

# SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

300-C Outlet Pointe Blvd.

Columbia, SC 29210

## ***Regular Board Meeting*** **NOVEMBER 19, 2014 AT 10:00 A.M.**

- I.** Call to Order (10:00 a.m.) **NOTE TIME**
- II.** Freedom of Information Act Statement & Recognition of Guests
- III.** Adoption of Proposed Agenda
- IV.** Regular Session
  - A. Approval of Minutes of October 15, 2014 Chairman Union
  - B. Finance & Audit Committee
    - 1. Review of Audited Financial Statements for FY 2014 Richard Hutto
  - C. Bond Committee Tracey Easton
    - 1. Resolution - Authorizing Adjustment to Fixed Rate (Bayside/Bridgeview)
    - 2. Final Resolution - Various Rural Housing Apartment Projects
  - D. Program Committee
    - 1. Resolution - Housing Trust Fund Tracey Easton
    - 2. Housing Trust Fund Awards Laura Nicholson
  - E. 2015-2016 Qualified Allocation Plan (QAP) Laura Nicholson
  - F. 2014 Accountability Report Clayton Ingram
  - G. SC HELP & Mortgage Production Update Steve Clements
  - H. Reports
    - 1. Chairman Chairman Union
    - 2. Executive Director Valarie Williams
    - 3. Deputy Director for Programs Ed Knight
    - 4. Human Resource Director James Galluzzo
- V.** Other Business
- VI.** Executive Session (if needed)
- VII.** Next Meeting – January 21, 2015
- VIII.** Adjournment



## South Carolina State Housing Finance and Development Authority

300-C Outlet Pointe Blvd., Columbia, South Carolina 29210

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[www.schousing.com](http://www.schousing.com)

**Christopher N. Union**  
Chairman

**Valarie M. Williams**  
Executive Director

### REGULAR COMMISSION MEETING

The Board of Commissioners of the South Carolina State Housing Finance and Development Authority met on Wednesday, October 15, 2014 at approximately 10:00 a.m., at the Authority's office, 300-C Outlet Pointe Boulevard, Columbia, South Carolina.

The following Commissioners were in attendance:

Chris Union, Chairman  
Robert Mickle, Vice Chairman  
Charles E. Gardner  
Chris Goodall  
John Hill  
Kenneth E. Ormand, Jr.  
Mary Sieck

The following Commissioner was excused: Ernest Magaro, Jr.

Staff attending the meeting included the following:

**STAFF:**

Valarie M. Williams, Executive Director  
Ed Knight, Deputy Director of Programs  
Tracey Easton, General Counsel  
Carl Bowen, Rental Assistance & Compliance  
Laura Nicholson, Development  
Lisa Rivers, Mortgage Servicing  
Claude Spurlock, Mortgage Production  
Reggie Bell, Marketing & Procurement  
James Galluzzo, Human Resources  
Steve Clements, SC HELP & Mortgage Production  
Jennifer Cogan, Development  
Nina Carpenter, Mortgage Servicing  
Kim Wilbourne, SC HELP  
Andrew Ritner, Legal  
Shedricka Timmons, Mortgage Servicing  
John Steiner, Mortgage Servicing  
Bonita Shropshire, Executive Assistant

Chairman Union called the meeting to order and asked Valarie Williams to read into the record the Freedom of Information Statement.

“As required by the provisions of Section 30-4-80(e) of the Code of Laws of South Carolina, notification of this meeting has been given to all persons, organizations, local news media, and other news media which have requested such notifications.”

### **Agenda**

Chairman Union presented the agenda for approval.

**MOTION** Commissioner Hill moved to adopt the agenda as presented. The motion received a second from Commissioner Goodall. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

### **Minutes**

The Chairman asked if there were any additions or corrections to the minutes of October 15, 2014. There being none, he called for a motion to approve the minutes.

**MOTION** Commissioner Mickle moved to approve the minutes of October 15, 2014 as presented. The motion received a second from Commissioner Gardner. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

### **Bond Committee**

#### **Carry-forward Allocation Request**

Ms. Easton asked for consideration of a Resolution authorizing a petition to the Budget and Control Board requesting allocation of any unused portion of the State's 2014 Private Activity Bond Ceiling. Ms. Easton stated that staff had recommended this Resolution to the Bond Committee at an earlier meeting that morning. Commissioner Mickle stated that the Bond Committee had received and reviewed the request, and recommended approval by the full Board.

**MOTION** Commissioner Mickle moved to approve the Resolution. The motion received a second from Commissioner Hill. There being no further discussion, all Commissioners voted in the affirmative and the motion carried.

#### **Final Approval for Mortgage Revenue Bonds**

Chairman Union asked Tracey Easton to present the next Resolution. Ms. Easton explained that the Resolution makes provision for the approval of the Series 2014A Supplemental Resolution for the issuance of not exceeding \$100,000,000 aggregate principal amount. She stated that the Supplemental Resolution presented before the Board is in final form and that staff anticipates approval from the S.C. Budget and Control Board.

**MOTION** Commissioner Mickle moved to approve the Bond Resolution as presented. The motion received a second from Commissioner Hill. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

### **Resolution for Agency Name Change**

Ms. Easton was asked to remain to present the Resolution for an agency name change. Ms. Easton reminded the Board that this topic had been first presented to them at the September board meeting. According to Ms. Easton, the Authority staff has determined that the Authority's name no longer properly describes the Authority's activities and after reviewing the names of equivalent agencies in other states, staff believes that the name *SC Housing Finance Agency* best fits the Authority's activities. Ms. Easton explained that the resolution to change the agency's name will show the Board's support and authorization for staff to approach the SC General Assembly to request a name change.

**MOTION** Commissioner Gardner moved to approve the Resolution as presented. The motion received a second from Commissioner Sieck. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

### **Overview of Proposed Changes to HTF Program**

The Chairman asked Laura Nicholson to present the proposed Housing Trust Fund (HTF) legislative changes. Ms. Nicholson began with an overview of the HTF Act which became effective on June 2, 1992. According to Ms. Nicholson's report there have been no changes made to the Act since 1992. In order to make the program more beneficial and offer more affordable housing opportunities, Ms. Nicholson stated that staff would like to suggest changes to the HTF Act. Ms. Nicholson then provided an overview of the proposed changes.

After a very thorough discussion, the report was accepted as information.

### **Neighborhood Initiative Program (NIP)**

Chairman Union then asked Jennifer Cogan to present the Neighborhood Initiative Program (NIP) overview. Ms. Cogan began with a program overview, explaining that the Authority will work with units of local government and qualified non-profit organizations to target residential properties for demolition, site improvement, and acceptable reuse of the property. According to Ms. Cogan the purpose of the NIP is to decrease foreclosures and stabilize homeowner property values. The program will have \$35 million to expend and will be available in all 46 counties in South Carolina.

The report was accepted as information.

**Reports**Executive Director

The Chairman called upon Valarie Williams for the Executive Director's report. The Executive Director began by thanking the commissioners for their participation at the previous month's board retreat and offered a brief overview of her take-a-ways from the discussions. Ms. Williams then mentioned the upcoming NCSHA Annual conference scheduled for October 18 - 21, 2014 in Boston, MA.

