

Connelly Development, LLC
125 Old Chapin Road
Lexington, SC 29072

Comments/Suggested Changes for 2022:

QAP:

- Developers should NOT be penalized for participating in a qualified contract on any developments funded prior to 2020. These developments were put together and financed when the program specifically allowed for the opportunity to request a qualified contract. This is a disservice and disadvantage to developers that have built thousands of affordable units compared to developers that just started developing affordable housing. This action forces experienced developers to forfeit opportunities to use all tools possible to refinance these developments to make them to continue to be affordable and it strips equity and value from these developers without any compensation.
- There should be a limit on the number of applications a junior developer can be involved in.
- The number of applications awarded per county should be limited to 2 per county in order to spread the credits throughout the state. The award limit per county should be restricted only to new construction developments.
- There should be no limits on the number of older persons developments per county. This is an analysis that should be determined by a market analyst and the market study not an arbitrary decision by SC Housing. If SC Housing feels the need to limit the number of awards per county for older persons, then we suggest 2 new construction family developments per county and 1 new construction elderly per county.
- In several places in the QAP it states the developer must provide a statement agreeing to abide by certain criteria. We request the Authority create forms for these items in order to ensure all developers are certifying to the same criteria.
- A Phase I Environmental Assessment Report should be a threshold criteria document submitted with the full application submission. Both the developer and SC Housing need to know if there are environmental issues before an award is made. It is a waste of everyone's time to submit and receive an award only to have SC Housing rescind the award if there are environmental issues found after an award is made.
- If a developer commits to meeting green and energy efficient sustainable building certifications then an additional utility allowance schedule should be added allowing the developer to meet the proposed utility allowance created by the certification program, if available. The cost of building to these higher standards and the energy savings realized by doing such are not realized with the current list of utility allowance options.
- Required financial capacity should be an established benchmark to meet. Unless SC Housing is reviewing the list of all LIHTC, Bond, Market Rate developments and any other financial obligations for that matter that a developer has committed to there is no way to determine whether a developer has the financial capacity to undertake planned LIHTC developments with SC Housing.
- It is understood that a development targeting families should have a minimum number of three or more bedrooms as families with children typically need more bedrooms to accommodate a family, but SC Housing should not dictate the percentage of other bedroom sizes in a development as that is a function of the market analyst and the demand in the market area.
- SC Housing should not dictate the maximum syndication rate. We suggest SC Housing establish a range based on discussions/survey of syndicators.

- The land Appraisal should be ordered by the developer and submitted with the full application submission. SC Housing can create an approved appraiser list like they have for environmental consultants and market analysts if this provides a better level of comfort in getting a true appraisal.
- Permanent financing rates should be determined based on negotiations between the developer and lender not based on a survey by SC Housing. Institute a cap rate if necessary but if a developer is able to negotiate a lower rate, they should be able to do such.
- Syndication rates should not be set a specific value as initially proposed in the QAP. A price range, based on a survey from multiple syndicators that work throughout the state, is a better option.
- Using the census tract score on the POI needs to be changed. Comments have previously been made that SC Housing is pushing everyone to the same census tracts when using this criterion. Everyone is going after the higher scoring tracts especially since the scoring difference between each tract is 10 points. It is hard to overcome a 10-point difference and impossible to overcome a 30-point difference. We suggest lowering the spread between these points and adding back distance to basic services as a point criteria to help spread out these applications.
- Incentivizing developers to target a percentage of units to 30% - 40% income groups when there is no project based rental assistance is reckless. In order to accomplish this, you have to charge higher rents on the other units in order to cover the lost income on the lower income units which thereby creates rent over-burdened tenants at the 50% - 60% income levels. These are financial transactions that need to remain viable and pushing tenant targeting to lower levels with no financial incentives to cover the loss of revenue creates financial issues over the long term.
- A review of what counties are considered high income counties needs to be reexamined. Just because a HUD chart has determined they are in an MSA area because of close proximity to the core MSA counties doesn't mean all of the MSA counties can achieve the higher rents. Calhoun, Fairfield, Lancaster, Pickens and Saluda are listed as High-Income Counties because HUD listed them as such. These counties are not high income nor can they achieve the higher rents of the core MSA counties they have been put with. SC Housing staff needs to research or have their market analyst research what the true income levels are as well as what the achievable rents are in a county before placing it in a High-Income Level County based on a HUD Chart.
- SC Housing incentivizes having other funding so that SC Housing funds are less than 70% of the awarded sources. In most cases the ability to achieve this percentage means increasing permanent debt on the development which results in higher rents to pay debt service. Should this be something to incentivize when the Housing Needs Assessment states that 25% of SC renters experience severe cost burden and are paying more than half of their gross income on rent. After the pandemic and lost jobs, the percentage of renters that are experiencing severe cost burden is probably even higher now. Incentivizing more debt and higher rents should not be a goal for any affordable housing program. Maximizing debt causes financial pressure on the development throughout the compliance period and results in a higher debt level at year 15 when these properties will desperately need rehabilitation.
- Points for revitalization should be lowered from 10 to 5 points and the description/breakdown of items for points combined instead of being separated into 1-point criteria. If a city/county has truly established a revitalization area for one or more specific neighborhoods or areas within the locality that can be backed up with redevelopment district publications, maps, specific neighborhood plans showing public input as they were being developed then those documents should be acceptable to the SC Housing as a legitimate revitalization area without the developer having to detail out every single point criteria within the published documents that somewhat closely relates to what SC Housing has detailed in a 10 bullet revitalization checklist. A statement that Countywide Consolidated Plans are not acceptable as a neighborhood specific revitalization plan should be sufficient to keep a developer from using such for points for community revitalization plans.

