

From: Holly Douglas [REDACTED]
Sent: Wednesday, December 12, 2018 3:36 PM
To: Nicholson, Laura 6-9190
Cc: [REDACTED] Shropshire, Bonita 6-9005; Affordable Housing Coalition of SC
Subject: Comment to 3rd draft of QAP

Dear Laura,

I apologize for the redundancy of this letter following the previous two I've submitted during this QAP round, but I felt it necessary to revise in light of the latest draft and re-submit during the official public comment period. Highlighted sections are new from letter submitted late last week.

I am writing once again to express my deep concern over the last-minute proposal that relevant experience in the development of affordable housing as a threshold item or material point item be removed from the competitive 9% application process. I feel very strongly that doing so would jeopardize the integrity of the South Carolina LIHTC program and introduce a host of otherwise avoidable complications for potential developments. We have been advised this specific proposal's intent is to increase competition for 9% credits, thereby reducing total development costs. Numerous other cost restriction measures have been introduced into this year's QAP that would accomplish the goal of reducing TDCs, and removing prior LIHTC experience as a material point item would very likely have the opposite impact. I respectfully submit the following points for consideration:

- **Virtually every state housing authority in the country requires some level of experience with low-income housing tax credits to participate in their state's 9% competitive program.** Additionally, almost all states provide a material number of points for a development team's experience and track record. My asset manager and I have completed the tedious exercise of reviewing QAPs from every other state in the country to confirm the expectation of legitimate prior LIHTC experience in submitting a 9% app is not an unreasonable one. **Based on our review of QAPs (and myriad applications, exhibits, RFQs, etc.), it appears the only states in the country that do not have prior LIHTC experience for the development team as a material point item are Louisiana, Alaska, Indiana, Arkansas, North Dakota and New Mexico.**
- **The LIHTC program depends on the sale of tax credits to private investors.** Previous LIHTC experience is a requirement of almost all syndicators and lenders. *Why would the Authority wish to have a lower standard than most lenders and investors who arguably have less to lose should a development not succeed?* The few syndicators willing to work with a development team having no tax credit experience pay a good bit less for the credits in consideration of the risk associated with partnering with non-experienced groups. The lower credit price result needing more credits or soft funding to work, and thus the state's overall allocation not being maximized.

I am aware of at least 5-6 lenders/syndicators that have written letters to SCSFHDA confirming that prior experience in these deals is paramount, and I feel certain this would be the position of any syndicator polled. As is done in soliciting feedback on the credit

price floor for the QAP, I would respectfully advise the Authority to again poll syndicators and lenders on this proposed change as many may have missed it given the last-minute nature of its addition outside the public hearing, roundtable and traditional public comment period.

- **The LIHTC program enjoys widespread support because it has been successful across the country and minimizes taxpayer exposure to failure.** Continued bipartisan support of the LIHTC program is reliant on continued success of tax credit developments. Issuing this valuable limited resource to groups with no experience developing affordable housing-- or in development at all, as is currently proposed-- leaves the South Carolina tax credit program (and the credit itself) vulnerable to scrutiny at the local, state and federal level. Further, failure by an inexperienced development team will require a recapture of tax credits. If state housing does not use all the yearly credits, their ceiling will be reduced in the following year. This would directly limit the number of affordable housing that could be built in our state annually.

- **Development of 9% LIHTC affordable housing is very complex in the best of circumstances.** There are abundant nuances to the 9% program that do not exist in market rate housing, and they can trip up even the most experienced affordable developers. None of this can be taught in a compliance class or even learned through development of other types of real estate; you have to actually **DO** this (i.e. develop LIHTC housing) to learn and fully understand it. The best way the business is learned is through partnerships with experienced tax credit developers. The ramifications of a “trial and error approach” are too great, as missteps by inexperienced groups would harm not only the inflicted development but also the Authority and state’s tax credit program itself. This business is its own animal. **The pitfalls that arise in these deals are unique to the industry and can be catastrophic.**

I feel South Carolina has nothing to gain and much to lose from a change to the QAP that would eliminate the requirement that applicants for 9% tax credits have relevant experience to submit a competitive application. **We would be lowering our participant capacity standards for 9% LIHTC participants below the bar held by almost 90% of SHAs in the country.** Honestly, it feels baffling this is even a conversation being had by stakeholders within the LIHTC community of South Carolina. I just don't know why anyone would want to lower the standards for the program like this.

I appreciate your consideration of these comments.

Sincerely,
Holly

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