Deputy Director of Programs

Chairman Union called on Mr. Knight for the Deputy Director of Program's report. Mr. Knight began his report with an update on SC HELP. According to Mr. Knight new customer registrations, approvals, and disbursements continue to be stable. He then presented program performance data highlighting funds disbursed and committed.

Mr. Knight continued with a mortgage production update. According to Mr. Knight, production has remained steady with over \$3 million in new loan reservations for the month. Mr. Knight also reported that Staff is continuing to work on the new bond deal that would allow for the purchase of both FHA and conventional loans. He concluded with his normal monthly mortgage loan servicing reports - highlighting the DPA portfolio, delinquency and foreclosure rates.

Human Resources Director

The Chairman called on James Galluzzo for the Human Resources report. Mr. Galluzzo began by allowing division managers to introduce new hires, promotions, and transfers within their departments. He continued with the normal monthly human resources report and concluded by recognizing the Agency's United Way Campaign Chair, Nina Carpenter and Co-Chair, Krystal Reid.

**Other Business**

There being no additional business to come before the Board, Chairman Union adjourned the meeting.

Respectfully submitted,

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Valarie M. Williams, Secretary

Approved: November 19, 2014

By: \_\_\_\_\_

Christopher N. Union  
Chairman

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**Other Business**

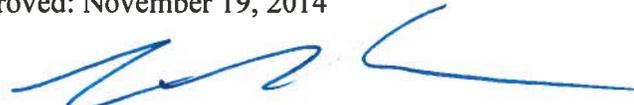
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Respectfully submitted,



Valarie M. Williams, Secretary

Approved: November 19, 2014

By: 

Christopher N. Union  
Chairman

**DIVISION:** Finance  
**SUBJECT:** Audited Financial Statements for FY 2014

**DIVISION:** Legal

**SUBJECT:** Consideration of a Resolution Consenting to the Adjustment of the Interest Rate on Multifamily Rental Housing Refunding and Improvement Revenue Bonds (Bayside Apartments Project), Series 2004 and other matters related thereto.

The proposed resolution provides approval of certain amendments to an existing bond project. The Housing Sponsor represents that this will stabilize the debt service component of the operational expenses, protect the project from future interest rate volatility and create and amortization of the debt. This will enable the project to provide for greater future stability and permit maintenance and upgrades.

Staff recommends approval of the resolution.

**A RESOLUTION CONSENTING TO THE ADJUSTMENT OF THE INTEREST RATE ON \$17,250,000 AGGREGATE PRINCIPAL AMOUNT MULTIFAMILY RENTAL HOUSING REFUNDING AND IMPROVEMENT REVENUE BONDS (BAYSIDE APARTMENTS PROJECT), SERIES 2004, OF THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY WHICH WERE ISSUED FOR THE PURPOSE OF FINANCING A 300-UNIT LOW INCOME MULTIFAMILY HOUSING FACILITY, THE EXECUTION OF CERTAIN DOCUMENTS AMENDING AND SUPPLEMENTING THE BONDS, AND OTHER MATTERS RELATED THERETO.**

**WHEREAS**, the South Carolina State Housing Finance and Development Authority Act of 1977, Act No. 76 of the Acts and Joint Resolutions of the General Assembly of 1977, as amended (the "**Act**"), upon making a determination that sufficient persons or families of either beneficiary class (as defined by the Act) (the "**Beneficiary Classes**") are unable to pay the amounts at which private enterprise is providing decent, safe and sanitary housing, that through the exercise of one or more of the programs authorized by the Act, decent, safe and sanitary housing would become available to members of the Beneficiary Classes in need therefor, and that a series of bonds or notes must be sold in order to alleviate the lack of decent, safe, and sanitary housing available to members of the Beneficiary Classes, may issue such a series of bond; and

**WHEREAS**, specifically, upon making such determination and upon the approval of the State Budget and Control Board (the "**State Board**"), the Authority may issue from time to time notes and bonds for the purpose of obtaining funds with which to make (1) construction and/or rehabilitation loans secured by mortgages of housing sponsors; and (2) permanent mortgage loans to housing sponsors who agree to and shall be required to provide construction and/or rehabilitation of residential housing for rental by persons or families of either Beneficiary Class, provided, however, with respect to any particular issue of notes or bonds one of the following conditions must be met: (a) if there is a public distribution of the, notes or bonds, the issue must be rated by one or more of the national rating agencies and one or more of the following conditions must be met: (i) there must be in effect a federal program providing assistance in the payment of such loans made by the Authority; (ii) the proceeds must be used to acquire either federally insured mortgages or mortgages insured by a private mortgage insurance company authorized to do business in the State of South Carolina; or (iii) the payment of the notes or bonds to the purchasers of them must be assured by the maintenance of adequate reserves or insurance or a guaranty from a responsible entity which has been determined to be sufficient by the Authority; or (b) if the notes or bonds are sold or placed either as "mortgage bonds sold as a unit" or in "transactions with banks, institutional buyers, etc." as provided in Section 35-1-320(5) and (8) of the Code of Laws of South Carolina, 1976, as amended, the documents pursuant to which the notes or bonds are issued must permit the Authority to avoid any default by it by completing an assignment of, or foregoing its rights with respect to, any collateral or security pledged to secure the notes or bonds; and

**WHEREAS**, the Authority issued its Multifamily Rental Housing Refunding and Improvements Revenue Bonds (Bayside Apartments Project), Series 2004 (the "**Bonds**"), pursuant to that certain Trust Indenture dated as of July 1, 2004 (the "**Original Trust Indenture**"), between the Authority and the Trustee; and

**WHEREAS**, pursuant to the Original Indenture and that certain Financing Agreement (the "**Original Financing Agreement**") dated as of July 1, 2004 by and among the Authority, Bayside Apartments, L.P., a South Carolina limited partnership (the "**Borrower**"), and the Trustee, the Authority loaned the proceeds of the Bonds to the Borrower for the purpose of financing the acquisition and rehabilitation of a 300-unit multifamily residential rental housing project located in Charleston, South Carolina called Bridgeview Apartments, formerly known as Bayside Apartments (the "**Project**"); and

**WHEREAS**, the Bonds are currently outstanding and bear interest at the Weekly Variable Rate Mode as provided in Section 2.05(a) of the Original Indenture; and

**WHEREAS**, Red Stone, the Borrower and the holders of the Bonds will waive the requirements of the Original Indenture which require (i) the interest rate on the Bonds to be adjusted to the Fixed Rate only on Interest Payment Dates, (ii) the related mandatory tender of the Bonds to occur only on Interest Payment Dates, and (iii) thirty (30) days' prior written notice of such Fixed Rate adjustment and mandatory tender; to permit the interest rate on the Bonds to be adjusted to the Fixed Rate on any Business Day (the "**Waiver**"); and

**WHEREAS**, the Borrower has elected to convert the interest rate on the Bonds from the Weekly Variable Rate Mode to the Fixed Rate Mode (hereafter, the "**Fixed Rate Bonds**") which will result in a Mandatory Tender of the Bonds;

