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October 25, 2018

Laura Nicholson  
South Carolina State Housing Finance & Development Authority  
300-C Outlet Pointe Boulevard  
Columbia, SC 29210

RE: 2019-20 Qualified Allocation Plan

Dear Ms. Nicholson:

Thank you for the opportunity to comment on the Draft 2019-20 QAP. We are well aware that a significant amount of time and effort goes into developing the QAP and we appreciate SC Housing's willingness to listen to feedback. I certainly view SC Housing as a partner on the properties we develop here at Buckeye Community Hope Foundation. SC Housing has done a great job over the past several years in adjusting to changes that affect our industry, but I feel that there are always areas that can be improved. Below are thoughts that I have pulled together with my staff.

Positive Site Characteristics subsection a) – We don't agree with the removal of points for sites being located within ½ mile of services. Access to services and amenities plays a huge role in the success of a development. Being within 1/2 mile of services such as grocery stores, pharmacies, and medical facilities provides great benefit to the residents that we serve. A large portion of our residents cannot afford to own a car. They must walk or rely on other transportation options to access these facilities. Being within ½ of services improves the quality of life for our residents. We respectfully request that these points remain in the 2019-20 QAP.

Tax Credit Development Experience subsection b) – We feel that experience within the state of South Carolina is something that should be evaluated when scoring applications. Though there are many qualified developers/owners out there with experience throughout the country we feel that each state presents its own opportunities and challenges. South Carolina has specific criteria that are unique to the state. Working with developers that have worked within your programs and are familiar with your processes is beneficial to all parties involved. Issues and concerns will be reduced, and the amount of time that your staff will spend answering questions will be limited. Because of this we respectfully request that one point still be awarded to developers/owners that have placed in service a project in South Carolina within the last seven years.

Targeting Characteristics subsection d) – We are unclear why this scoring category was increased from one point to five points. While we agree that preserving the state’s affordable housing stock is important, we feel that the focus should be on providing additional units to meet the unmet demand for affordable housing. We respectfully request that the maximum points available for this criteria remain at one.

Targeting Characteristics subsection f) – Having a good working relationship with the municipality you are developing in provides a great benefit to a project. Zoning issues, site plan approval, planning reviews, and permitting all play key roles in the development process. Being on the same page as a town or city can only help make these processes go more smoothly. By providing a letter of support a city or town is providing evidence that they will be a partner in a project and are invested in seeing it completed successfully. We respectfully request that one point for providing a letter of support remain in the 2019-20 QAP.

Underserved Set Aside Only Points – We disagree with the removal of these points from the draft QAP. These counties are underserved for a reason and they are in need of investment. Removing these points will all but assure that no development activity occurs in these areas. Rather than taking away points we feel that the state should focus resources on these areas.

Tie Breaker Criteria – We strongly disagree with removing “Developments with the highest site scores” from the tie breaker criteria. When developing real estate the site and location are the key factors when it comes to the success of a project. Every investor, syndicator, and lender in the industry puts a lot of weight on the site and surrounding areas, in fact it is one of the first things they look at when evaluating a new project. For the state to remove it from the tie breaker criteria goes counter to industry norms and would be unwise.

Further, every application will qualify for the first tie-breaker and move onto the second criteria as written in the Draft QAP. The proposed tie breaker system will incentivize a “race to the bottom” when it comes to costs. Applications will be incentivized to low-ball costs at the expense of quality. The state will see lower quality housing developed that will cost more to operate and maintain in the long term. This criteria is counter to what owners, developers, investors, and lenders want to see. In addition, there has been an industry wide increase to both materials and labor costs. This is due to many factors including hurricanes in the recent past. By putting so much weight on this tie breaker the state will certainly see a decline in project quality both from a building material and financial performance standpoint. Other states including North Carolina and Tennessee have utilized similar criteria and the quality of housing developed suffered because of it. We strongly encourage you to reevaluate the tie breaker criteria and not place as much emphasis on this particular category.

Thank you again for the opportunity to provide comments on the Draft 2019-20 QAP. I look forward to your response. Please do not hesitate to contact me if you have any questions or would like to further discuss any of my comments.

Sincerely,

  
Steven J. Boone, President