2024 QAP Comments
Connelly Development, LLC

General Statements:

For planning purposes developers would like information on the below items provided before or at the LIHTC Public Hearing:

1. Will state tax credits not used in 2023 for both the 9% and TEB programs be rolled to the 2024 funding cycles?
2. How much in state tax credits will be available for the 2024 TEB and the 9% LIHTC funding cycles?
3. How much in federal 9% LIHTCs will be available for the 2024 funding cycle?
4. How much TEBs was available in 2023 and will funds not allocated in 2023 be rolled to a 2024 TEB funding cycle?
5. How much in total TEBs will be available in 2024?
6. Will the cap on awards per county in the 9% program be increased as well as the cap on the number of older persons developments that can be awarded per county?

QAP COMMENTS

Proposed Timeline:

1. Preliminary Applications Due: 12/11/23 - 12/15/23
   As long as the list of checklist items to provide for the preliminary application is limited, as it has been in years past, and the checklist provided as soon as possible, the timing should not be an issue even though it is a week before Christmas.
2. Preliminary Scores Released: 1/8/24
   Suggest moving this date out one week to 1/15/24 to allow sufficient time to review and post preliminary scores since the current proposed date is only 11-12 days from the application submission deadline. This needs to be a firm posting date as third-party reports have to be ordered and acquired before full applications are due.
3. Full Applications Due: 3/25/24 - 3/29/24
   Suggest moving this date to 4/8/24 - 4/12/24. Depending on weather conditions (typically rainy during winter months) the environmental and geotechnical reports could be delayed as there is drilling involved to complete these reports and rain delays the necessary drilling needing to be done. In addition, should a Phase I environmental report come back indicating that a Phase II environmental report needs to be completed this would be a short timeframe to get a Phase II completed by the date full applications are due.

Required Management Experience:

1. Comments were made at the Roundtable about having a required number of hours a manager should be on-site as SC Housing is getting complaints from tenants. Just because a tenant is calling to complain to SC Housing about an issue doesn't mean its necessarily true as there are always two sides to every story. SC Housing should require all developments to have a permanent sign posted at the manager's office which lists the days and hours a manager will be on-site. There should also be a telephone number(s) for the on-site manager's office as well as the management's regional office so that tenants can call and talk with someone or leave a message. Most management companies have a separate phone

number for tenants to call if it's an emergency which should also be listed. If SC Housing is getting complaints, then both the management company and property owner should be notified of the complaint via email so that it can be dealt with.

Mandatory Site Requirements:

1. Developments located within 1 mile of a 2021 or 2022 awarded new construction development posted on the Authority's Proposed & Existing LIHTC and Tax-Exempt Bond Developments List.
   a) Keep requirement in place for all counties allowing proposed developments to move forward before adding another development in close proximity. We don't need to oversaturate markets or draw the ire of City/County Officials or neighborhoods by putting developments in the same area year after year. The urban areas were overwhelmed with bond deals in the past two years that need to move forward and start leasing before adding more large developments to the same areas.
   b) It is crucial that SC Housing keep the Proposed & Existing LIHTC and Tax-Exempt Bond Developments List updated so that the development community knows if developments previously funded have fallen out and are not moving forward.

Financial Underwriting:

1. Operating Expenses: Need to increase operating expenses. Insurance rates, taxes, payroll expenses for management and maintenance operations are increasing. Suggest putting in an inflation factor to use for adjusting the range each year as these expenses should not stay static year to year.
2. Permanent Financing: Interest rates are based on a survey. Please provide survey results as soon as possible and create a range to be used for underwriting purposes.
3. Syndication Information: Put a floor price for both federal and state credits in the QAP. There doesn't need to be a pricing cap but there needs to be a floor price that developers can't go under. Suggest having 82 cents as a floor for federal credits and 50 cents for state credits.

APPENDIX C-1 - 9% TAX CREDITS

1. Award Limitations: As there were no awards for 2023-
   a) Allow developers 3 awards in 2024;
   b) Increase the amount of LIHTCs any one developer can have from $3 million to $4.5 million;
   c) Increase new construction awards to 2 per county across all counties. A market study should determine if there is a need or not for additional units based on what is already operational and what is planned;
   d) Allow 2 older persons awards per county across all counties.

2. County Groups: Leave County Group A and Group B as stated for 2024 and revisit in 2025.
3. Set-Asides and Nonprofit Set-Aside:
   a) If the Authority is not meeting the required 10% funding to nonprofit organizations, then create a Nonprofit Set-Aside to ensure the 10% nonprofit expenditure is met each year. Applications submitted in the Nonprofit Set-Aside should not roll to other set-asides. Creating a Nonprofit Set-Aside already gives the applicant an advantage of not having to compete with other submitted applications but rolling unfunded applications to another set-aside allows these applications two chances to be funded which creates an unfair funding advantage not afforded to other applicants.
   b) Eliminate the Innovation Set-Aside and allocate the percentage of funding to the Rehab Se t-Aside. Since the Authority no longer allows Qualified Contracts and there are many developments reaching the end of the 15-year compliance period there needs to be some additional funding for rehabilitation developments.

c) The Authority needs to explain how tax credits remaining in a set-aside and not allocated are used; i.e., do all remaining credits not used roll to the High Demand New Construction Set-Aside which typically has the majority of application received for funding.