**WHEREAS**, the Borrower has requested the Authority to sell the Fixed Rate Bonds to Red Stone Tax-Exempt Funding LLC or its designee (the "**Purchaser**") for its investment and not for the purpose of resale or distribution, pursuant to that certain Bond Purchase Agreement dated as of the Fixed Rate Adjustment Date among the Purchaser, the Authority and the Borrower (the "**Bond Purchase Agreement**"); and

**WHEREAS**, the Original Indenture is proposed to be amended pursuant to a First Supplemental Trust Indenture (the "**First Supplement**") between the Authority and the Trustee with the consent of Red Stone, the Borrower and the holders of the Bonds to reflect certain changes to the business terms of the Bonds (the Original Indenture as amended by the First Supplement, is collectively referred to herein as the "**Indenture**"); and

**WHEREAS**, the Purchaser and the Borrower have represented in the Bond Purchase Agreement that the Fixed Rate Bonds will be sold to the Purchaser as mortgage bonds sold as a unit in a transaction with an institutional buyer as provided in Section 35-1-320(5) and (8) of the Code of Laws of South Carolina, 1976, as amended, and the documents pursuant to which the Fixed Rate Bonds are sold permit the Authority to avoid any default by it by completing an assignment of, or foregoing its rights with respect to, any collateral or security pledged to secure the Fixed Rate Bonds; and

**WHEREAS**, the Purchaser has established such reserves and security for the Fixed Rate Bonds as it deems necessary and adequate; and

**WHEREAS**, the Original Financing Agreement is proposed to be amended pursuant to that certain First Amendment to Financing Agreement dated as of the Fixed Rate Adjustment Date (the "**First Amendment to Financing Agreement**") among the Authority, the Trustee and the Borrower, with the consent of Red Stone and the holders of the Bonds (the Original Financing Agreement as amended by the First Amendment to Financing Agreement are collectively referred to herein as the "**Financing Agreement**"); and

**NOW, THEREFORE, BE IT RESOLVED BY THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY IN MEETING DULY ASSEMBLED:**

Section 1. Adoption of Premises. Each statement of fact, determination, and finding of the Authority set forth in the preambles hereto has been carefully examined and has been found to be in all respects true and correct as of the date hereof.

Section 2. Adjustment of Interest Rate on the Bonds. The Authority hereby authorizes and approves the adjustment of the interest rate on the Bonds to the Fixed Rate. The Authority will deliver the Fixed Rate Bonds in certificated form to the Trustee executed on behalf of the Authority by the Chairman or

Vice Chairman attested by the Secretary or acting Assistant Secretary of the Authority, with such changes, additions, insertions or modifications as shall be approved by the officers of the Authority executing such instrument, such approval to be conclusively evidenced by such officers' execution thereof upon the satisfaction of the conditions of the Indenture and of the Bond Purchase Agreement. The Fixed Rate Bonds shall be issued in the principal amount not to exceed \$17,250,000.

Section 3. Approval of Form of First Supplement. The First Supplement, a draft form of which has been delivered to the General Counsel of the Authority prior to this meeting the form, terms and conditions of which are hereby approved, shall be executed on behalf of the Authority by the Chairman or Vice Chairman attested by the Secretary or acting Assistant Secretary of the Authority, with such changes, additions, insertions or modifications as shall be approved by the officers of the Authority executing such instrument, such approval to be conclusively evidenced by such officers' execution thereof.

Section 4. Approval of First Amendment to Financing Agreement. The First Amendment to Financing Agreement, a draft form of which has been delivered to the General Counsel of the Authority prior to this meeting the form, terms and conditions of which are hereby approved, shall be executed on behalf of the Authority by the Chairman or Vice Chairman attested by the Secretary or acting Assistant Secretary of the Authority, with such changes, additions, insertions or modifications as shall be approved by the officers of the Authority executing such instrument, such approval to be conclusively evidenced by such officers' execution thereof.

Section 5. Approval of Form of Bond Purchase Agreement. The Bond Purchase Agreement, a draft form of which has been delivered to the General Counsel of the Authority prior to this meeting the form, terms and conditions of which are hereby approved, shall be executed on behalf of the Authority by the Chairman or Vice Chairman attested by the Secretary or acting Assistant Secretary of the Authority, with such changes, additions, insertions or modifications as shall be approved by the officers of the Authority executing such instrument, such approval to be conclusively evidenced by such officers' execution thereof.

Section 6. Consent to Elimination of Credit Facility. The Purchaser and the Borrower have represented in the Bond Purchase Agreement that the Fixed Rate Bonds will be sold to the Purchaser as mortgage bonds sold as a unit in a transaction with an institutional buyer as provided in Section 35-1-320(5) and (8) of the Code of Laws of South Carolina, 1976, as amended, and the documents pursuant to which the Fixed Rate Bonds are sold permit the Authority to avoid any default by it by completing an assignment of, or foregoing its rights with respect to, any collateral or security pledged to secure the Fixed Rate Bonds. In reliance upon such representations pursuant to Section 2.08(d)(iii)(A)(2) of the Original Trust Indenture the Authority waives the requirement of a Credit Facility securing the Fixed Rate Bonds.

Section 7. Ratification. Except as modified or amended by the First Supplement or the First Amendment to Financing Agreement, the Original Indenture, the Financing Agreement and the other bond documents continue in full force and effect unaffected by the amendments hereby and are hereby ratified, approved and confirmed. Without limiting the generality of the foregoing, the Agreement as to Restrictive Covenants will continue to encumber the Project for the term provided therein.

Section 9. General Authority. The Commissioners of the Authority and its appropriate officers, attorneys, agents and employees are hereby authorized to do all acts and things required of them by this Resolution, the Indenture, the Financing Agreement, the First Supplement, the First Amendment to Financing Agreement and the Bond Purchase Agreement, or desirable or consistent with the requirements hereof or thereof for the adjustment of the interest rate on the Bonds to the Fixed Rate, including, without limitation, the delivery of certificates, representations and covenants necessary to establish or confirm the

exclusion from gross income of interest paid on the Fixed Rate Bonds or the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Fixed Rate Bonds, this Resolution, the Indenture, the Financing Agreement, the First Supplement, the First Amendment to Financing Agreement and the Bond Purchase Agreement and each such Commissioner, officer, attorney, and employee is hereby authorized and directed to execute and deliver any and all papers, financing statements, reports, forms, certificates, and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereby and thereby.

**DONE IN MEETING DULY ASSEMBLED** this 19th day of November, 2014.

**STATE OF SOUTH CAROLINA**

**COUNTY OF LEXINGTON**

**CERTIFIED COPY OF BAYSIDE APARTMENTS FIXED RATE ADJUSTMENT RESOLUTION**

I, the undersigned, Secretary of the South Carolina State Housing Finance and Development Authority (the "**Authority**"), DO HEREBY CERTIFY:

That the foregoing constitutes a true, correct and verbatim copy of a resolution adopted by the Board of Commissioners of the Authority (the "**Board of Commissioners**") on November 19, 2014. At such meeting, a quorum of the Board of Commissioners was present and remained present throughout the meeting.

