

2026 QAP 9% LIHTC Comments – Connelly Development

APPENDIX B- DEVELOPMENT DESIGN CRITERIA

1. Page B-26, Q. Electrical:

#11. All units pre-wired for high-speed Internet, phone and data hook-up with:

- a. One centrally located connection port within the unit with capabilities in the living room and each bedroom.
- b. All internet, phone and data lines must be toned and tagged properly to each unit.
- c. Each building must have an internet, phone and data termination and demarcation box for each vendor connection.”

#12. All units in an Older Person +55 development must be pre-wired for telephone with jacks installed in the living room and one per bedroom.

All telephone lines must be toned and tagged properly to each unit.

We request that the language in this section be revised and updated to meet current industry standards in use for multifamily developments by the various internet/cable providers. Cat 6 Data Ports should be allowed which many developers are using based on installation requirements by the various service providers. Most people use cell phones so providing phone jacks is obsolete. On March 20, 2025, the FCC issued a notice stating they are taking “an initial set of actions that will help accelerate the transition from aging copper lines to modern network infrastructure in communities all across the country”.

APPENDIX C-1 - 9% TAX CREDITS

1. Page C1-3, 4. Public Housing Authority (One Award):

The Authority will make an award to applications involving the demolition and new construction to replace existing public housing. A local public housing authority (or a related entity) must be listed as a general partner or managing member of the ownership entity. This award will not count towards one award per county limit.

We request the Public Housing Authority Set-Aside be eliminated in the 9% tax credit cycle and apply only to the Tax-Exempt Bond funding cycle.

2. Page C1-4, D. Size Requirements:

New construction developments in any county may not consist of fewer than 40 affordable units and new construction developments may not consist of more than the following affordable units based on its county grouping:

- Group A Counties: 80 units
- Group B Counties: 60 units

Rehabilitation developments may not consist of more than 100 units.

Due to the limited amount of 9% tax credits available, even with the legislative passing of a 12% increase per year, and the Authority’s limit of only one (1) award per county, we request Group A Counties be limited to 72 units and Group B Counties be limited to 56 units. This would allow more developments to be funded throughout the state.

3. Page C1-5, A. Proximity to Amenities and Jobs, Rural Area, Section 1. Distance to Amenities:

We suggest the following changes for this section:

- Lower the points for distance to grocery stores
- Eliminate points for Retail as the description is vague and too similar for Shopping points
- Add Health Departments under Healthcare as some rural areas may only have a health department and this option closely fits with the financial needs of many of the residents the development serves
- Add points for full-service Banks/Credit Unions
- Add points for Restaurants
- Add points for Convenience Stores
- Increase the previous 3-point amenities to 4 points and extend points out for all distances
- Allow points for having two amenities per category for each amenity listed
- Do not cap the points a developer can earn for distance to services. A maximum of 84 total points could be achieved if a development is located within the applicable distance for 2 amenities per category

See the charts below for the changes suggested above:

| Max - 84 | High Demand New Construction | | | |
|--------------------|------------------------------|------|----|----|
| | Driving Distance in Miles | | | |
| Primary Amenities | ≤1 | ≤1.5 | ≤2 | ≤3 |
| Grocery | 8 | 7 | 6 | 5 |
| Shopping | 7 | 6 | 5 | 4 |
| Pharmacy | 7 | 6 | 5 | 4 |
| Healthcare | 4 | 3 | 2 | 1 |
| Public Facility | 4 | 3 | 2 | 1 |
| Banks/Credit Union | 4 | 3 | 2 | 1 |
| Restaurants | 4 | 3 | 2 | 1 |
| Convenience Store | 4 | 3 | 2 | 1 |

| Max - 84 | General New Construction | | | |
|--------------------|---------------------------|------|----|----|
| | Driving Distance in Miles | | | |
| Primary Amenities | ≤2 | ≤2.5 | ≤3 | ≤4 |
| Grocery | 8 | 7 | 6 | 5 |
| Shopping | 7 | 6 | 5 | 4 |
| Pharmacy | 7 | 6 | 5 | 4 |
| Healthcare | 4 | 3 | 2 | 1 |
| Public Facility | 4 | 3 | 2 | 1 |
| Banks/Credit Union | 4 | 3 | 2 | 1 |
| Restaurants | 4 | 3 | 2 | 1 |
| Convenience Store | 4 | 3 | 2 | 1 |

4. Page C1-6, B. Land Donation or Ground Lease:

We request that the Authority remove Land Donation or Ground Lease as a separate point criterion and add the criteria to Page C1-8 F. Leveraging. Donated Land or a Ground Lease would simply be another source of leveraged funds. All existing qualifications stated in Section B for donated land or ground leases should remain in place as well as the leveraging caps outlined in Section F, item 4. The value of the donated land or the ground lease land would be based on the appraised land value submitted in the appraisal. The value of the land is then divided by the total number of units which would be used to determine the leveraged points the development is eligible for using the existing point chart in Section F. Leveraging.

5. Page C1-9, G. Project-Based Rent Assistance:

1. Applicants will earn **5** points for submitting an executed letter (on the required form) regarding conversion of tenant-based vouchers to a project-based subsidy for at least twenty percent (20%) of the project units.
2. If the owner is unable to secure final approval for the conversion, as described in the application, within six (6) months of the Reservation Certificate date, the Authority will not award points for letters from that same voucher administrator in the following two 9% LIHTC application cycles.