- Supportive Housing points should be lowered and the percentage of units targeted should also be lowered. SC Housing has incentivized having 10% of the units at 20% and below and in other sections of the QAP have incentivized having 20% of the units affordable to household at 30% and 40% AMI depending on whether the development is located in a high or a moderate-income county. Tax credit developments are financial obligations that require conventional lending to make the development work. When SC Housing keeps restricting rents to the lowest households the developments cannot afford to cover the on-going monthly expenses or debt repayment requirements. If there are project-based vouchers to help pay rent then targeting these very low-income households would not be an issue; however, project-based vouchers are not available. In talking with representatives of several disability organizations the 20% income limits in multiple areas of the state are below what their clients receive thereby making their clients, many of whom are on SSI, over income for the 20% units. In addition, when you are targeting households in this income range how will they be able to pay the deposit for the rental unit or the water deposit to get water turned on without some type of outside financial assistance. While we understand the need to target low-income families SC Housing has other programs, such as SRDP, that have more flexible funding sources that can offer funding in the form of grants instead of loans that could target these lower income households. While all developments are financial business transactions, the tax credit program has conventional and equity partners all of whom are looking at these financial transactions for long term investments. These partners need to be comfortable that the development can continue to be financially viable based on the rental income generated to pay back debt, fund replacement reserves, cover on-going operating expenses, etc. As a note, we have a development with 20% income and rent restricted units in the 2021 funding cycle where the tenant is paying \$70 dollars for a 3-bedroom unit. This unit is not generating enough income to cover its operating expenses and causes concerns with our lending partners, especially when 20% of the units are at 20%.
- Suggest eliminating tie breaker C or moving it lower in the tie breaker list as you already incentivize revitalization with up to 10 points.
- Suggest eliminating tie breaker D, there is already a point incentive in the QAP for this and this encourages developers to underestimate their costs to get an award and then go back and ask for additional funds to bail the deal out.

Appendix B:

- The entire Appendix B- Development Design Criteria should be reexamined. The design criteria mandated far exceeds what is needed to create sustainable affordable housing. There is constant talk about cost containment however a good many of the mandated design criteria have created the increased cost of the developments. In addition, with construction costs rising faster each day the overly zealous construction and design criteria needs to be scaled back to help keep the developments affordable. Following are some items that should be scaled back and/or eliminated:
 - Full surveys with longitude, latitude and centroid coordinates at application submission. Why is a survey needed and what does SC Housing do with it? Boundary surveys are not final until the lenders have reviewed and approved them which is done at construction loan closing. We understand the need for lenders who have recorded financial documents on the property needing the survey but why does SC Housing need the survey? This is a costly item required at initial application especially when you don't know if a development is going to be funded. If you need one longitude/latitude coordinate for the site entrance for point purposes then require only that and eliminate all other requirements including providing a survey.