The meeting of the Board of Commissioners was held on November 19, 2014, and was a regular meeting of the Board of Commissioners, for which notice had been previously given pursuant to and in conformity with Chapter 4, Title 30 of the Code of Laws of South Carolina 1976, as amended (the "**Freedom of Information Act**"). As required by the Freedom of Information Act, a notice of each said meeting (including the date, time, and place thereof, as well as an agenda) was posted prominently in the Executive Offices of the Authority at least twenty-four hours prior to said meeting. In addition, the local news media and all persons requesting notification of meetings of the Board of Commissioners were notified of the time, date, and place of each such meeting, and were provided with a copy of the agenda therefor at least twenty-four hours in advance of such meeting.

The original of the Resolution is duly entered in the permanent records of the Authority, in my custody as Secretary.

The Resolution is now of full force and effect, and has not been modified, amended or repealed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Authority this \_\_\_ day of \_\_\_\_\_, 2014.

**SOUTH CAROLINA STATE HOUSING FINANCE  
AND DEVELOPMENT AUTHORITY**

By: \_\_\_\_\_  
Secretary

**DIVISION:** Legal

**SUBJECT:** Consideration of a Resolution Approving the Issuance of Not Exceeding \$30,000,000 Aggregate Principal Amount of Multifamily Rental Housing Revenue Bonds, (Various Rural Housing Apartment Projects) and other matters related thereto.

The proposed resolution provides approval of a multiple project financing of rural housing apartment projects. The preliminary resolution was approved at the August 13, 2014 Bond Committee meeting. The Budget and Control Board approved the issuance at its October 14, 2014 meeting. Staff recommends approval of the resolution.

## **BOND RESOLUTION**

**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$30,000,000 AGGREGATE PRINCIPAL AMOUNT OF SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY MULTIFAMILY RENTAL HOUSING REVENUE BONDS (VARIOUS RURAL HOUSING APARTMENT PROJECTS) SERIES 2014; AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE AND OTHER DOCUMENTS RELATING THERETO; AUTHORIZING PROPER OFFICERS TO DO ALL THINGS NECESSARY OR ADVISABLE; AND OTHER MATTERS INCIDENTAL THERETO.**

**WHEREAS**, the South Carolina State Housing Finance and Development Authority (the “Authority”) is authorized and empowered under and pursuant to the provisions of Title 31, Chapter 13, of the Code of Laws of South Carolina, 1976, as amended (the “Act”), upon making determinations that sufficient persons or families of either beneficiary class (as defined by the Act) (the “Beneficiary Classes”) are unable to pay the amounts at which private enterprise is providing decent, safe and sanitary housing, and that through the exercise of one or more of the programs authorized by the Act, decent, safe and sanitary housing would become available to members of the Beneficiary Classes in need therefor, to issue bonds in order to alleviate the lack of decent, safe and sanitary housing available to the members of the Beneficiary Classes; and

**WHEREAS**, the Authority is further authorized by the Act to make (i) construction and/or rehabilitation loans secured by mortgages of housing sponsors; and (ii) permanent mortgage loans to housing sponsors who agree to provide construction and/or rehabilitation of residential housing for rental by persons or families of the Beneficiary Classes provided certain conditions are met as required therein; and

**WHEREAS**, the ownership entities listed on the attached Exhibit A (collectively, the “Housing Sponsors”), each a South Carolina limited liability company, propose to acquire and rehabilitate 18 rural housing developments located throughout the State of South Carolina (the “Projects”) also set forth on Exhibit A, and have requested the assistance of the Authority in the financing thereof through the issuance of revenue bonds; and

**WHEREAS**, in furtherance of the purposes of the Act and in order to provide decent, safe and sanitary housing to members of the Beneficiary Classes, the Authority proposes to finance the cost of the Projects pursuant to a Loan Agreement dated as of December 1, 2014 (the “Loan Agreement”) by and between the Authority and the Housing Sponsors; and

**WHEREAS**, pursuant to and in accordance with the Act, the Authority has authorized and undertaken to issue, in one or more series, its not exceeding \$30,000,000 aggregate principal amount Multifamily Rental Housing Revenue Bonds (Various Rural Housing Apartment Projects) Series 2014 (the “Bonds”), pursuant to this Bond Resolution and a Trust Indenture dated as of December 1, 2014 (the “Indenture”), between the Authority and the Trustee, in order to (i) provide funds to finance the costs of the Projects; and (ii) pay the costs of issuance of the Bonds; and

**WHEREAS**, the Authority has undertaken to finance the cost of the Projects by lending the proceeds derived from the sale of the Bonds to the Housing Sponsors for such Projects pursuant to the Financing Agreement under the terms of which the Housing Sponsors are required to make loan payments sufficient to pay when due the principal and purchase price of, premium (if any) and interest on, the Bonds and related fees, costs and expenses and thereby provide a revenue source with which to pay the Bonds; and

**WHEREAS**, it has been determined that the estimated amount necessary to finance the cost of the Project, including necessary expenses incidental to the issuance of the Bonds, will require the issuance, sale and delivery of the Bonds in the amount not to exceed \$30,000,000; and

**WHEREAS**, in accordance with the Act, the State Budget and Control Board has given its preliminary approval to the issuance of the Bonds; and

**WHEREAS**, there has been prepared for review and consideration by the Authority the forms of the Loan Agreement and the Indenture; and

**WHEREAS**, it appears that the Loan Agreement and the Indenture, which are now before this meeting for consideration, are in substantially final form and are appropriate instruments to be executed and delivered by the Authority for the purposes intended;

**NOW, THEREFORE, BE IT RESOLVED**, by the Authority as follows:

**Section 1.** In order to provide decent, safe and sanitary housing to members of the Beneficiary Classes, the establishment of a loan program for the acquisition and renovation of the Projects is hereby authorized, ratified and approved.

**Section 2.** The Bonds shall be in substantially the form set forth in the Indenture, now before this meeting, with necessary or appropriate variations, omissions and insertions as permitted or required by the Indenture. The form, terms and provisions of the Bonds presented to this meeting are hereby approved, and all of the terms, provisions and conditions thereof are hereby incorporated by reference as if set out in this resolution in their entirety. The Chairman, the Executive Director of the Authority, or either of them are hereby authorized, empowered and directed to execute and deliver the Bonds to the Trustee, and the Secretary or Assistant Secretary of the Authority are hereby authorized and directed to affix the corporate seal of the Authority to the Bonds and to attest the same. The Bonds are to be in substantially the form now before this meeting and hereby approved, or with such changes, insertions and omissions therein as may be deemed necessary or convenient by the Chairman or Executive Director of the Authority executing the same, said execution to constitute conclusive evidence of such approval.

**Section 3.** The Bonds shall be limited obligations of the Authority payable by the Authority solely from the Trust Estate (as defined in the Indenture). The Bonds do not and shall never constitute a debt, grant or loan of the State of South Carolina (the "State") or any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation, nor give rise to a pecuniary liability as a result of the issuance thereof. The Bonds and the interest thereon are not payable out of any funds other than those of the Authority specified therefor, nor are they secured by or payable from the full faith, credit and taxing power of the

State. Upon assignment of the Loan Agreement, the Authority shall, as required by the Act, be deemed not in default under any Bonds in the event that the Housing Sponsors fail to pay, when due, principal of, premium, if any, or interest on the Note (as such term is defined in the Loan Agreement). The holders of the Bonds must look solely to the Housing Sponsors to make payments under the Note fully sufficient to pay principal of, premium, if any, and interest on the Bonds.

