

From: David Douglas Sr. [REDACTED]
Sent: Monday, December 17, 2018 11:26 AM
To: Nicholson, Laura 6-9190; Shropshire, Bonita 6-9005; [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Subject: Fwd: QAP change

Dear Laura, Bonita, and Members of the Board,

This is followup to my comments sent earlier, which I trust are being considered now as part of public comment period.

I have been in various discussions regarding the current change to QAP with colleagues on the lending and management side and have pondered it since last week. All with whom I've spoken are in same camp as me, although some are wary to post public comments. Putting aside what is actually being proposed, I continue to be taken by this turn of events. I have done this for many, many years, and never have I seen a change injected in this manner that could so materially impact the outcome of the competition. I fail to see why this is being pushed forward so hastily and cannot be vetted properly in the 2020 round. You must recognize the optics of the way this change is being presented does not seem entirely above board. It is a one year QAP- why can this not be discussed and vetted next year through the normal process that has worked so well in the past? It seems that best case, those proposing the change do not understand the ramifications of what is being proposed or what is at stake, and worst case, have ulterior motives other than the best interests of the South Carolina LIHTC program.

Thank you for your time and attention, I wish to preserve the integrity and representation of our program and believe whole heartedly this is the wrong course of action. It does not accomplish what is desired from a cost standpoint and endangers the rectitude of tax credit housing in South Carolina.

Sincerely,
David Douglas
Douglas Development

----- Forwarded message -----

From: David Douglas Sr. [REDACTED]
Date: Sat, Dec 8, 2018 at 11:23 PM
Subject: QAP change
To: [REDACTED]
Cc: [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Good evening Bonita and Laura,

I hope this email finds you both well. I understand the Authority is proposing to eliminate or severely weaken points for experience in the 2019 QAP. I further understand the thought is to broaden and open up the field to more developers in hopes to the overall costs to build these communities decreases via greater competition. While this is a worthy goal, I believe the Authority will make a serious and costly mistake if experience is eliminated as a consideration or prerequisite.

I have built more than 60 affordable properties in seven states since the 1990s, totaling approximately 5,500 units, so I speak from long experience. While on the surface it would appear any competent multifamily developer could deliver housing, LIHTC development is exceedingly tedious and complex given the extent of technical requirements written into the Section 42 program. Performance deadlines, management issues, tenant compliance/ certifications, ADA/Fair Housing issues specific to affordable, complex capital stacks involving a multitude of sources with conflicting and overlapping regs of their own, etc., all make this subsector especially challenging.

I believe eliminating experience will result in unnecessary waste, potential abuse of the credit and higher cost of development, particularly in fees and interest charged by lenders for risk associated with funding such projects. This is not a segment you want to pioneer. Lack of experience will allow costly mistakes to be made that would be mitigated if sound partners were kept in the transaction.

I have had dozens of (affordable housing) development partners during the last thirty years- off the top of my head to date I have completed tax credit deals with at least eleven separate for-profit developers, at least ten non-profit partners, and at least five separate housing authorities. I have done this across seven states, but most of these partnerships are on South Carolina deals. Partnerships were born because we each brought value to the deal through skills, funding access, site identification, et cetera. Many of these are repeat development partners, and most were or still are successful partnerships. I have apprenticed, by my count, eight for-profit developers and several non-profits-turned-developers, many of whom now do stand-alone developments and compete directly with me in the Carolinas. However, I have also had several deals during my tenure in which my partner walked away from his financial obligations during construction, and I carried the liability and financial responsibility to complete the projects on time, at a massive financial expense. I personally lost millions of dollars on two deals alone because I stepped in for a weak, crooked partner. In other deals I've stepped in with knowledge, capacity and expertise to keep developments 'on the rails' when my partner failed to perform. Many years ago I had a partner conduct nefarious acts and had to have them removed to keep the deal afloat and in good legal standing. In less extreme examples I know full well my knowledge and my team's knowledge has been the

guiding force for the developments that included capable but "green" partners, so costly errors weren't made, timelines were kept and creative solutions were derived when issues arose. My presence in these faltering projects was absolutely critical to the deal success. I am proof positive you want an experienced developer in the ownership structure for any tax credit deal funded in South Carolina. This is not intended as arrogance- I'm old, I've done this a long time. And I still see something new on every deal.

There is no viable reason, no upside potential, associated with introducing this risk to the SC LIHTC program. I could tell many war stories- mine and other seasoned colleagues' - on the issue/danger of inexperience, and I am available to discuss further with you if needed.

Respectfully yours,
David

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