



South Carolina State Housing Finance and Development Authority
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January 10, 2020

The Honorable William M. "Bill" Hixon
Subcommittee Chair
Legislative Oversight Committee
South Carolina House of Representatives
Columbia, South Carolina 29201
Sent via E-mail, KendraWilkerson@schouse.gov

Re: Follow-up from December 12, 2019 Letter

Dear Representative Hixon:

Please accept this letter as SC Housing's response to your December 12, 2019 letter. The questions and issues raised by the Economic Development, Transportation, and Natural Resources Subcommittee are in bold text below, and our responses follow.

- 1. In the last several years, how many affordable housing properties have you taken action against, e.g. removing a management company or reporting the property to the IRS or HUD?**

Since 2017, SC Housing has issued 240 Form 8823s to the IRS advising of noncompliance with regards to the LIHTC program. Since 2017, 12 properties in the Project-Based Rental Assistance program received notices of default from HUD. To staff's knowledge, SC Housing has not removed a management company under the above-listed circumstances. However, SC Housing has reminded owners of that ability in an effort to effect change.

- 2. What percentage of affordable housing properties are located in opportunity zones?**

For multifamily developments developed under the Low Income Housing Tax Credit and/or the Bond program, 32% are located in Opportunity Zones. For multifamily developments developed under the State Housing Trust Fund, 38% are located in Opportunity Zones. As "affordable housing properties" is a rather broad category, please note that SC Housing staff spoke with House Oversight Staff to confirm that SC Housing will respond with calculations for multifamily developments in which SC Housing has provided funding and/or allocations of tax credit. The above calculations do not include naturally occurring affordable housing, affordable home ownership, Performance Based Contract Administration under HUD, or affordable housing through local housing authorities.

3. How does the agency anticipate H.4657 and H.4679, if enacted, could affect affordable housing in South Carolina?

H.4679, the “South Carolina Malls Revitalization Act,” would potentially enable additional affordable housing to be developed as “adaptive reuse.” South Carolina has its fair share of vacated and/or nearly vacated buildings. Vacated buildings are typically found in areas that are distressed and in need of revitalization. This tax credit would encourage revitalization by providing an incentive for redevelopment, which would support neighborhood stabilization efforts. One of the challenges with adaptive reuse is such projects are often more costly per unit than rehabilitation or even new construction projects. Thus, for many potential adaptive reuse projects, there would be a significant funding gap after the standard financial resources are in place. Depending on the value of this proposed tax credit, it could help close the financial gap allowing the development of more low income housing in typically distressed areas—many of which likely overlap with Opportunity Zones.

H.4657, the “South Carolina Opportunity Zone Enhancement Act of 2020” would potentially attract Opportunity Zone investment into South Carolina’s Opportunity Zones by promoting planning and providing additional financial incentives. The main categories of the bill are addressed below:

- **State Income Tax Credit for Opportunity Zone Investment.** Such a measure would provide additional incentives for SC taxpayers to invest in Opportunity Zones, which could help revitalize these areas. Whether the investment goes directly into affordable housing or into the creation of jobs in a distressed area, either has the outcome of supporting affordable housing.
 - **State Low Income Housing Tax Credit.** This would allow for additional incentives for the tax credit developments solely in Opportunity Zones. This would potentially drive tax credit developments into Opportunity Zones by allowing for additional capital for developers to get a project fully funded. SC Housing applauds and welcomes the effort to provide a state Low Income Housing Tax Credit in Opportunity Zones, but we are concerned that such a valuable incentive being limited to Opportunity Zones would encourage tax credit development only in these areas. It is important that affordable housing developments be created both in communities where they can be an impetus of revitalization but also in communities where they support the economic empowerment of low-income households.
 - **Job Creation Tax Credit in Tier III and Tier IV counties.** When allocating the Low Income Housing Tax Credit, SC Housing considers the availability of jobs in a particular area. As referenced above, any additional investment into job creation in a distressed area can indirectly support affordable housing.
 - **Sales Tax Rebate & Credit for Grocers.** When allocating the Low Income Housing Tax Credit, SC Housing considers whether a proposed development is in a “food desert.” Providing incentives for grocers to enter food deserts could make these areas more competitive in the tax credit development program.
 - **SC Opportunity Zone Leadership Task Force.** Many Opportunity Zones are positioned in areas where local leaders lack the resources to put together comprehensive plans to attract investors. A Task Force could help community leaders plan and potentially intersect with investors, which, in turn, could help drive Qualified Opportunity Fund investment into these areas.
 - **Department of Commerce Grant.** SC Housing defers to the Department of Commerce on the efficacy of such a measure. However, as referenced above, any additional investment into affordable housing or job creation in a distressed area can either directly or indirectly support affordable housing.
- 4. Please provide the list of other state agencies SC Housing works with, which was referenced during the December 5 meeting.**

Please see enclosed list.