Nothing in this resolution or any other document executed in connection with the issuance of the Bonds shall be construed as an obligation or commitment by the Authority to expend any of its funds other than (i) the proceeds of the Bonds, (ii) the revenues derived by the Authority from the Loan Agreement, (iii) any proceeds accruing to the Authority on account of insurance on the Projects, (iv) any moneys accruing to the Authority on account of any taking or condemnation of title to all or part of any of the Projects, and (v) any moneys arising out of the investment or reinvestment of said proceeds, revenues or moneys.

**Section 4.** Each Bond shall be executed in the name of the Authority with the manual or facsimile signature of the Chairman or Executive Director of the Authority, shall have the seal of the Authority impressed or imprinted thereon, which seal shall be attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority. In case the officers whose signatures shall appear on the Bonds shall cease to be such officers before the delivery of the Bonds, such signatures shall nevertheless be valid and sufficient for all purposes, the same as if such officers had remained in office until delivery.

**Section 5.** The Indenture as submitted herewith is hereby approved with respect to the Bonds. Regions Bank is hereby appointed trustee. The Chairman of the Authority, the Executive Director of the Authority or either of them are hereby authorized and directed to execute and deliver the Indenture with such changes, insertions and omissions as they deem necessary or convenient, said execution being conclusive evidence of such approval; and the Secretary or Assistant Secretary of the Authority are hereby authorized and directed to affix the corporate seal of the Authority to the Indenture and to attest the same.

**Section 6.** The Loan Agreement as submitted herewith is hereby approved with respect to the Bonds. The Chairman of the Authority, the Executive Director of the Authority or either of them are hereby authorized and directed to execute and deliver the Loan Agreement with such changes, insertions and omissions as they deem necessary or convenient, said execution being conclusive evidence of such approval; and the Secretary or Assistant Secretary of the Authority are hereby authorized and directed to affix the corporate seal of the Authority to the Loan Agreement and to attest the same.

**Section 7.** The Chairman of the Authority, the Executive Director of the Authority, or any other proper officer of the Authority, be and each of them is hereby authorized and directed to execute and deliver any and all documents and instruments and to do and to cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this resolution; including without limitation the Regulatory Agreement, any mortgage, assignment, bond purchase or placement agreement or agreement as to restrictive covenants customarily used in the transactions contemplated by the Loan Agreement and Indenture.

**Section 8.** The Trustee is hereby authorized to receive and receipt for the proceeds of the Bonds on behalf of the Authority and to hold, invest and disburse said proceeds in accordance with the provisions of the Indenture.

**Section 9.** No recourse shall be had for the enforcement of any obligation, covenant, promise or agreement of the Authority contained in this Bond Resolution, the Bonds or any other document executed in connection therewith against any officer of the Authority or employee, as such, in his or her individual capacity, past, present or future, of the Authority, either directly or through the Authority, whether by virtue of any constitutional provision, statute or rule or law, or by the enforcement of any assessment or penalty or otherwise, it being expressly agreed and understood that this Bond Resolution, the Bonds and all other documents referred to herein are solely corporate obligations, and that no personal liability whatsoever shall attach to, or be incurred by, any officer of the Authority, employee as such, past, present or future, of the Authority, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Authority and the Trustee or the bondholder or to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against every such member, officer and employee is, by the adoption of this Bond Resolution and the execution of the Bonds or any other documents referred to herein and as a condition of, and as a part of the consideration for, the adoption of this Bond Resolution and the execution of the Bonds or any other documents referred to herein, expressly waived and released. The immunity of officers of the Authority and employees of the Authority under the provisions contained in this Section 8 shall survive the termination of this Bond Resolution.

**Section 10.** This Bond Resolution shall be construed and interpreted in accordance with the laws of the State.

**Section 11.** This Bond Resolution shall become effective immediately upon its adoption by the Board of Commissioners of the Authority.

**Section 12.** There is hereby granted a conditional allocation of carryforward private activity bond ceiling in the amount of \$30,000,000 to support the issuance of the Bonds authorized by this Resolution. Unless extended for a period not to exceed 31 days by the Executive Director, said conditional allocation shall expire 90 days from the date on which this Resolution is adopted.

**Section 13.** The provisions of this resolution are hereby declared to be separable and if any section, phrase or provision shall for any reason be declared by a court of competent jurisdiction to be invalid or unenforceable, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereunder.

**Section 14.** All orders, resolutions, and parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed and this resolution shall take effect and be in full force from and after its passage and approval.

**STATE OF SOUTH CAROLINA**

**COUNTY OF LEXINGTON**

I, the undersigned Secretary of the South Carolina State Housing Finance and Development Authority (the "Authority") do hereby certify that I am the duly qualified and acting Secretary to the Authority and as such further certify that attached hereto is a true and correct copy of the Resolution adopted by the Board of Commissioners of the Authority at a meeting duly called and held on November 19, 2014, at which meeting a quorum was present and acting throughout, and that said Resolution has not been modified, amended or repealed and is in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Authority this 19th day of November 2014.

**SOUTH CAROLINA STATE HOUSING  
FINANCE AND DEVELOPMENT AUTHORITY**

By: \_\_\_\_\_  
Valarie M. Williams  
Secretary

**DIVISION:** Legal

**SUBJECT:** Consideration of a Resolution Supporting and Authorizing a Request for Amendments to the Housing Trust Fund Act and other Matters Related Thereto.

As discussed at the October meeting, Authority staff has determined that the Housing Trust Fund provisions should be updated since they have remained unchanged for 20 years and reflect priorities of that time.

This resolution will show the Board's support and authorization for designated persons to approach the General Assembly, or any member thereof, to request such changes.

Staff submits the proposal with the recommendation that the Board of Commissioners adopt the Resolution.

A RESOLUTION

SUPPORTING AND AUTHORIZING A REQUEST FOR AMENDMENTS TO THE HOUSING TRUST FUND ACT AND OTHER MATTERS RELATED THERETO.

WHEREAS, the South Carolina Housing Trust Fund Act was enacted in 1992; and

WHEREAS, there was a slight amendment to the South Carolina Housing Trust Fund Act in 1994; and

WHEREAS, the Authority has determined that there exists a need for amendments to the South Carolina Housing Trust Fund Act to clarify the intent and activities; and

WHEREAS, the Authority believes the proposed amendments best meet the future needs of the South Carolina Housing Trust Fund.

NOW, THEREFORE, BE IT RESOLVED BY THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY IN MEETING DULY ASSEMBLED:

That the Chairman, Vice-Chairman, Executive Director, Deputy Director of Programs, Deputy Director of Administration, internal or external legal counsel or external policy consultants are hereby authorized to submit a request to the South Carolina General Assembly, or any one of its members, to make certain amendments to the South Carolina Housing Trust Fund as attached hereto as Exhibit A. The Chairman, Vice-Chairman and the Executive Director are hereby authorized and directed to take such action as they deem appropriate or as may be requested of any of them in connection with effecting said changes.

