

[REDACTED]

From: Brad Queener [REDACTED]
Sent: Tuesday, November 5, 2019 10:33 AM
To: McMillan, Chris 6-9196
Cc: Martinez, Sara 6-4144
Subject: Re:
Attachments: 2020 QAP cost increases.xlsx

Revised QAP cost increase. There are some items in this that could use some discussion, and that will add several thousand a unit to the costs. Some need clarifying (finished slab height could be \$100K or more per deal). Requiring water meters for all units doesn't make sense - some municipalities do not allow individual meters. Look at column H and I for the costs we can estimate (this doesn't include raising site and some other items, which will certainly increase the estimate).

Thanks,
Brad

On Nov 5, 2019, at 10:05 AM, McMillan, Chris 6-9196 [REDACTED] wrote:

Brad,

Thank you for your comments.

Chris

<image001.gif>

Chris McMillan *Acting Tax Credit and Bond Manager*

300-C Outlet Pointe Blvd. | Columbia, SC 29210 | [REDACTED]

SCHousing.com

<image002.png><image003.png><image004.png>

From: Brad Queener [REDACTED]
Sent: Monday, November 4, 2019 1:58 PM
To: McMillan, Chris 6-9196; Martinez, Sara 6-4144
Cc: Brad Queener
Subject:

Chris/Sara -

Hope all is well. Please find attached my comments, as well as estimated costs for the design standards. We will try and quantify those and show what the total increase would be for a development.

Thanks,
Brad

November 4, 2019

TO: Chris McMillan
Sara Martinez

FROM: Brad Queener

RE: 2020 QAP Comments

Hope all is well. Thank you for the opportunity to comment on the 2020 QAP. My comments are as follows:

E. Application Qualification

G. Required Management Experience

Item 2 – I concur with the comments made today that these requirements are restrictive and may be impossible to meet by any management company. A management company with any scale (which provides efficiencies in operation for the owner) is surely to have some, at minimum, individual (and more likely several) instances of the issues listed here.

H. Required Capacity

Item 3 – It's tough to have a backward looking test like this. If extensions were granted by a previous SCSHFDA staff, it would be unfair to the Applicant to now have to get the approval of the current SCSHFDA staff. While the current staff may not agree with the past staff, that is out of the Applicants control. The Applicant asked for, and was granted, extensions. If the Applicant had known 2, 3, 5 years ago that asking for an extension would impact future participation, perhaps the Applicant would have made a different decision (ie. Stored Materials to meet carryover, purchasing the land prior to construction loan closing, etc).

J. City/County/Legislative Notification

Please consider allowing FedX and/or UPS for notification. Each of these services will provide delivery confirmation. Surprisingly, public officials are sometimes reluctant to accept certified letters.....

K. Mandatory Site Requirements

Item (e) - Given what I believe the results of the scoring criteria, i.e., what sites will score the highest, requiring sites located within 15 miles of an airport will almost automatically require noise studies. This seems to be much to be too great of a distance, too large of a radius. I live within 10 miles driving, and much less as the crow flies, from Myrtle Beach International Airport and am almost completely unaware of its existence as it relates to noise.

Item (i) – what flood plain type? 100 year, 500 year, 1000 year? Also, please consider allowing all counties as long as sites are at least 80% buildable. Sometimes a “wetland” is nothing more than a ditch or a low spot that is “wet” only partially during the year. Items like these can be buffered and left as natural green space.

L. Market Requirements

Item 2 – is 10% market advantage relative to FMR’s realistic for the entire term of the compliance period? Should SCSHFDA allow itself some discretion here (looking 5, 10 years down the road). Wouldn’t 10% below market be more reasonable? Also, there needs to be a floor if FMR/market rents decrease over time. Property cannot decrease rents as expenses are rising.

M. Targeting Requirements

Please allow the use of FedX, UPS for PHA letter.

R. Financial Underwriting

Item 3 - Reserve Requirements – industry standard for the operating reserve to be funded at the time of the permanent loan conversion. Also industry standard for the replacement reserves to be funded monthly from operations once permanent loan conversion has occurred (will also cause increase in deferred developer fee if funded prior to perm loan funding).

Please remove SCSHFDA’s requirement to approve use of replacement reserves. These are already reviewed and approved by the lender and syndicator. Or, at minimum, add back consider approved after 5 days if no response. I worry about a difference of opinion between the lenders/syndicator and SCSFDA on the release of replacement reserves. Who has overriding vote? What position does that put the Applicant in?

Item 4 - Increase developer fee allowable for acquisition/rehabs to encourage these developments. ACQ/Rehabs are just as difficult (and perhaps more so if tenants are in place) as new construction.

Item 5 – Allow deferred developer fee up to 50%, or whatever can be repaid within the time frame required by the Code.

