



December 5, 2018

Mrs. Laura Nicholson, Program Director
South Carolina State Housing Finance & Development Authority
300 Outlet Pointe Boulevard C
Columbia, South Carolina 29210

CC: Bonita Shropshire, Commissioner Allen, Commissioner Gardner, Commissioner Goodall, Commissioner Mickle, Commissioner Ken Ormand, Commissioner Mary Byrd Ormand, Commissioner Shannon, Commissioner Sieck, Chairman Mischelle Tomlin and Chairman Tomlin.

Re: Qualified Allocation Plan Updates

Dear Laura,

It has come to the attention of Red Stone Equity Partners and numerous industry leaders that the South Carolina State Housing Finance and Development Authority is considering removing the current programmatic threshold requirement of prior developer experience for participants of the 9% competitive tax credit program. It is our firm belief that the removal or point reduction of the prior experience threshold requirement to participate would have a negative consequence for all parties involved.

The Low Income Housing Tax Credit ("LIHTC") program is one of vast complexity in every stage of the development process from the initial application, throughout construction and for the lifetime of the project during the 15-year compliance period. Simply put, investors are not interested in investing millions of dollars with a developer who does not have prior experience developing or operating affordable housing, particularly given the stringent IRS rules and regulations that are required to be closely followed to avoid serious consequences. In the event a developer lacking LIHTC experience is able to find an investor willing to invest in their development, it is likely to have a negative correlation on equity pricing (or loan terms for the debt), which would result in an inefficient use of the Agency's credit allocation. Additionally, the failure of a first time LIHTC developer could result in the recapture of the allocated credits, which is bad for the state and everyone.

South Carolina is not the only state that currently includes experience points into the Qualified Allocation Plan ("QAP"), for good reason. It is sound and reasonable to have a QAP that includes allocating experience points that are determined by the number of previous LIHTC projects, years

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of prior experience in the LIHTC space and the current operating status of their LIHTC developments as it provides a minimum threshold of evidence to deal participants that the sponsor is able to manage all that is required of them. In fact, sufficient prior LIHTC experience is the first factor that we underwrite when determining whether we will consider investing in the development.

The removal or reduction of prior experience points from the QAP is very likely to result in negative consequences for the state's tax credit program and should not be a consideration. If this topic ends up being something that is deemed critically important to the Agency, I would strongly recommend that the decision be delayed until the 2020 QAP discussion to allow for the Agency to gather feedback from all of its stake holders. I would expect the outcome of that feedback to mirror our sentiments.

Thank you for your consideration.

Sincerely,

By:



Name: Darren T. Swanson

Title: Director