STATE OF SOUTH CAROLINA  
COUNTY OF LEXINGTON

I, the undersigned Secretary of the South Carolina State Housing Finance and Development Authority (the "Authority"), DO HEREBY CERTIFY that the foregoing is a true, correct, and verbatim copy of a Resolution duly adopted by the Authority at a duly called meeting held on November 19, 2014.

WITNESS MY HAND this 19th day of November 2014.

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Secretary, South Carolina State Housing Finance  
and Development Authority

**EXHIBIT A**

CHAPTER 13.

MODERATE TO LOW INCOME HOUSING

ARTICLE 4.

HOUSING TRUST FUND

**SECTION 31-13-400.** Short title.

This article may be cited as the South Carolina Housing Trust Fund Act.

HISTORY: 1992 Act No. 410, Section 1.

**SECTION 31-13-410.** Definitions.

As used in this article:

(1) "Compliance Period" means the time period that properties assisted with funds under this article must meet the requirements specified herein or established by Board of Commissioners of the South Carolina State Housing Finance and Development Authority. The length of the Compliance Period is to be set by policies established by the Board of Commissioners of the South Carolina State Housing Finance and Development Authority.

(2) "Affordable housing" means residential housing that, so long as the same is occupied by lower or very low income households, requires payment of monthly housing costs of no more than thirty percent of one twelfth adjusted annual income.

(23) "Annual income" means the anticipated total income during the upcoming twelve-month period from all sources received by the family head and spouse and by each additional all adult members of the household, including all net income derived from assets.

(34) "Authority" means the South Carolina State Housing Finance and Development Authority.

(45) "Board" means the Board of Commissioners of the South Carolina State Housing Finance and Development Authority.

(56) "Executive director" means the executive director of the authority Authority.

(67) "Lower income household" means a single person, family, or unrelated persons living together whose annual income adjusted for household size is more than fifty percent, but less than eighty percent, of the median income of the area of residence as determined by the United States Department of Housing and Urban Development.

(8) "Sponsor" means an organization that meets the requirements as may be established, and amended from time to time, by the Board for each of the following:

(a) "For-profit Sponsor" means a Sponsor that is a for-profit organization.

(b) "Non-profit Sponsor" means a Sponsor that is a not for profit organization or a unit of state, regional or local government, including municipal corporations and government-established entities.

(79) "Substandard unit" means a housing unit which, by reason of dilapidation, deterioration, age, or obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, unsanitary or unsafe conditions, or the existence of conditions which endanger life or property by fire and other causes, or any combination of these factors, is conducive to ill health, transmission of disease, or has an adverse effect upon the public health, safety, morals, or welfare of its inhabitants.

(810) "Trust fund" or "fund" means the South Carolina Housing Trust Fund.

(911) "Very low income household" means a single person, family, or unrelated persons living together whose household that has an annual income adjusted for household size is of less than, at or below fifty percent of the median income of the area of residence as determined by the United States Department of Housing and Urban Development.

HISTORY: 1992 Act No. 410, Section 1.

**SECTION 31-13-420.** Establishment of fund; trustee; records; payments from fund; annual report.

(A) There is established the South Carolina Housing Trust Fund. The State Treasurer shall serve as trustee for the fund and shall hold the monies deposited in the fund separate and distinct from the general funds of the State. The trust fund consists of monies received under this article and any other sources of revenue, public or private, including donations dedicated for inclusion in the trust fund. The State Treasurer shall deposit the funds in a separate account to be administered by the ~~authority~~ Authority in accordance with the guidelines and purposes established by this article. Interest, repayment, or other increment resulting from investment must be deposited in the fund.

(B) The monies in the trust fund must be paid out only upon the signature of the chairman of the ~~board~~ Board or a designee of the ~~board~~ Board and the signature of the executive director, upon the written warrants of the Comptroller General drawn on the State Treasurer to the payee designated in the requisition. The ~~authority~~ Authority shall maintain separate records and books of accounts for all monies deposited into the fund. The ~~authority~~ Authority is entitled to reimbursement for the costs or expenses incurred in the administration and operation of the fund from monies deposited into the fund. The Board may also set policies for payment of reasonable fees and expenses for Sponsors.

(C) The ~~board~~ Board shall make a separate annual report to the Governor and the General Assembly with respect to the fund pursuant to Article 13, Chapter 1 of Title 1.

HISTORY: 1992 Act No. 410, Section 1.

**SECTION 31-13-430.** Advisory committee; composition; meetings; expenses.

(A) An advisory committee is established consisting of ~~nine-eight~~ members, three-two of whom must be selected by the ~~board~~ Board and must include one member of a lower or very low income household; ~~one member of a lower income household, a and one~~ representative of a nonprofit organization which pursues housing programs and has at least two years of participation with the fund; and one representative of each of the following:

- (1) South Carolina Low Income Housing Coalition;
- (2) South Carolina Citizens for Housing;
- (3) South Carolina Association of Housing Authority Executive Directors;
- (4) South Carolina ~~Community Development Association~~ Association of Community Development Corporations; and
- (5) -a representative selected to serve on a rotating basis by the existing local housing trust funds with such local housing trust funds consisting only of those created prior to the effective date of the William C. Mescher Local Housing Trust Fund Enabling Act and those created under the William C. Mescher Local Housing Trust Fund Enabling Act ~~South Carolina Housing Partnership;~~ -and
- (6) South Carolina Association of Regional Councils.

(B) In the event that any organization listed in (A) is no longer in existence or has a name change, the Board is authorized to fill that seat with a comparable organization of the Board's choosing. If, in their sole discretion, the Board determines no comparable organization exists, the Board may fill the seat with a representative of a nonprofit organization which pursues housing programs and has at least two years of participation with the fund.

(~~BC~~) On or before the first day of January of each year the presiding officer of each organization represented on the advisory committee shall notify the chairman of the ~~authority~~Authority of the name, mailing address, and telephone number of its representative on the advisory committee. It is the duty of the chairman to ensure that timely notification of each meeting of the advisory committee is provided to each of its members.

(~~CD~~) The advisory committee shall meet at least ~~four times a year~~semi-annually to advise the ~~board~~Board of particularly critical housing needs, to recommend to the ~~board~~Board those areas of the State in which requests for proposals for developments should be published, the type of development for which proposals should be solicited, and to provide other pertinent information to the board as the members of the advisory committee consider appropriate. The committee shall adopt rules concerning meeting attendance by its members.

(~~DE~~) Members of the advisory committee are ~~not~~ eligible for reimbursement for travel, lodging, meals, or per diem. Membership on the committee must include representation ~~from~~for rural communities.

(F) Organizations holding seats on the advisory committee are not prohibited from applying for funding by the fund.

HISTORY: 1992 Act No. 410, Section 1.

#### **SECTION 31-13-440.** Duties of executive director.

(A) Pursuant to this article and in accordance with the procedures adopted by the ~~board~~Board, the executive director is responsible for the day-to-day operations of the fund.

