Connelly Development, LLC
2022 Draft #2 QAP Comments

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- **LIHTC Award Limitations:**
  - Need to increase the tax credit award limit per developer to $3 million and credits per development to $1.2 million as the proposed $1.5 million cap does not allow for 2 developments to be funded. Keeping the cap at $1.5 million will decrease the number of units per development that can be built based on current construction costs. In 2021, the average credits per unit in Group A was $13,671 and for Group B it was $15,339; therefore, the per unit development cost and tax credits per unit on smaller deals is higher than on larger deals so you are getting less value per unit in awarding a bunch of smaller developments. Below is the average LIHTC request and average number of units from 2021 new construction Group A and Group B counties which shows you cannot get 2 developments with the $1.5 credit cap:

	Group A:	Group B:
Average LIHTC request:	$1,066,378	$843,697
Average number of units:	78	55

  - The proposed cap limit will also not allow a developer to have a 3rd development with a nonprofit or junior developer. If the plan is to give the nonprofit/junior partner a chance to learn the tax credit process then there should be a limit on the awarded and/or open awards a nonprofit/junior partner has at one time.

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- **Market Study:**
  - The Authority should continue with a third-party review of the market study provided with the full application and not order the market study themselves.

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- **Mandatory Site Requirements:**
  - The Authority needs to reinstate the limitation of not funding new construction developments within one half (1/2) mile of a previously funded development that has not yet placed in service and reached 90% physical occupancy. Funding developments within close proximity without allowing the market time to absorb new product before funding another new development can over saturate a market and create lease up issues for new developments.

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- **Maximum LIHTCs Per Unit:**
  - We suggest the Authority establish an amount of LIHTCs per unit based on the trends over the past few years (See LIHTC Award Limitations comments above) and adjust the amount each year using an inflation factor, (we suggest a minimum of 6%). When you survey syndicators and if the amount per unit is too low you can increase it above the proposed inflation factor as needed. For the 2022 QAP we suggest for Group A counties $15,000 per unit and for Group B counties $17,000 per unit.

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- **Positive Site Characteristics:** The Authority added language "award 40 points to the application with the highest total in each group" and "award points to the remaining applications based on their score relative to the highest scoring application in their group". Why is there a need to further define points based on a percentage of a higher scoring development when it doesn't change the scoring order of developments? This is just another calculation that adds no benefit but requires additional calculation by staff and could be subject to mathematical errors. You have given individual points to each census tract which should be sufficient without giving additional points relative to the highest scoring development. We suggest that the POI points be 10% of the POI score. That way there isn't an additional calculation that could result in a possible scoring error but decreases the absolute importance of the POI index so that developers are not fighting over a finite number of available sites.

- **Suggested Additional Site Scoring Criteria:** To keep developers from concentrating on areas directed by the POI we suggest adding additional scoring criteria. There are very limited sites in the high scoring census tracts and it creates a bidding war among developers and artificially inflates the cost of the land which is a waste of resources. Following are some suggested new site criteria:
    1. Create a site distance matrix to needed services such as grocery store, convenience store and pharmacy. It is important for lower and extremely low- income tenants to be able to walk to vital services especially if they only have one or no cars per household.
    2. Add more points to areas that have not been funded in the past 5 years. We suggest a point matrix for areas that haven't been funded in the past 2, 3, and 5 years. This would help spread the credits around the state to places that need affordable housing but have no chance of getting funded under the current POI scale.

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- **Positive Site Characteristics #2- Up to 10 Points for Jobs:** We suggest the points for jobs be reduced to a 1-5 point scale. We agree that it is important to have a large number of jobs within the development area but using a 2-10 scoring range puts a good number of development sites with lots of jobs at a scoring disadvantage as they can't overcome the higher weight given jobs when using a 2-10 scale.

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- **Supportive Housing:**
    - ➢ The revised Draft QAP requires the 20% units to be only for persons with disabilities and only for those with a disability source of income such as SSI. It is against Fair Housing Law and a possible ADA violation to ask tenants if they are disabled and on SSI. This requirement puts management companies and development owners in a very precarious position that could lead to lawsuits. For example, if a deaf person applied for a 20% unit but didn't receive SSDI the management company would have to turn their application down, based on the QAP requirements, which could lead the applicant to file an ADA violation against the development, the management company and the development owner. We suggest this requirement be removed.
    - ➢ The points for supportive housing targeting should be lowered from 10 to 5 points.
    - ➢ We suggest lowering the percentage of total units targeting 20% income tenants from 10% to 5% of the total units as trying to find tenants that meet the 20% limits is challenging and in many counties tenants who are on Social Security and SSI are over income for these units. In addition, it will be difficult if not impossible for these tenants to pay deposits for water and electric connections, first month's rent plus a security deposit. If you want to continue targeting extremely low-income tenants, we suggest targeting 30% so that we can serve DMH and DDSN clients.
    - ➢ The ability to operate tax credit developments is dependent on the rents generated to pay the debt and operating expenses. Having 20% units with no rental subsidy creates "free units" as they do not generate enough rent to cover their operating expenses. In turn the developer must increase the rents of other units to higher rent levels to help cover operating costs. Pushing rents to the 20% level adds financial stress to these developments and forces the developer to charge maximum rents on the other units to make up for lost income. This does not allow the development to be able to maintain more affordable rents which is supposed to be the goal of the program.

- **CORES Certification:**
  - Need to eliminate CORES for this year as there are a very limited number of applicants that will qualify. More information should be gathered on the CORES program to determine whether it's a true benefit to a development as well as what the true costs will be to the development.
  - There are only 2 CORE certified providers currently listed for South Carolina one of which, if not both, are active in the Authority's LIHTC and Bond programs. If this certification was more prevalent among service provider groups, then it could be understandable to require this certification. With only 2 certified groups working in SC it will be difficult to negotiate fees for services when there is limited competition. In addition, these two development groups are automatically ensured the 5 points if they participate in SC.
  - The Authority has stipulated the amount of time a service coordinator must be on site, 15 minutes per unit per week. This would require a service coordinator to be on site 12 hours a week for a 48-unit development, 15 hours for 60 units, and 22.5 hours for 90 units. Putting a time requirement on a service provider is overreaching and should not be a function of the Authority. If a service provider is engaged/contracted with it should be up to the developer and service provider to determine the amount of time needed at a development.
  - In addition, LIHTC developments are not subsidized with rental assistance so the tenants residing in the units, especially family developments, work in order to pay the rent. They are not at home during the day to engage with a service provider. So, if there is no one at the property to provide services for 12, 15 or 22.5 hours a week what is the point of having the service provider at the site with nothing to do and no one to help?