Connelly Development LLC

Comments on the 2021 Draft QAP:

Page 1:

- All references "due at application submission" in the 2021 Draft QAP should be specified as to whether an item is due at the Preliminary Application submission or Full Application submission.
- Market Study:
  - ➢ By the Authority commissioning market studies there is the ability that this added process could delay the Authority's review process and thereby delay award announcements. We request that the Applicant provide a market study with the full application submission.
  - ➢ Market studies typically cost $4,000 to $4,500 the $6,000 fee is excessive and adds additional costs.
  - ➢ If the Authority's commissions the market study, there is no guidance given as to how or if the Applicant will be able to interact with the market analyst. We request the Applicant be able to work with the market analyst to adjust rents, unit mix, bedroom mix, etc.
- Missing Documents Fee: The additional missing document fee after the first missing document fee is excessive. Any missing document not provided should be dated on or prior to the Full Application submission.

Page 2:

- Deadlines: The Authority needs to establish and provide a date specific schedule for application due dates in the QAP or post a schedule at the time the proposed final 2021 QAP is posted. Developers need to option land and begin ordering reports all of which are triggered by the Authority's date specific schedule.
- LIHTC Award Limitations: The limitation on the number of applications that can be submitted should be applicable to both the Preliminary Application submission and the Full Application submission.

Page 3:

- Item 3: "The Authority will not award more than one (1) project targeting older persons per Group A counties…." What is the purpose of limiting the number of older persons applications?

Page 8:

- Item 2 Existing Properties with Project Based Rental Assistance or Existing LIHTC Properties: If the Authority determines that the competitive scoring process does not allocate enough LIHTCs to properties…the Authority may award additional applications." Is there a threshold for the number of these types of applications the Authority wants to fund? If so it needs to be stated/explained in the QAP.
- Persons with Disabilities:
  - ➢ "A statement agreeing to abide by the following requirements:" We request the Authority provide a form for Applicants to sign.
  - ➢ "The owner will not give a preference based on disability type (actual or perceived) or being a client of a particular service provider (absent approval from the Authority)." Why would the Authority want to limit/impede an Applicants ability to partner with another State Agency to specifically help/target their clients? The Authority needs to specify when and how an Applicant requests approval from the Authority.

Page 9:

- Affirmative Fair Housing: "A statement agreeing to adopt and implement an Affirmative Fair Housing Marketing Plan….prior to placing in service." We request the Authority provide a form for Applicants to sign or the Plan be due at a specific time such as the Full Application or 10% Expenditure Application submission.

Page 10:

- Site Control, Ground Leases, and Scattered Sites: A copy of the deed needs to be provided as evidence that the seller is the current owner and has the legal ability to sell the property.

Page 11:

- Zoning: The zoning letter should be due at the Preliminary Application submission.
- Environmental Report: The submission of an environmental report was deleted and added to Appendix E, page E-1, and indicates the report is not due until the allocation of credits. If the Phase I is not provided with the application how will the Authority be able to determine that item K.2.d. on page 16 is not violated which is criteria for disqualification of an application? The Phase I report should be submitted with the Full Application submission.

Page 14:

- Required Capacity: The minimum financial capacity has been eliminated yet "The Authority will assess the financial capacity of the individuals ...based on their financial statements." How will this be determined? We request the minimum threshold for financial capacity from the 2020 LIHTC Program be added back.

Page 16:

- Item K.2.c.: There needs to be a benchmark established for disqualification for slope/terrain being unacceptable.
- Item K.2.d.: Phase I Environmental Reports should be due at Full Application submission.
- Item K.2.e.: Many municipalities allow for averaging the distance from a wetland area and do not stay at a firm 50 feet. We recommend allowing flexibility of the distance based on municipality standards.
- Item K.3.a.: Specify at which application submission, Preliminary or Full, the criteria needs to be met.

Page 18:

- Item M.1.a. Family Development: We request that the 10% requirement for one-bedroom units be lowered to 5%. When targeting family renters, the majority are looking for two- bedroom units or larger. Demanding a higher number of one-bedroom units is excessive and can lead to financial stress on the development due to the inability to rent one-bedroom units to families as well as making the proforma tighter due to limited rent that can be collected. The mix of bedrooms in a market area should be determined in conjunction with the market analyst based on demand.
- Item M.1.b. Older Person Development: The age restriction is a federal rule and should remain in the application. Applicants need to be reminded of the rule to eliminate errors and confusion.
- Item M.2. All developments must serve individuals on Public Housing Agency waitlists. If letters are no longer required clarify how targeting is determined.

Page 19:

- Maximum LIHTCs Per Unit: This criterion is crucial to the financial feasibility of an application. Authority staff should conduct a survey, publish survey comments, and set a standard by January 29, 2021.

Page 20:

- Development Costs: Item 1 states the Authority will "determine which new construction projects show development budget amounts outside the standard deviation".
    - A static standard should be established so that developers are required to put specific costs into specific buckets for comparison purposes; i.e. Tap & Impact fees, Builders Risk Insurance, etc.
    - The Authority needs to disclose what items will be used to make the determination.
- Basis Boost: We request that in the tax credit application a line be added to allow the Applicant to state what percentage of basis boost they are taking in the event the full 130% is not taken.

Page 22:

- Annual Operating Expenses: If a nonprofit is involved in the development and the ability to obtain a substantial reduction or elimination of property taxes is achieved the development could have a problem reaching the $4,200 to $4,700 threshold as the operating expenses should be substantially reduced. We request language be added to consider the reduction in property taxes.

