

## 2025 QAP Comments – Connelly Development

### QAP:

#### Wetlands, Environmental, and Soil Reports, Page 5:

Remove requirement for Geotechnical Report at full application submittal. A Bulletin was issued stating the report was not required for 2024 but this requirement needs to be removed from the QAP going forward. Developers trying to obtain federal funding for leveraging preference cannot provide a geotechnical report as HUD considers any ground disturbance before the completion of a NEPA review and HUD approval to use federal funds a choice limiting action.

#### Financial Underwriting, Page 11:

1. For both the 9% and bond programs, provide a ratio of minimum required Eligible Basis to Total Development Cost. This prevents developers from artificially lowering their eligible basis in order to push up the state credit request. (Suggested ratio minimum 82%)
2. Utilize similar language used in prior QAP's to evaluate and score developments based on cost to reduce the risk of developers inflating costs to obtain more credits than needed at initial application:  
*The Authority will apply cost standards for Eligible Basis per Heated Square Foot (EBHSF) based on the group average for each type of development submitted in the funding cycle. The Authority will use discretion in determining the groups for comparison, i.e. garden style, single family, townhouse type developments will be compared to each other to determine similar development costs. As required in each Set-Aside, the Authority will apply cost standards for Eligible Basis per Heated Square Foot (EBHSF) to all developments. Standard deviations will be calculated from the group average for each type of development submitted within the Set-Aside. The Authority will use discretion in determining the group types for comparison, which may include but are not limited to new construction, rehabilitation, garden style, and single-family developments. Developments with an EBHSF that deviates above or below the group average will be assigned the following values: EBHSF less than or equal to 1.0 Standard Deviation = No points lost. EBHSF greater than 1.0 and less than or equal to 2.0 Standard Deviations = Negative 2 points. EBHSF greater than 2.0 and less than or equal to 3.0 Standard Deviations = Negative 4 points. EBHSF greater than 3.0 Standard Deviations = Negative 6 points.*
3. Please add language to the QAP to clarify that as per SC Legislation, developers MUST maximize their federal tax credit ask after applying any applicable basis boost and only be allowed to use State Tax Credits as a gap filler.
4. Syndication Information: Continue using a floor for both federal and state credits. Please provide the pricing range as soon as possible as underwriting a development begins once land is optioned. Developers need to know if there will be a funding gap to fill as looking for and obtaining additional funding is a process that can take a good bit of time depending on the source.

### APPENDIX B – DEVELOPMENT DESIGN CRITERIA

1. Page B-7, Unit Size & Base Requirement:  
A Bulletin was issued for 2024 increasing the maximum square footages for 2-, 3- and 4-bedroom units, please consider keeping these units at the higher square footages.