(B) The executive director shall:

(1) develop and implement a comprehensive program for the use of the fund which ensures the equitable distribution of monies in the fund between urban and rural areas of South Carolina;

(2) develop and implement an application and selection system to identify ~~housing sponsors~~Sponsors and affordable housing ~~developments~~projects which qualify to receive assistance from the fund;

(3) provide technical assistance to prospective applicants; and

(4) monitor ~~developments~~projects receiving assistance from the fund in accordance with policies established by the Board to ensure that the ~~developments~~projects are operated in a manner consistent with this article, ~~and~~ in accordance with the representations made by the sponsors of these ~~developments~~projects to the fund, ~~and;~~ and

~~(5) ensure that all developments receiving assistance from the fund are operated~~ in a manner consistent with the South Carolina Fair Housing Law.

(C) The executive director may utilize members of the ~~authority~~Authority staff as considered necessary or may engage third party administrators to discharge the executive director's responsibilities under this section.

HISTORY: 1992 Act No. 410, Section 1.

**SECTION 31-13-445.** No more than 20 percent of fund monies allocable to any one county in fiscal year.

No more than twenty percent of trust fund monies ~~expended~~committed in a fiscal year may be for projects in any one county.

HISTORY: 1992 Act No. 410, Section 1.

**SECTION 31-13-450.** Use of monies in fund; eligible projects.

(A) Except as otherwise provided in this section, all monies deposited in the fund must be used to increase or preserve the supply of safe, decent, and affordable housing for members of the very low or lower income households within this State. These monies ~~must~~ may be used to:

(1) encourage affordable home ownership and rental housing opportunities for the very low and lower income individuals and households;

(2) assist in the creation and preservation of safe, decent, affordable, and sanitary housing for the very low and lower income persons through the provision of loans and grants;

(3) increase the availability of and access to affordable ~~rental and owner-occupied~~ housing for special needs populations, ~~including housing for the elderly, the handicapped, and the homeless as may be defined by the Board and may include the elderly, disabled, and homeless;~~

(4) promote creativity and flexibility in the design of programs at the local level to bring about the creation of safe, decent, affordable, and sanitary home ownership and rental housing in quality living environments;

(5) maximize the utilization of federal housing assistance programs and leverage all other public and private resources; ~~and~~

(6) establish a spirit of partnership between government, nonprofit, and for-profit concerns and those in need of affordable housing; ~~and~~

(7) make grants to local housing trust funds created by the William C. Mescher Local Housing Trust Fund Enabling Act as may be amended from time to time.

(B) Monies deposited in the fund must be used to finance, in whole or in part, affordable housing projects ~~and developments~~ eligible under this section. Monies deposited in the fund may be used to make loans ~~and/or~~ grants. Such loans or grants may serve as, or provide for matching funds to secure financial assistance made available through federal funding and other programs to ~~eligible applicants~~ Sponsors for the provision of affordable housing. Only ~~nonprofit~~ Non-profit Sponsors are eligible to apply for and receive grants for the implementation of an affordable housing proposal. All Sponsors are eligible to apply for and receive loans for the implementation of an affordable housing proposal. Funds for resident services programs which further independence and responsibility may be included in a proposal submitted to the fund but may not exceed two percent of the total funds requested in the proposal.

(C) In evaluating proposals for the use of monies deposited in the fund, the ~~board~~ Board shall ensure, to the extent feasible, that monies are allocated to affordable housing for home ownership or rental housing ~~developments-projects~~ which provide housing to members of very low income households. The fund may provide for appropriate penalties or fees for removal of the lien in its loan documents or contractual documents if monies are not used to provide housing for members of very low or lower income households for ~~a period of at least twenty years~~ the Compliance Period. All prepayments must be returned to the fund.

(D) The ~~board~~ Board shall ensure that monies deposited in the fund are allocated only to projects which are eligible projects. An eligible project consists of one or more residential buildings containing similarly constructed units, the site on which the building is located, and any functionally related facilities. Multiple buildings may constitute a project only if bounded together as a result of proximate location or common ownership and financing.

(E) The ~~board~~ Board may approve the withdrawal of monies deposited in the fund for the acquisition and rehabilitation of substandard housing units, new construction of housing units, to provide assistance for the construction or rehabilitation of shelters for the homeless, or for such other programs which increase the supply of safe, decent, and affordable housing for members of very low or lower income households which the board considers appropriate to meet the purposes stated in this section.

HISTORY: 1992 Act No. 410, Section 1;1994 Act No. 360, Section 4.

**SECTION 31-13-460.** Units of state, regional, and local governments eligible to receive monies from fund.

Units of state, regional, and local governments, including municipal corporations and nonprofit and for-profit housing sponsors, are eligible to apply to receive monies from the fund for the development of affordable housing.

HISTORY: 1992 Act No. 410, Section 1.

**SECTION 31-13-470.** Funding cycles; applications eligible for priority.

(A) Monies within the fund must be allocated to ~~eligible applicants~~Sponsors, who have submitted proposals for eligible projects, in accordance with funding cycles established at least annually by the ~~board~~Board.

(B) In allocating monies within the fund, the Board will set priorities for applications annually ~~priority must be given to applications\_ which provide for~~may include one or more of the following:

- (1) affordable housing proposals which serve very low income households;
- (2) local government contributions to project costs, including infrastructure improvements, contributions of publicly-owned land for housing development, and the provision of funds for resident services;
- (3) proposals which utilize financial assistance available through federal funding or other programs to leverage monies available from the fund;
- (4) applicant contributions to project costs;
- (5) proposals submitted by nonprofit sponsors for the provision of affordable housing;
- (6) coordination with other housing and infrastructure investments in the community;
- (7) provision of housing to persons whose current housing fails to meet basic standards of health and safety and who have little prospect of improving the condition of their housing.

HISTORY: 1992 Act No. 410, Section 1.

Division: **Housing Trust Fund**

Subject: **Housing Trust Fund Financial Information**

## **Fiscal Year Budget Analysis**

### ***FY Fund Receipts***

Following is an analysis of projected versus actual receipts coming into the Trust Fund. Actual Receipts includes Deed Transfer Fee revenue, P&I payments received on outstanding loans, and other payoffs/returns of previously disbursed funds.

| <b>Housing Trust Fund Receipts</b> |                              |                     |                     |
|------------------------------------|------------------------------|---------------------|---------------------|
| <b>FY 2015</b>                     |                              |                     |                     |
|                                    | <b>Projected</b>             | <b>Actual</b>       | <b>Variance</b>     |
| May-14                             | 564,318.27                   | 782,394.90          | 218,076.63          |
| June-14                            | 608,729.54                   | 832,008.48          | 223,278.94          |
| July-14                            | 706,671.92                   | 901,792.71          | 195,120.79          |
| August-14                          | 720,592.83                   | 977,900.13          | 257,307.30          |
| September-14                       | 708,543.88                   | 999,257.26          | 290,713.38          |
| October-14                         | 733,320.36                   |                     | -                   |
| November-14                        | 655,842.07                   |                     | -                   |
| December-14                        | 696,677.57                   |                     | -                   |
| January-15                         | 630,843.62                   |                     | -                   |
| February-15                        | 847,071.35                   |                     | -                   |
| Mar-15                             | 561,049.65                   |                     | -                   |
| Apr-15                             | 589,743.46                   |                     | -                   |
| <b>Total</b>                       | <b>8,023,404.52</b>          | <b>4,493,353.48</b> | <b>1,184,497.04</b> |
| <b>- Admin Fee</b>                 | <b><u>(\$500,000.00)</u></b> |                     |                     |
| <b>Original 2015 FY Budget</b>     | <b>\$7,523,404.52</b>        |                     |                     |