Page 23:

- Permanent Financing: This criterion is crucial to the financial feasibility of an application. Authority staff should conduct a survey, publish survey comments, and set a standard by January 29, 2021.

Page 24:

- Syndication Information: This criterion is crucial to the financial feasibility of an application. Authority staff should conduct a survey, publish survey comments, and set an amount by January 29, 2021.

Page 25:

- Positive Site Characteristics: Item A.1. states that "Up to 40 points for the site's Census tract score…as indicated in Appendix C." We recommend the point spread be in increments of 5.

Page 26:

- Affordability: Section 1 states "The County income levels are as follows:.." Calhoun, Fairfield, and Saluda are listed as high-income counties solely because HUD includes them in adjoining MSA counties. These counties are not high income and should be moved to Moderate or Low Counties. The fair market rents in these MSA counties will not allow the higher rents in these counties.

Page 27:

- Affordable Housing Shortage:
    - Item 1- Up to 10 points based on the shortage of affordable housing in the county:
      Calhoun and Saluda were 40 point counties for 2020 but for 2021 are in the two lowest tiers of counties. How is this possible when no developments were funded in these counties in 2020?
    - Item 2- Counties not funded in 2016-2020 receive 5 points. These points should be for counties not receiving a new construction development as rehabilitation developments are not bringing new housing units to a county.

- Funding Sources and Property Taxation:
    - Clarification is needed as to whether you can get 5 points and 2 points separately or if the 2 points are contingent on getting the 5 points. The two items are unrelated so we recommend that the points be two separate criteria that can be earned.

- With the numerous deep rent skewing the 2021 QAP has for targeting units at 20% and 30% of AMI as well as trying to make developments work in moderate and lower-income counties it will be difficult, if not impossible, to have 30% of the financing be conventional as the rents collected will not allow repayment of that much conventional debt. We recommend that the percentage of other funds be 80% of the total.

Page 28

- Leveraging: Other state funding sources should count as leveraged funds.

Page 29

- "The application must list the sources as a loan…" This section does not make sense and seems to indicate that all funding sources should be a loan. We suggest rewording this section for clarity.

Page 30:

- Supportive Housing: Targeting 10% of the total units at 20% AMI is too aggressive. We request that the 10% targeting be lowered to 5% and the 20% income and rent targeting be increased to 30%.

Page 31:

- Maximum Credit Allowable: We request that the application include a line whereby the Applicant can indicate how much in credits the Applicant plans to take if not planning to take the full eligible basis amount.

Appendix A Market Study Criteria:

- Page A-1 Market Study Process: #1 states the Authority will contract with one or more providers. If commissioning studies remains in place then the new #2 and #3 in this section are not applicable.
- Page A-2: Community Demographic Data: "…household trends from 2012 to 2019" should this not be 2012 to 2020 for a 2021 market analysis?
- Page A-4: Method- under Supply section: "…base year of demand (2019)" should this not be 2020?

Appendix B Development Design Criteria:

- Page E-2: Application Plan Requirements: While we appreciate the lowering of boring requirements for buildings, we continue to hear from geotechnical consultants that the standards the Authority requires are excessive and not within industry standards. We request that the number of borings be reduced to match industry standards.
- Page E-4 Accessibility Consultant: Item 1 indicates that the Authority wants the Consultant to review the plans and provide a report at the time of application submission. The 2020 Q&As allowed this review and report to be provided at final plan submission. We request the review and report be included with the final plan submission.
- Page E-9 Laundry Facilities: Many tenants provide their own washer/dryer since there are hook-ups in units. The current laundry room washer/dryer count is too high and we request it be significantly reduced.
- Page E-12 Site and Site Lighting Item 6: "Reflecting a maintained footcandles of 1.5 for all development parking, sidewalks, and exterior common areas" has been added and is too much lighting for the site. We request the criteria be "an average of 1.0 footcandles for the site".
- Page E-14 #13 Galvanized steel: Should be required for coastal areas only.

- Page E-15 Gutters: Gutter covers are expensive. Require gutter covers only for heavily treed areas.

- Page E-16 I.2. Energy Star metal-clad doors: QAP states "All metal clad steel edge doors and frames are acceptable for use in firewalls only." Metal doors and frames are not allowed in a wall that's not rated so we do not understand the meaning of the QAP statement.
- Page E-18 Item 11: Kitchen lighting must provide 30 footcandle minimum on all counter tops has been added. In order to achieve the footcandle requirement we would need to install under cabinet lighting as the wall cabinets will block overhead lighting. We request the criteria be deleted.
- Page E-21 #4 Water proof vinyl plank: This is 85% more expensive than 12 mil LVT with little benefit. It will resist water spots but will not keep water from running down walls due to leaks or overflowing fixtures. We request the criteria be deleted.

Appendix D HOME

- Page D-1 Elderly: HUD defines elderly as a person 62 years of age or older. The definition of older person is not listed so if you use HOME funds in a development are you required to rent to persons age 62 and older versus 55 and older under LIHTC?

Appendix E Tax Credit Manual:

- Page E-5 Design Changes: The Authority has never allowed the waiver of design criteria in the 9% LIHTC program unless a City/County will not allow a mandatory item. As the 9% program is competitive and the Authority will evaluate development costs of all new construction applications submitted to determine cost reasonableness it is not fair to allow developers the ability to randomly request waivers of mandatory criteria they don't want to include. The ability to request a waiver of design criteria has always been part of the Bond program and we request that the waiver of mandatory criteria be allowed only for the Bond program thereby moving this item under Section VII.
- Page E-5 Rent Increases: The Authority no longer has a market advantage requirement so this language is inaccurate for the 2021 program.