## **APPENDIX C-1 - 9% TAX CREDITS**

1. Page C1-4, County Groups:  
Based on 2024 county population counts, and assuming the Group A counties are based on population, Aiken and Dorchester are ranked 11 and 12, respectively. If the goal is to have Group A counties be those with the highest population count, we suggest adding Anderson County to the list of Group A counties as it is ranked 9<sup>th</sup> in population.
2. Page C1- 4 & 5, Set-Asides:  
Eliminate the Innovation and SCDOT Set-Asides allowing developers to only compete in the High-Demand New Construction, Rehabilitation and General New Construction Set-Asides.
3. Page C1-6 & 7, Size Requirements:  
Consider lowering the total units allowed in Group A and Group B counties from 100 and 80 units to 80 and 56 units respectively. There is a limited amount of 9% credits available each year and allowing larger developments limits the number of awards and concentrates the housing units in just a few places not allowing housing to be spread throughout the state. The average unit count for 2024 applications was 67.5 in Group A and 52 in Group B.
4. Page C1-7, Basis Boost:  
We suggest reducing the state-wide basis boost as long as there is a State Tax Credit to access. If the Authority reduced the basis boost, developers could use less federal credit and more state credits thereby increasing the number of units created for new construction developments. As per federal law, 30% basis boost would still be allowed in QCT's and DDA's. Please add language in this section that all developments are subject to the basis boost and must be reflected in the funding application.
5. Page C1-7, Distance to Amenities:  
We suggest not having Pharmacy and Retail together as one amenity. It doesn't make sense for these two items to count for the same points as they are two completely different services with no correlation to one another. We suggest removing Retail as a Primary Amenity and making it a Secondary Amenity as a way to help developers earn the maximum points for Secondary Amenities.
6. Page C1-9, Qualified Opportunity Zone:  
Lower points from 5 to 3.
7. Page C1-10, Affordable Housing Shortage:  
Instead of saying "previous "ten, five, three" funding cycles", please list the years. Since 2023 was not a funding cycle, there is the potential for misunderstanding which years count as a funding cycle.
8. Page C1-11, Leveraging:  
The sentence in #3 need to be rewritten to simply state that the interest rate for soft funding should be no less than 2% and capped at the long term applicable federal rate in effect for the month prior to the full application deadline.
9. Page C1-11, Revitalization:  
Please simplify the revitalization criteria. The criteria listed in section 1 b & c for which narratives have to be provided is an exhaustive process. Many of these items are not needed to have a designated revitalization area in place in the specific area the municipality wants to have developments located in. While larger urban areas may have long detailed plans in place due to the fact they get annual federal funding for these types of extensive plans in more rural areas are not realistic.
10. Page C1-12, Supportive Housing:
  - a) Lower the 10% of total units targeting 20% AMI to 5% of the total units targeting 20% AMI as the Authority has an abundance of developments that have not yet placed in service and are targeting this income level so there will soon be an abundance of 20% units trying to be filled at the same time. We also suggest you talk with the State Agencies that are to provide these tenants to see what their need truly is at this point.

- b) We suggest you seek the input from State Agencies providing the 20% tenants to see which counties they want to target for 20% tenants as some of the more rural counties, while there may be a need, there are no services to assist these tenants in the area and their ability to have reliable transportation to get to services may be an issue.
- c) The 20% units are basically free units as the rents paid do not cover the operating costs for the unit. The other units in the development (50% and 60%) are having to have rents set at or close to the maximum rent limits in order to cover the operating costs of having 20% units. This is a reason to lower the 20% units to targeting only 5% of the total units at this very low-income band.
- d) Consider increasing 20% AMI units to 30% AMI units. As stated above the rent generated does not cover operating costs and the other higher income units are having to cover the operating costs of the 20% units thereby making these units have a higher rent level than would normally be needed.

**APPENDIX C-2 – TAX EXEMPT BONDS**

1. The Authority needs to have a new construction set-aside, a rehabilitation set-aside, and a Local Housing Authority Set-aside. LHA’s have the ability to use vouchers and fair market rents which gives them a significant financial advantage over other developments. Also, LHA’s are typically very “site specific” to properties they already own and are limited to the points other developments can claim. There should be criteria in the rehabilitation set-aside to ensure that acquisition/rehabilitation costs are reasonable. If the cost to rehabilitate units is more than the cost to build new units then the rehabilitation development should be disqualified.
2. Page C2-3, Targeting Requirements:  
There should be a maximum number or percentage set for the number of bedrooms. Having 35 as the cap for the total 3- and 4-bedroom units, especially in a large development, creates an abundance of one- and two-bedroom units which may not be what the market area dictates as the need. We suggest a minimum of 10% for 1-bedroom units, a maximum of 25% for 3-bedroom units, and a maximum of 10% for 4-bedroom units
3. Page C2-3, Size Requirements-  
We suggest a cap of 250 units per application whether it is new construction, rehabilitation or scattered sites.
4. Page C2-3, Application and Award Limitations:  
We suggest developers be limited to one award per funding cycle due to the Authority having limited bond cap for multifamily and one funding cycle per year.
5. Page C2-4, Ranking:
  - a) The Authority needs to add point criteria to the bond program and not leave the award ranking based solely on the state tax credit ranking criteria.
    - i. Add distance to primary services such as a grocery store, shopping, pharmacy, retail and healthcare. Need to make the distance to these services have a larger range than the 9% deals because land for larger deals is hard to find close to all amenities.
    - ii. Add points for jobs.
    - iii. Have negative points for developments that do not fall within one standard deviation per unit cost at the average of the majority of the developments submitted. Negative points would apply to those developments outside one standard deviation.
  - b) The state tax credit scoring criteria needs to be changed as it is set up to be a race to the bottom. Having a limit on the number of higher bedroom unit counts helps stop this to some degree; however, a better scoring criterion to consider would be “State resources per total development cost”.

