshold required by lenders and investors. Requiring reviewed financial statements is only going to further add to already high costs of submitting a tax credit application and will not add any benefit to the Authority.
c. The previous requirements to show $500K in liquidity and $5M in net worth have been removed. While I agree that meeting these requirements can be onerous at times, having these requirements as least provided developers with a level of certainty. In the past I have always known that if I could meet the above requirements, then I would pass the "financial criteria" portion of the threshold section. It seems the Authority wants to move away from these stringent and clear-cut requirements in favor of a vaguer and more fluid requirement of all members being "financially solvent." To the extent that the Authority does want to move away from requiring the concrete requirements of $500K and $5M in net worth in order to offer more flexibility to developers, I would encourage the Authority allow a provision that states that any developer who can meet the $500K in liquidity and $5M in net worth provisions will have reached a safe harbor with regards to "financial criteria". For those that do not meet the $500K in liquidity and $5M in net worth provisions, my suggestion is that the Authority consider (on a case by case basis) other information that may be included in financial statements for developers who do not meet those thresholds to determine whether or not an individual is financially solvent. I believe this will provide developers who can meet the requirements a level of certainty, while at the same time afford developers who can't or choose not to meet the requirements an avenue to prove their financial solvency.

Thanks for taking our thoughts into consideration.

Josh

Josh Thomason
Principal

Piedmont Housing Group
295 W Crossville Rd
Suite 720
Roswell, GA 30075
[redacted]
