

From: T Kevin Connelly [REDACTED]
Sent: Monday, December 17, 2018 12:33 AM
To: Nicholson, Laura 6-9190; Shropshire, Bonita 6-9005
Cc: [REDACTED]
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Subject: Connelly Development - Comments Regarding 2019 QAP

Bonita and Laura,

As we have previously discussed, I have worked with the AHC of SC for the past several years to build consensus of the development industry to provide concise and comprehensive recommendations on the QAP for the future years. And while I felt like at the public hearing we did hear consensus not only from those that were on the AHC subcommittee we also heard the same general comments from the majority of those in attendance that participate in one way or another in the LIHTC program in SC.

Of utmost concern at this time is the reduction of points related to LIHTC development experience.

To those that have experience in a variety of aspects of the LIHTC program, they understand that this is a very complex program. And just as experience is vital and required in most professions, the LIHTC industry surely should be the same. Just as you would not want a doctor fresh out of medical school performing a life or death surgery, or a lawyer that just passed the bar defending someone on a capital punishment case, the same could be said for a developer that happened to be "connected" to one LIHTC deal and get the same consideration as developers that have proven track records over the past several decades.

I have read the comments provided by developers about the importance of experience in the LIHTC program and while some may argue that their comments may be self-serving, I have also read letters from construction lenders, perm lenders, and syndicators that echo these same valid concerns. And while we are all business associates and even competitors, one thing rings consistent across our industry. If one deal fails we all experience a blemish on the affordable housing industry.

By only allowing one point for previous development experience, a developer could easily overcome that point with site score or some other minor issue in the QAP. The staff is going to be burdened by a vast number of applications because inexperienced developers will not know the complex underwriting issues, timing issues related specifically to the LIHTC industry, and the many nuances of layering multiple federal and state financing sources. The staff does not have the capacity to underwrite all the deals submitted and simultaneously "train" inexperienced developers on how the program works at the same time.

As suggested by many of the letters from the debt and equity partners those inexperienced developers may not be able to get the deals financed. However, even if they do, one mistake and the deal fails to pass underwriting, fails to place in service, or fails on compliance and not only will that have disastrous effects for that developer and their business partners but it will also have a negative impact on the staff and LIHTC program in SC and those affordable units that are so desperately needed may not get built in SC for that year.

I understand that there have been comments that developers don't want to partner with other developers to gain experience points for fear of future competition. This I know not to be true. In fact, most of the developers with experience in this industry all started from partnerships with previous developers. What is key and vital is that for any partnership in any industry to work, all parties must bring something of value to the table other than just the desire to be inserted in a deal to make money. In the LIHTC industry this may be a skill set, equity, sufficient guarantees, or a potential site. When that happens developers do create partnerships and build experience together while creating much needed affordable housing.

I must ask you to reconsider this position on previous Tax Credit Development experience, to restore the points where they were in the last several years. If experience isn't important then why would most all other states in the United States have some significant measure of previous LIHTC development experience as a threshold or significant point criteria? Further and similarly, why would lenders and syndicators alike put significant requirements in loan documents and partnership agreements for LIHTC experience if it wasn't important to the viability and health of the deal?

Thank you in advance for your consideration.

Sincerely,
T. Kevin Connelly
President
Connelly Development LLC