We request that the Authority remove the points for having project based rental assistance.

6. Page C1-9, H. Supportive Housing:

5 points for agreeing to target ten percent (10%) of the total units to persons with disabilities and either

- designating such units as affordable to and occupied by 20% AMI, or
- securing a commitment of federal project-based rent assistance (converting vouchers).

Households with only a disability source of income (such as Supplemental Security Income) will be eligible for the 20% AMI units.

One or more service providers, as coordinated by state authorities, will refer households. For a period of sixty (60) 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 request the Authority amend this section and allow developers to target tenants at 30% AMI and below but keep the rents for these tenants at 20% rent limits. The above statement “Households with only a disability source of income (such as Supplemental Security Income) will be eligible for the 20% AMI units” has caused developments that have placed in service to be written up as out of compliance with third party hired compliance reviewers engaged by our syndicators as well as with SC Housing Compliance Staff. Developments are being cited with over-income tenants as the SSI/SSDI tenants making over 20% AMI are considered over income for the 20% units under the IRS compliance regulations. The suggested change for keeping rents at 20% but allowing tenant incomes at 30% AMI and below would still meet the goal of targeting supportive housing tenants and not create the compliance issues we are now having. This suggested change would apply to all supportive housing units and not just those units contained in an income average development. Currently waivers are being applied for each time a development is written up as out of compliance by SC Housing Compliance staff for this issue; however, if the suggested change is made allowing 30% income tenants, we feel the issue could be resolved eliminating non-compliance write ups and waivers needing to be issued.

In addition, there is a compliance issue that needs to be addressed to prevent supportive housing tenants being deemed ineligible for supportive housing units when they reach retirement age. When the tenant

reaches retirement age and their income is switched to solely Social Security Retirement Income, by the Social Security Administration, they are being deemed as ineligible tenants for supportive housing units. We do not think it was the Authority's intent to create noncompliance issues simply because tenants have reached retirement age and their income source is changed from SSI/SSDI to Social Security Retirement Income. Please add language that allows a tenant residing in supportive housing units that were referred by State Authorities to continue to be eligible to live in a supportive housing unit after they reach retirement age regardless of the source of income change. In addition, this change needs to be retroactive to all previously funded developments that would be affected by this issue.

APPENDIX C-2 – TAX EXEMPT BONDS:

1. General Comments/Suggested Changes:

- a) We suggest the Authority have a New Construction set-aside (60%) and a Rehabilitation/PHA set-aside (40%) as part of the TEB funding cycle. Many of the rehab development funded in the TEB program have PBVs and align themselves better with PHA submitted developments than new construction developments with no PBVs. The ability to use vouchers and fair market rents gives these developments a significant financial advantage over new construction developments without PBVs.
- b) There should be criteria in the TEB program that requires acquisition/rehabilitation costs to be reasonable. If the cost to rehabilitate units is more than the cost to build new units then the rehabilitation development should be disqualified. A suggestion would be to use the average construction cost of new construction applications submitted in the TEB cycle as a "cost gage" to establish a reasonable rehabilitation cost limit.
- c) Lower the state imposed 65% hard cost ratio required for bond developments to 60% hard cost ratio to allow for the bond interest and reinvestment earnings.

2. Page C2-3 and C2-4, C. Other Requirements:

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.

- a) Add distance to primary services such as a grocery store, shopping, pharmacy and healthcare. The distance to services needs to have a larger distance range than the 9% program, such as 2 miles, 2.5 miles, 3 miles and 3.5 miles. The size of the land needed for most bond developments is not going to be in the more urban downtown areas and therefore being close to amenities/services will be difficult to find within shorter distances.
- b) If distance to services is added to the TEB program, Scattered Site and Portfolio Transaction site scores should be the sum of the total site score per project divided by the number of projects to get the average. For example, three projects are submitted as a scattered site application and the individual site score for each site is 76, 64 and 52. You then take the average of all three site scores to arrive at the final point score for the scattered site application, which in this example is 64.
- c) Add points for jobs.
- d) 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 in each set-aside. Negative points would apply to those developments outside one standard deviation.

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3. Page C2-4, Tiebreakers:

If the state tax credit scoring cannot be changed then we suggest the state tax credit scoring be used as the tie breaker criteria and eliminate the current tie break criteria. The previously suggested comments for adding additional point criteria for the TEB program would be the main scoring criteria for TEB applications with the state tax credit scoring becoming the tie breaker criteria.

APPENDIX E – LIHTC MANUAL:

Page E-2, II. VERIFICATION OF 10% EXPENDITURE (9% ONLY)

The Authority requires owners to meet the Verification of Ten Percent Expenditure (10% Test) no later than six (6) months after the Carryover Allocation date. The Authority may permit an extension of this date only under circumstances beyond the Owner's ability to control. In any event, the Authority may not grant an extension longer than ten (10) months after the Carryover Allocation date.

The 10% Test application is due to the Authority within three (3) weeks after the 10% Test deadline. Failure to submit by the due date may result in the cancellation of the LIHTC award.

The IRS allows 12 months to meet the 10% test. We request the Authority allow developers to meet the 10% expenditure test in 11 months, with no extension allowed past 11 months, and submit the 10% Expenditure Application within 12 months. Trying to meet the 10% test within 6 months of the reservation is problematic and is a very short window of time. Allowing more time would eliminate developers having to request and pay for a waiver.