6. Page C2-5, Tiebreakers:  
Eliminate tie breaker criteria. If the above suggestions are taken then tie breakers should be irrelevant.

### **APPENDIX C-3- STATE LIHTC**

1. Page C3- 3, Ranking:
  - a) The state tax credit scoring criteria needs to be changed as it is set up to be a race to the bottom. Having a limit on the number of higher bedroom unit counts helps stop this to some degree; however, a better scoring criterion to consider would be “State resources per total development cost”.
2. Page C3-4, Tie breakers:  
Eliminate tie breaker criteria. If the above suggestions are taken then tie breakers should be irrelevant.

### **APPENDIX E – LIHTC MANUAL**

1. Page E-3, Progress Reports:  
On the 100% inspection request, which you want within 60 days of receiving a certificate of occupancy, you require a Final Survey of the Site Plan. If you are requesting the Final As-Built Survey you will only be able to receive that in draft form as the final survey has to be reviewed by the lenders which is not done until the development is ready to close on the permanent loan which is later than 60 days after a certificate of occupancy is received. We suggest you allow a final site plan plat with a final as built survey to be delivered once the permanent loan closing takes place.
2. Page E-3, Progress Deadlines:
  - a) 12 months after the Reservation is issued the management entity’s plan is due. We request that (i) this be a draft of the management plan as most developers do not enter into a final management plan until the development is nearing 75% completion and marketing and lease-up operations are beginning or (ii) eliminate the submission of the management plan at 12 months and have it submitted as part of the placed in-service application package.
  - b) While the 2024 Manual does not mention submitting Building Permits at 15 months after the Reservation is issued the Awarded Development Timeline Schedule does. In order to close the construction loan, the developer must have building permits so we suggest moving the submission of building permits to the 12-month deadline.
  - c) In previous years, developments were to be listed on [SCHousingSearch.com](https://www.schousingsearch.com) at 12 months after the Reservation was issued. We have no issue uploading developments to the system and think it is a good tool for renters to utilize, however we would suggest uploading development information once the development is 50% complete. Listing a development when the construction loan closes is way too soon for a tenant to be able to apply for a unit and the development is a year or more away from being completed. We suggest you add a checkbox to the Quarterly Progress Report that a developer checks indicating the development has been added to [SCHousingSearch.com](https://www.schousingsearch.com) with a copy of the uploaded information provided with the Quarterly Report submission.

### **General Program Comments:**

#### **Program Schedule:**

While we understand issues come up that require the initial tax credit schedule to be altered from time to time, please understand developers rely on this schedule when putting options together for sites, ordering third party reports that need to be timely, as well as determining interest rates for leveraged funding, so we request that SC Housing please adhere, to the fullest extent possible, to the initial published tax credit schedule.

## **Fee Schedule:**

Extension Fees are currently \$2,000 per request which is high. We understand wanting to ensure developments, once funded, keep moving but you receive Quarterly Progress Reports which give an update on the development status and also indicate what is causing delays. Many extension requests are due to delays in City/County/DOT/DHEC review times in order to get permits issued which is beyond the developer's control. This delay then holds up the ability to close on the construction loan as you need all permits in hand to close. Excessive rain can delay the ability to have footings in place by the deadline, again something a developer cannot control. If you feel the need to charge developer's an extension fee then please consider making the fee reasonable and also consider a flat fee not a fee per requested extension item as the inability of meeting one deadline is usually a ripple effect to the other listed deadline items. Lastly, charging a high fee simply adds to the overall development cost, which doesn't benefit anyone, and isn't going to stop the need for developer's needing to request an extension.