Item 6 – have cost certifications at SCSHFDA's discretion, do not make them mandatory. Additional, and unnecessary cost. Please strike the last sentence “The Authority will use industry standards to determine actual allowable....” What industry and what standards? The cost to develop within SC varies greatly, going any farther than that would be useless.

Item 8 – last paragraph, last sentence – not sure how that would work.

Item 9 – how will “maximum level of permanent debt” be determined? CFU less than or equal to \$900?

Item 12 – cash flow loans should not be considered additional deferred developer fee. Other than a grant, this is the cheapest money available. Why punish the deal? If an entity is willing to make a cash flow loan that's fantastic.

14 – Other Income. Please include a section in the Application for us to include rather than having to slip sheet a piece of paper in the application detailing other income.

18 – “The LIHTC Award will not exceed the syndicators projected 10 year total capital contribution in the letter of intent at initial application and place in service application.” I think this is worded incorrectly. The amount of the capital contribution will always be lower than the 10 year credit amount.

VI New Construction Scoring Criteria

Item A – ‘If all of the units of a proposed site are located in a tract with no life expectancy data....’ Would it be more appropriate, and perhaps fairer to use state average rather than boosting the other line items by 1.2?

Item A(2) – is there anywhere in the state with an 85+? If not, should these ranges be reconsidered?

C. Affordability

Item 4 (a) and (b). Again, I think it is incorrect to have a backward looking test like this. I also do not think it is fair to put the burden on the developer when SCSHFDA

has not yet figured out how to address the aging LIHTC portfolio. This needs thoughtful discussion and consideration.

E. Cost Containment

I agree with the comments on the call today that we should be working toward averages and not to the lowest costs. Where/how would one be \$18,000 a unit cheaper than the average unless the land was free, and then that causes issues with the 65% hard cost/total development cost ratio.

Syndication rates – delete in its entirety. Too easy to manipulate and what happens if there is a pricing shift between application and PIS?

Please remove requirement (points for) using HOME funds. Diminishes SCSHFDA ability to fund more developments.

Construction Design Standards

Attached is a spreadsheet showing our estimate of additional costs for the items contained in the Development Design Criteria. We will provide estimate of total cost increase under separate cover.

