

Nicholson, Laura 6-9190

From: Drew Schaumber [REDACTED]
Sent: Friday, December 7, 2018 3:00 PM
To: Shropshire, Bonita 6-9005
Cc: Nicholson, Laura 6-9190; [REDACTED]
[REDACTED]
Chairman Tomlin
Subject: LIHTC Experience Changes 2019 QAP

Bonita,

Thank you for allowing us to attend and speak two weeks ago at your board meeting. It is impactful for a young developer like myself to feel I am being heard and my take away from that board meeting was just that.

I recently learned about reducing the LIHTC experience points from a max 7 point item to a 1 point item.

If general experience points are reduce to 1 point, the authority needs to be prepared that new developers, without tax credit experience, will trip up and fail in this industry. I know this because I am a new LIHTC developer. I graduated with an engineering degree with honors, I've got a background in commercial construction and development, and I've spent years of following my father around apartment buildings in the Washington, DC area being told what works and what doesn't. My education and previous experiences allowed me to learn this industry quickly, in just 7 years I have been involved in numerous developments in North and South Carolina, but none of them on my own. Initially I partnered with Douglas Development and still do. I've partnered, and still do, with Housing Authorities, Non-Profits and other private developers.

In 2013 only a year into the LIHTC industry I found a busted town-home site in Asheville, NC and tied it up to do a North Carolina 9% tax credit deal. I didn't have the balance sheet or LIHTC experience to do the deal so I partnered with Mountain Housing Opportunities (MHO) and Douglas Development. The development of that deal was extremely challenging, were it not for MHO and Douglas that deal would have failed; there are so many nuances in this industry, the idea of doing a deal without experienced developers is crazy.

We recently turned in a PIS Application on a 4% bond deal in Greenville to SCHFDA. This was my first bond deal, first experience with Project Based Vouchers, etc. I took the lead developer role with Douglas Development and Tapestry Development Group (out of Georgia). We pull together a very experienced team yet this deal turned into an even more challenging transaction than I could have imagined. We had construction issues, loan issues, HUD issues, etc. It became Murphy's Bond Deal. I was able to lean on the experiences of my partners and despite the challenges and delays, complete the project.

For 7 years I've been the developer looking for partners to make deals work and I've been successful. If a developer has a site that is competitive and is a good developer, then someone will partner with that developer. If that developer can't find someone to partner with, then there is some underlying reason and the authority probably doesn't need that developer in tax credits in South Carolina.

I've been told this change is in an effort to reduce costs with the understanding that new developers will be able to compete at a lower number or the general increased competition will lower prices. I do not think this will happen. There are other ways to lower development costs. I proposed 0.1 mile distances to amenities, this could do it. We wouldn't chase the same parcels so land costs would be less. Our site costs are driven up

because we need entrances to fall within the 0.5 mile distance. This causes long driveways or buying more land than needed. If reduced to a sliding scale 0.1 increments, we wouldn't need to force driveway locations, sites would be walkable and developers wouldn't bid up the same parcels. These are all ideas that could be vetted for the 2020 QAP.

I ask the authority and board members to take serious caution on opening the door to inexperienced developers, the end result will not be lower development costs.

Sincerely,

Drew Schaumber

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