

Connelly Development - Comments on QAP Documents Draft #2

QAP:

Page 19, Item 14 Minimum Hard Cost Requirement:

Applications must reflect a minimum hard cost ration of not less than sixty-five (65) of total development costs a full application and PIS application unless waived at initial application.

Comment:

Please lower the state imposed 65% hard cost ratio to a 60% hard cost ratio for bond developments. Bond developments have higher soft costs than the typical 9% development and lowering this ratio would make allowances for bond interest, reinvestment earnings, and the higher soft costs associated with bond financing. While a waiver is allowed at initial application, which is appreciated, the Authority would potentially have fewer waiver requests if the hard cost ratio was simply lowered to 60% for bond developments.

Appendix C-1- 9% LIHTC

1. Page C1-8, F. Leveraging, Item 2.d:

*The documented cost of infrastructure improvements or amenities funded in full by a governmental entity that are located on or **adjacent contiguous** to the project site that will serve the tenants and which will be constructed after application submission and completed prior to the development placing in service;*

Comment:

Please consider removing “amenities” from this section and define specific infrastructure improvements allowed for leveraging points. Leveraging should have a direct financial benefit to the development to be considered leveraged funding. We suggest the following:

Infrastructure improvements to be contributed by the municipality are the upgrading/repairing/extending of existing public facilities defined as water, sewer or storm drain lines/systems to the site, the installation of new sidewalks at the site, repaving the roadway in front of the site, creating acceleration/deceleration lanes into the development site, installation of street lighting in front of the site.

2. Page C1-10, H. Supportive Housing:

Please add language to this section stating that all developments for which points were taken in previous LIHTC funding cycles, regardless of the QAP year, can provide housing to tenants, referred from a state-coordinated provider, at 30% AMI or less with rents capped at 20%. The income and rent structure for the Supportive Housing units need to be consistent to avoid compliance issues and confusion. If language cannot be added to the 2026 Appendix C1- 9% Tax Credit document, then please post a Bulletin to make the requested change.

Appendix C2- Tax Exempt Bonds

1. General Comment:

As was mentioned as a comment in the QAP, please lower the state imposed 65% hard cost ratio to a 60% hard cost ratio for bond developments. Bond developments have higher soft costs than the typical 9% development and lowering this ratio would make allowances for bond interest, reinvestment earnings, and the higher soft costs associated with bond financing. While a waiver is allowed at initial application, which is appreciated, the Authority would potentially have fewer waiver requests if the hard cost ratio was simply lowered to 60% for bond developments.

2. Page C2-4, C. Set-Asides:

Please add a statement to the New Construction set-aside that developments able to participate in this set-aside will (1) be underwritten using only tax credit rents and (2) developments in this set-aside cannot have project-based vouchers, RAD vouchers, or any other type of project based rental subsidy at the time

of the initial or full application submission. See sample language in green below under 1. New Construction:

C. Set-Asides

The Authority will place Application for tax-exempt bonds/4% developments in one of the set-asides described below.

The Authority will award bond ceiling starting with the eligible application earnings the selection criteria ranking within each of the set-asides and continuing in descending order through the last application that can be fully funded within the range of bond ceiling available in each of the set-asides.

1. New Construction (45—5040%)

Developments underwritten at time of application without any type of project based RA, RAD, etc

2. Rehabilitation and Public Housing Authority (45—5030%)

3. Public Housing Authority (30%)

The Authority will award a minimum of one (1) HUD Section 18 or RAD applications.

D. Other Requirements

All tax-exempt bond developments will be subject to review of the Authority's Financial Advisor. The review may result in the Authority requesting changes.

3. Page C2-3, 8. Application and Award Limitations:

The Authority will not award more than two (2) new construction applications per county listed as Urban and will not award more than one (1) new construction application per county listed as Rural.

Comment:

Please make the county award limitations by Set-Aside. PHA developments are geared towards serving their existing waiting list tenant populations and/or tenants that were moved from existing developments through a demolition/new construction process to have first right to move back into the new development. If a PHA were to be awarded two developments in the same county, any development proposed in the new construction set-aside would automatically be eliminated for funding. See suggested language in green below under 8.c.:

8. APPLICATION AND AWARD LIMITATIONS

- a. A Development Team may submit up to three (3) ~~preliminary-full~~ applications and four (4) preliminary applications per each funding cycle.
- b. The Authority will not award more than ~~one-two~~ (+2) applications per funding cycle to any member of the Development Team.
One award per County per set aside.
- c. The Authority will not award more than ~~one-two~~ (+2) new construction applications per county ~~listed as Urban and will not award more than one (1) new construction application per county listed Rural.~~
~~Urban: Aiken, Anderson, Beaufort, Berkeley, Charleston, Dorchester, Greenville, Horry, Lancaster, Lexington, Richland, Spartanburg and York.~~
~~Rural: all other counties~~
- d. The Development Team must request ceiling allocation that will be the maximum of thirty percent (30%) of the aggregate basis or permanent supportable debt.

Appendix E- Tax Credit Manual

1. Page E-1

Date in the title of the document needs to change from 2024 to 2026.

2. Page E-5, IV. Placed in Service Allocation Procedures:

The top of page E-5 states; “Applications expecting to claim credits in the current year must submit the PIS application by December 1st...”

Comment:

Please change the December 1st due date for PIS applications to the second Monday in December as it has been for many years. This would provide time after the Thanksgiving holiday week to submit the application and not worry about trying to get reviews and executed documents completed from those who are in all likelihood are on an extended Thanksgiving vacation.