

From: Affordable Housing Coalition of SC [REDACTED]

Sent: Wednesday, December 12, 2018 4:17 PM

To: Nicholson, Laura 6-9190

Cc: Shropshire, Bonita 6-9005; [REDACTED]
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Subject: QAP 3rd Draft- Comments

Laura,

The Coalition's QAP Committee has reviewed the latest draft of the QAP and we are very concerned regarding the reduction in points for developer experience. Below are the primary concerns we have regarding making a change to this item:

- Equity investors and lenders require developers to have experience. Inexperienced developers will have significant issues in securing funding that will delay the construction process and create undue stress for SCSHFDA in managing the developments.
- The LIHTC Program is a unique entity and is different from other types of development and real estate transaction. The LIHTC Program is extremely complex from application, to construction, to leasing, to management. Only experienced developers, along with their support services such as accounting, management and legal, have the expertise to successfully navigate these complexities and be able to complete developments in the required IRS time frame and adhere to all the regulations imposed on the program. No other type of real estate transaction has to have a comprehensive understanding of items such as eligible basis, qualified basis, compliance, tax credit recapture, rules of layered state, federal, and private financing.
- By removing the experience points, SCSHFDA will be lowering the standards of the program, rather than maintaining or improving those standards and creating a significant burden on SCSHFDA staff. The staff is responsible for program administration, not to provide "on the job training".
- Failure by a non-experienced developer could result in a loss of tax credits depending upon the timing of the deal failure. This could negatively impact SCSHFDA by reducing the tax credit impact due to the failure to utilize all the credits. The timing of the returned tax credits is critical as to whether the tax credits could be re-allocated successfully.
- Eliminating the experience points and increasing applications from inexperienced developers will not drive down the cost of development. Rising development costs have been impacted by several things, including tariffs and labor shortages and additional burdens imposed by local governments, along with increased mandatory design criteria. In addition, new developers will not have in place the support network of subcontractors, vendors and administrative/management staff to ensure the success of a development and will have to pay more to implement these services.
- Inexperienced developers have the opportunity to partner with experienced developers in order to gain the expertise necessary to become successful developers and be awarded the experience points. There are numerous examples of successful partnerships in South Carolina and partners moving on to solo development deals.

- Experience points are not unique to South Carolina. Almost all states include significant experience points. These points were related to years of LIHTC experience and/or projects completed. In addition points were provided for in-state LIHTC experience and utilizing experienced LIHTC management companies.
- Lowering the experience points is a significant change that was not communicated to the stake holders in a time frame that allowed for public comment and discussion in the standard open forums such as the Tax Credit Roundtable and the Public Hearing. We recommend that this item be tabled until the 2020 QAP discussion in order to fully vet the change and gather feedback from all stakeholders.

The Coalition strongly encourages SC Housing not to adopt the proposed change.

Thank you for your consideration of our position.

Alisa

Alisa G. Mosley
Executive Director
Affordable Housing Coalition of SC
P. O. Box 1623
Columbia, SC 29202
803-808-2980


www.affordablehousingsc.org