- Eliminate site lighting average foot candles of 1.5 for all development parking, sidewalk and exterior common areas. Most, if not all, municipalities have their own requirements that developments must adhere to. The 1.5 foot candle requirement is a commercial standard for shopping malls and commercial centers not residential or apartment complexes.
- Lower the required number of washers/dryers in the laundry room as they are not utilized. The vendors determine the number of machines needed based on development size and anticipated usage. If machines are not used or not making the money anticipated, the vendor removes the machines. As a reminder we are required to install washer/dryer connections in the units and as per the management company more than 50% of the units, for any property, have washer/dryers in the units.
- The QAP states “leak barriers must be of the same brand as the shingles being installed”. Not all manufacturers produce roofing underlayment or leak barrier materials. The criteria should be rewritten to allow the use of other underlayment or leak barrier materials in the event the roof shingle manufacture doesn’t produce the materials; otherwise, SC Housing is forcing the use of only certain roofing products. This reduces competition and drives up costs.
- Eliminate the requirement for leaf guard systems unless there is an abundance of trees over the buildings. The leaf guard system adds substantial costs to a normal gutter system.
- Eliminate the requirement for blinds between the glass on doors. It is expensive and detracts from the energy efficiency of the glazing often forcing a more expensive glass to be used to maintain the minimum U and SGHC ratings. In a recent pricing for the requirement impact glass door with internal blinds the cost was 82% higher than the equivalent door without blinds between the glass.
- Eliminate the need for a 30 footcandle minimum on all kitchen counter tops. This typically means providing undercabinet lighting which is not necessary.
- What is trying to be achieved by requiring 100% waterproof LVT in kitchens, bathrooms, laundry area and mechanical closets as LVT is already waterproof.
- Eliminate the requirement for individual water meters. The local municipalities have requirements in place for metering and many are requiring master meters.
- Eliminate the requirement for all toilets to be ADA height in all units.
- Eliminate the requirement for exterior faucets on every high-rise building. If you are building a single-family house or duplex, then exterior faucets make sense but not for multi-story buildings.
- Eliminate the requirement that the Authority approve all change orders. There is no “time limit” for the Authority to have to approve these change orders and will delay construction especially for changes that are required by local governing officials.

Appendix C - Palmetto Opportunity Index:

- Data used for the 2021 tax credit program was from 2017 making the data 4 years old. More recent data should be used when setting priorities.
- For both the tax credit and SRDP programs the same POI criteria is used which targets the same census tracts thereby having developers target the same area in the same counties. SRDP should not be a mini tax credit program using the same point criteria. The funding for SRDP is flexible and should be used to target the more rural areas of the state where tax credit developments are more financially challenged. At a minimum there should be separate point criteria between the two programs in order to spread out the available funding to all counties of the state.

- Suggest adding back distance to basic services as a point criteria. This criteria will help get developments closer to basic services and will help spread the developments out so not all developers are fighting for the same sites in the same market.

Appendix E:

- Previously mentioned, Phase I Environmental Site Assessment Reports should be required at full application submission so that SC Housing can ensure there are no issues instead of awarding a development only to take away the award if issues are found in the Phase I report.

Excel Application:

- Many of the text boxes are not set up to wrap data so after entering one line of data nothing else can be added to the text box.
- Eliminate the requirement to provide longitude, latitude, vertex and centroid for the site. Only require longitude and latitude for the main site entrance.
- The parking criteria calculation in the application does not match the QAP parking requirements. The QAP criteria is better served for the unit types.
- Development cost breakdown should be reexamined as there are construction cost addendum items that roll into vertical construction costs which are not industry standard vertical construction but rather site work costs.
- The calculation for monitoring fees is set up for 20/50 and 40/60 election only and not for developments doing income averaging and the calculation block cannot be altered.