4. Maximum LIHTCs Per Unit: Establish a credit per unit cap as part of the initial QAP as developers need to determine if developments are financially feasible early on without having to wait for a survey to be completed 30-60 days before full applications are due. Suggesting a cap of $27,000 per unit.
5. Basis Boost: Keep the Basis Boost statewide.
6. Distance to Amenities: Leave distance to services for 2024 and revisit for 2025 as developers already have sites under option from 2023 and there was no funding cycle.
7. Points for Jobs: Keep job points as it helps differentiate scores.
8. Affordability:
   a) Pickens should be moved to a Moderate County as it is not a high-income county.
   b) There is a conflict with the Restrictive Covenant language between maintaining the minimum set-aside election for points and unit targeting at 20%. Language in the Support Housing Section (C1-12) states that for a period of 90 days after the initial rent-up period begins the owner will establish a preferential leasing opportunity for referrals and thereafter will maintain a separate waiting list. We asked for clarification on this issue as follows: "*Once the development begins lease-up we have to keep the 20% targeted units open and available only to those tenants meeting the 20% income limit. After the 90 days if we have not rented all of the 20% units and we do not have any other potential 20% income tenants from service providers to rent the targeted units to then we can rent to other income eligible tenants at or below 60% with the understanding that a 20% income waiting list will be maintained and utilized and that the next available vacant unit would be rented to a 20% tenant first if one can be found but again if one is not found then the vacant unit could be rented to another eligible tenant at a higher income.*" SC Housing responded that the above was correct. However, the Restrictive Covenant language is not written this way. The current language in the Restrictive Covenant results in not being able to use the next available unit rule and will result in 20% units sitting vacant if tenants are not found to occupy the units.

9. Leveraging: Interest rate for soft funding should increase from 2% to 3-4% based on current market conditions.
10. Supportive Housing:
    a) Lower the 10% of total units targeting 20% AMI to 5% of the total units targeting 20% AMI.
    b) The 20% units are basically free units as the rents generated do not cover the operating costs for the unit. The other units in the development (50% and 60%) now have rents set at or close to the maximum rent limits in order to cover the operating costs of having 20% units.
    c) Consider increasing 20% AMI units to 30% AMI units.
    d) Units at this low income and rent targeting levels need rental subsidy to cover operations. Perhaps using the National HTF for these units is a viable option.
11. Tie Breaker Criteria:
    a) Lowest total development cost per heated square feet is a race to the bottom. If you want to keep the costs real and ensure developers are not playing games with costs this criterion needs to be eliminated.
    b) Suggest adding- development with costs closest to the average cost.
12. Evaluation of Rehabilitation Applications: Suggest adding the following statement which should apply to 9%, 4% and TEB application submissions- Developments representing total rehabilitation costs at or above 50% of the value of the development are not eligible as a rehabilitation development. Developments with rehabilitation costs at this level will be considered and evaluated as a new construction development.

APPENDIX C-2 – TAX EXEMPT BONDS

1. The Authority should impose a limit on the number of applications any one developer can submit for TEB bond funding. We suggest a limit of two (2) TEB application submissions per TEB funding cycle.
2. Ranking:
   a) **All** existing state tax credit scoring criteria needs to be deleted as it:
      i. Creates a race to the bottom for costs so you will not get real cost numbers;
      ii. Will result in huge units being developed; and
      iii. Create development with higher bedroom unit counts such as 3-, 4- and 5-bedroom units.
   b) Suggested new scoring criteria:
      i. Distance to services: Group A counties- 2 miles and Group B Counties- 3 miles.
      ii. Number of jobs paying between $1,251 and $3,333 per month in a two-mile radius for Group A counties and a three-mile radius for Group B counties.

APPENDIX C-3- STATE LIHTC

1. Ranking:
   a) **All** existing state tax credit scoring criteria needs to be deleted as it:
      i. Creates a race to the bottom for costs so you will not get real cost numbers;
      ii. Will result in huge units being developed; and
      iii. Create development with higher bedroom unit counts such as 3-, 4- and 5-bedroom units.
   b) Suggested new scoring criteria:
      i. Distance to services: Group A counties- 2 miles and Group B Counties- 3 miles.
      ii. Number of jobs paying between $1,251 and $3,333 per month in a two-mile radius for Group A counties and a three-mile radius for Group B counties.

APPENDIX E – LIHTC MANUAL

1. Progress Monitoring: Notification was sent out stating that Compliance Monitoring staff will enter the development information into SCHousingSearch.com once a placed in-service application was received. If this is still correct, please remove the criteria for the developer/management company to upload information. However, if the system is available for the developer/management company to upload information then development information should be uploaded, at the earliest, at the fifteen-month benchmark when a development is under construction.