- 5. The Subcommittee recommends that SC Housing consider the issues discussed during the Subcommittee study related to property management and crime at affordable housing properties, and present recommendations for possible solutions by January 10, 2020.**

SC Housing reached out to the South Carolina Sheriff's Association, the National Council of State Housing Agencies, and various other Housing Finance Agencies. The ability to remove a management company remains a standard tool in the toolbox of SC Housing and other Housing Finance Agencies. In a review of similar jurisdictions, none have removed a management company for the presence of criminal activity at a development.

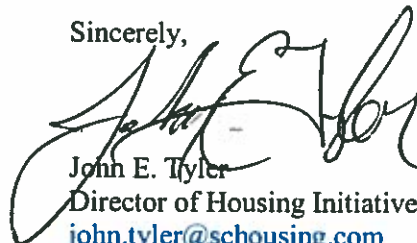
Under current program guidelines and/or regulations, SC Housing is limited in its authority to address crime or other issues at affordable housing developments that we fund or administer on behalf of HUD. However, in instances where our concerns become elevated over specific issues at a property, SC Housing staff proactively facilitates collaborative discussions concerning the resolution of those issues with the owner, management agents and, when warranted, other relevant parties such as community leaders, elected officials and police jurisdictions. Additionally, SC Housing has reserved the ability to remove management entities that are operating at substandard levels. In cases involving HUD Project-Based Rental Assistance properties, the HUD Account Executive can assist in addressing those issues as potential contractual violations. In cases involving HUD Housing Choice Vouchers in a county that SC Housing administers, SC Housing initiates termination of vouchers of households engaging in criminal activity.

During the course of developing the 2020 Qualified Allocation Plan for the Low Income Housing Tax Credit Program, measures were put in place to standardize, assess and require enhanced management performance, providing additional security enhancements for the property (i.e., fencing, security cameras, etc.). Additionally, owners must utilize management companies with proven performance in terms of: maximized occupancy and rent collections which strengthen financial viability; reduced "down" time for vacant units which ensures the availability of affordable housing; and, demonstrated compliance with state and federal requirements.

SC Housing continues to seek to award funding and/or tax credit allocations to all areas of South Carolina, including areas that may suffer from elevated crime rates. In doing so, SC Housing is investing in the revitalization of many distressed communities. SC Housing continues to make efforts to ensure that the residents of affordable housing have the ability to access educational opportunities, employment opportunities, food and nutrition, healthcare, and other components of living a safe, healthy life. Going forward, we will continue to strive to fulfill our mission to provide safe, decent and affordable housing opportunities for all South Carolinians. In response to this item raised by the Subcommittee, our 2021 QAP Action Team will be tasked with reviewing, among other things, certain safety and security measures that might protect residents from crime and otherwise reduce criminal activity, such as lighting, security cameras, fencing, proximity to police, neighborhood watch models, education from local law enforcement, and similar items.

If I can be of assistance in providing further information for the Committee, please do not hesitate to contact me directly.

Sincerely,



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Enclosures



House Oversight Committee Hearings Issue Responses

- **Collaboration with other state agencies, e.g. Department of Corrections, DMH, and DAODAS**
- A. SC Department of Mental Health
 - a. Memorandum of Understanding (MOU) for a rental subsidy program for families otherwise incapable of independent living, 28 families currently assisted.
- B. SC Department of Health and Human Services
 - a. Contractual agreement to administer a rental subsidy program transitioning families out of institutions back into the community. Currently 3 families.
- C. SC Disaster Recovery Office
- D. SC Interagency Coalition on Homelessness (SCICH)
 - a. Also involves:
 - i. Department of Mental Health
 - ii. Department of Health and Human Services
 - iii. Department of Education
- E. SC Emergency Management Division
 - a. Recovery taskforce
 - b. Also involves
 - i. Disaster Recovery Office
 - ii. DSS
 - iii. Multiple non-profits
- F. SC Department of Disabilities & Special Needs
 - a. HTF Group Home development program
- G. Department of Corrections:
 - a. Attended annual even and presented on homeownership
- H. Department of Natural Resources
 - a. Attended and exhibited at Health Fair
- I. Kershaw County Housing Authority
- J. Department of Employment Workforce and the SC Workforce Development Board.
 - a. We are leading the Priority Populations Committee
 - b. Also involves:
 - i. DMH
 - ii. DSS
 - iii. DDSN
 - iv. DJJ
 - v. Corrections
 - vi. Aging
 - vii. Multiple non-government entities



- K. Office of Rural Health (non-profit)
 - a. Includes collaboration with:
 - i. Department of Aging,
 - ii. Office of Economic Opportunity (Dept. of Admin)
 - iii. Department of Employment Workforce
- L. Habitat for Humanity (non-profit)
- M. SC Children's Trust (non-profit)
 - a. Collaboration includes:
 - i. HHS
 - ii. DHEC
 - iii. RFA
 - iv. Commerce
 - v. DAODAS
 - vi. Education
 - vii. DPS
 - viii. DSS
 - ix. DMH
 - x. DJJ
 - xi. Minority Affairs