| Section | Subsection | Design | Mandatory Design Criteria | | | Est Unit Cost | Est Unit Cost | Unit Notes | |
|---------------------|------------|--------------|---|------------|---------------|---|----------------|-------------|--|
| | | | Vendor | Cost Incr. | Notes | Increase | Increase | | |
| | | | | | | 50 Unit Senior | 50 Unit Family | | |
| I | B | 2,a,i | Two soil borings per every 3000 square feet of planned building ('s) footprint. | Geo | \$5k+ | Additional cost beyond typical \$5k geo report and will be required at time of application. This would equate to 14 bores in a sr building. | \$ 100.00 | \$ 100.00 | |
| I | B | 3 | Site & Civil plans using a scale of 1" = 30' | ASI | \$0 | No additional cost but, will be required at time of application. | \$ - | \$ - | |
| I | B | 3,n | Development site lighting with representative photometrics shown on plan | Gunn | \$0 | Will be required at time of application. | \$ - | \$ - | |
| I | B | 4 | Landscaping plans | TH | \$0 | No additional cost but, will be required at time of application. | \$ - | \$ - | |
| II | A | | ADA consultant for design and post construction | Brett | \$15k-20k | Not required until final design. | \$ 350.00 | \$ 350.00 | |
| I | C | 4,c | Manual J, S, & D design requirements | Dino | \$1k/ project | Not required until final design. | \$ 20.00 | \$ 20.00 | |
| Construction | | | | | | | | | |
| II | B | 5,c | Curbless showers | Legrande | \$400/ type A | typical in NC | \$ 40.00 | \$ 40.00 | |
| II | A | Emer Alert | All Type A and A/V units to have nurse call sys which dials out | Wayne | \$800/ type A | Cost increase in family style only | \$ - | \$ 80.00 | |
| II | B | 1 | Increased unit SF | Prog | \$68/sf | | \$ - | \$ - | |
| | | | | | | Paperless is not standard, cost increase for material and finishing cost increase. We currently use moisture resistant board in these areas already. | ??? | ??? | |
| II | B | 5, 9 | Paperless drywall in laundry, mech closets and behind kitchen sink and dishwasher | Reaves | \$\$ | | | | |
| II | C | 1 | Larger Community Buildings | Prog | \$68/sf | | \$ - | \$ - | |
| II | C | 2,c | Exercise room | Prog | \$68/sf | SF cost increase plus equipment cost on developer side | \$ 14.00 | \$ 14.00 | NIC equipment |
| II | C | 3,e | Covered drive though for Sr | Prog | \$\$ | Refers to high rise only, assuming they mean low and mid. This would require a dry sprinkler system too. | \$ 400.00 | \$ 400.00 | |
| II | C | 6,b | Maintenance room 200 sf | Prog | \$68/sf | Did not have dedicated space in Sr. in the past | \$ 272.00 | \$ 136.00 | |
| II | C | 8,d | Recycling Center | Prog | \$15k | new requirement, also additional operating cost | \$ 300.00 | \$ 300.00 | |
| | | | | | | Perhaps makes sense for main line, branch lines need to be corrugated for flexibility. | ??? | ??? | |
| II | D | 3, b | No corrugated pipe for leader drain system | King | | | | | |
| II | E | 3 | 24" above BFE | Prog | \$\$\$ | Typical is 14" | ??? | ??? | This will be a 6 figure cost, site specific |
| | | | | | | Will require, deeper foundations (foundations typically were only 12-14" deep), now ould need to be 26"-28" deep. Will require switchback sidewalks and more land to fit the switchbacks in. This cam from the SRDP program and makes more sense on townhomes ande single family. | \$ 2,000.00 | \$ 2,500.00 | 50% more concrete, high side |
| II | F | Ext Wall,5 | J boxes for penetrations in siding | UFP | \$10k+ | Good Practice, atypical for Hardie | \$ 200.00 | \$ 200.00 | |
| | | | | | | This does not allow for wood or steel. This statement needs clarification. | | | Needs clarification to quantify. |
| II | F | Ext Stair, 1 | Columns to be made of fiberglass, polyurethane or aluminum | UFP | | | | | |
| II | F | Ext Stair, 5 | Powder coated stairs | Carfaro | 20% | Currently steel comes primed and then field painted, affects Sr's and breezway family. Sr cost increase would be aprox. \$10k | \$ 172.00 | \$ - | |
| II | G | | Gutters Leaf guard system | Prog | \$4k-\$10k | | \$ 140.00 | \$ 140.00 | |
| II | I | 1,c | Solid core doors at all baths and beds | UFP | \$90/ dr | Aproximately \$18k/ proj | \$ 360.00 | \$ 360.00 | |
| II | I | 1,d | All bed doors to be 3-0 | UFP | | cost increase but minimal, may require unit layout redesigns | \$ 30.00 | \$ 45.00 | |
| II | I | 2,f | Rot proof jamb on exterior doors | UFP | \$15/door | minimum cost, good practice | \$ 18.00 | \$ 18.00 | |
| II | I | 2,k,l | Exterior full & half glass doors to have blinds between glass | UFP | \$120/door | Currently minimal amount of doors in our designs. | \$ 22.00 | \$ 22.00 | |
| II | I | 3,a | 2" blinds | Affordable | \$12k | aproximately 2.5 times cost, "authority prefers", not required | \$ 240.00 | \$ 240.00 | |
| II | J | 3,c | ADA referers to be side x side or bottom mount | Whirlpool | | Side by sides are not ADA compliant, NC has always required | \$ 30.00 | \$ 30.00 | |
| II | J | 6 | Micro/ range vented to exterior | Southern | \$20k | costly because of fire wrapping of pipes | \$ 400.00 | \$ 400.00 | |
| II | J | 7,a | Backsplash panel behind ranges | CDC | \$62/ unit | | \$ 62.00 | \$ 62.00 | |
| II | K | 8,h | Wireless or hard wired call for aid station in all baths | Wayne | \$400/ unit | Already in place for seniors, would be additional cost for family. | \$ - | \$ 400.00 | |
| II | L | 5 | Exterior storage closet for all units | Prog | \$902/ unit | This will require additional square footage and cost of lockers. | \$ 902.00 | \$ 902.00 | may cost more on family as it would require a redesign of units. |
| II | N | 1 | LVT, sheet vinyl, hardwood or vct throughout | Ameri | 37% incr | Cost increase is based on LVT and sound mat | \$ 690.00 | \$ 690.00 | |
| II | O | 9 | No duct board | Southern | | This is a cost savings | \$ (150.00) | \$ (150.00) | |
| | | | | | | Sanitary sewer main lines cannot be located under the slab for the entire length of a building/ structure. The main line must run on the front, side or back of the building/ structure and tie ins made by unit modules. | | | Needs clarification to quantify. |
| II | P | 1 | | Legrande | S-\$\$\$ | This needs clarification as it can be interpreted many ways. This could be very expensive. | | | |
| | | | | | | This would ultimately be a submetering setup, there would be operation costs for monitoring as well | \$ 300.00 | \$ - | Most family properties are individually metered |
| II | P | 2 | Water meters are required for each unit. | Legrande | \$300/ unit | | | | |
| II | R | 1 | Energy Star, Multi-family High Rise Developments | | \$\$ | Do they really mean high-rise? If so, this would not be applicable | | | Needs clarification to quantify. |
| | | | | | | \$ 6,912.00 | \$ 7,299.00 | | |