## ***Fiscal YTD Awards by Activity***

| <b>Activity</b>               | <b>Awards to Date</b>  | <b>Current Proposals</b> | <b>Total Awards to Date</b> |
|-------------------------------|------------------------|--------------------------|-----------------------------|
| Owner-Occupied Rehabilitation | 1,001,250.00           | 667,500.00               | 1,668,750.00                |
| Emergency Repairs             | 228,934.64             | 286,625.00               | 515,559.64                  |
| Group Homes                   | 150,000.00             | 225,000.00               | 375,000.00                  |
| Supportive Housing            | 341,617.00             | 300,000.00               | 641,617.00                  |
| Multifamily Rental Housing    |                        | -                        | -                           |
| <b>Totals</b>                 | <b>\$ 1,721,801.64</b> | <b>\$ 1,479,125.00</b>   | <b>\$ 3,200,926.64</b>      |

## **Fiscal Year Cash Balance Analysis**

### *Unencumbered Cash Balance*

Based on the receipts listed above, payoffs of previously approved awards, encumbered funds, and the fiscal year beginning balance, the unencumbered HTF cash balance is:

|   |                      |
|---|----------------------|
| Cash Balance as of 9/30/2014                              | 9,636,642.63         |
| Less Previous Awards Not Disbursed from 2012, 2013, 2014: | (7,192,695.27)       |
| Less Total Awards in this Cycle:                          | (1,479,125.00)       |
| Less Pending Administrative Fee                           | (500,000.00)         |
| <b>Remaining Unencumbered Balance:</b>                    | <b>\$ 464,822.36</b> |

\* Previous Awards Not Disbursed and Cash Balance have been reconciled through September 30, 2014.

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Division: **Housing Trust Fund**

Subject: **Proposed Housing Trust Fund Awards**

Listed below are 19 proposals with total funds requested of **\$1,192,500.00** for your consideration. These proposals are grouped as follows:

- 3 Group Home for the Disabled proposals for **\$225,000.00**
- 1 Supportive Housing proposal for **\$300,000.00**
- 15 Owner Occupied Rehabilitation proposals for **\$667,500.00**

### **Group Home for the Disabled**

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**Project Number:** HTF-25815

**HTF Amount:** \$75,000.00

**Babcock Center, Inc.**

The Sponsor proposes the acquisition and rehabilitation of a 4-bedroom dwelling to provide housing for people with long-term disabilities. The property is located within Lexington County.

**Project Number:** HTF-25915

**HTF Amount:** \$75,000.00

**CHESCO Services**

The Sponsor proposes the acquisition of a 4-bedroom dwelling to provide housing for people with long-term disabilities. The property is located within Chesterfield County.

**Project Number:** HTF-26015

**HTF Amount:** \$75,000.00

**Community Options, Inc.**

The Sponsor proposes the acquisition of a 4-bedroom dwelling to provide housing for people with long-term disabilities. The property is located within Greenville County.

**Supportive Housing**

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**Project Number:** HTF-26115

**HTF Amount:** \$300,000.00

**The Charles Lea Center**

The Sponsor proposes the new construction of eight 1-bedroom dwellings to provide housing for individuals with developmental disabilities. The properties are located within Spartanburg County.

**Owner Occupied Rehabilitation**

---

**Project Number:** HTF-24415

**HTF Amount:** \$22,250.00

**Allen Temple CEDC**

The Sponsor proposes to rehabilitate one house for a family within the following county: Greenville.

**Project Number:** HTF-24315

**HTF Amount:** \$89,000.00

**Allendale County ALIVE, Inc.**

The Sponsor proposes to rehabilitate four houses for families within the following county: Allendale.

**Project Number:** HTF-24515

**HTF Amount:** \$22,250.00

**Clarendon County CDC**

The Sponsor proposes to rehabilitate one house for a family within the following county: Clarendon.

**Project Number:** HTF-24615

**HTF Amount:** \$22,250.00

**Community Assistance Provider**

The Sponsor proposes to rehabilitate one house for a family within the following county: Chester.

**Project Number:** HTF-24715

**HTF Amount:** \$22,250.00

**Friendship Community Improvement Corp.**

The Sponsor proposes to rehabilitate one house for a family within the following county: Aiken.

**Project Number:** HTF-24815

**HTF Amount:** \$89,000.00

**Hands of Faith CDC**

The Sponsor proposes to rehabilitate four houses for families within the following counties: Richland, Sumter, Kershaw and Fairfield.

**Project Number:** HTF-24915

**HTF Amount:** \$44,500.00

**Jasper County Neighbors United Inc.**

The Sponsor proposes to rehabilitate two houses for families within the following counties: Beaufort and Colleton.

**Project Number:** HTF-25015

**HTF Amount:** \$89,000.00

**Palmland Community Development Foundation**

The Sponsor proposes to rehabilitate four houses for families within the following counties: Richland, Sumter, Kershaw and Fairfield.

**Project Number:** HTF-25115

**HTF Amount:** \$22,250.00

**Promised Land CDC**

The Sponsor proposes to rehabilitate one house for a family within the following county: Spartanburg.

**Project Number:** HTF-25215

**HTF Amount:** \$44,500.00

**SC UpLift Community Outreach**

The Sponsor proposes to rehabilitate two houses for families within the following counties: Richland and Lexington.

**Project Number:** HTF-25315

**HTF Amount:** \$89,000.00

**Southeastern Housing Foundation**

The Sponsor proposes to rehabilitate four houses for families within the following counties: Barnwell and Orangeburg.

**Project Number:** HTF-25415

**HTF Amount:** \$22,250.00

**Sumter County CDC**

The Sponsor proposes to rehabilitate one house for a family within the following county: Sumter.

**Project Number:** HTF-25515

**HTF Amount:** \$22,250.00

**Tri-Development Center of Aiken County, Inc.**

The Sponsor proposes to rehabilitate one house for a family within the following county: Aiken.

**Project Number:** HTF-25615

**HTF Amount:** \$22,250.00

**United Way of Kershaw County**

The Sponsor proposes to rehabilitate one house for a family within the following county: Kershaw.

**Project Number:** HTF-25715

**HTF Amount:** \$44,500.00

**Williamsburg Enterprise Community Commission, Inc.**

The Sponsor proposes to rehabilitate two houses for families within the following counties: Berkeley and Clarendon.

**Division:** Development

**Subject:** Tax Credit Update

Authority staff conducted the Annual Developer Roundtable meeting on September 4, 2014, to accept comments and suggestions for the 2015 and 2016 tax credit program. After the meeting, draft documents of the Qualified Allocation Plan (QAP) and Tax Credit Manual were created and on October 10, 2014 posted to the Authority's tax credit webpage.

The Tax Credit Public Hearing took place on October 30, 2014. Written comments were accepted until the close of business on October 30, 2014. Authority staff reviewed all comments received since the posting of the draft documents on October 10<sup>th</sup> through the close of business on October 30<sup>th</sup> and revised the draft documents, incorporating comments received.

The 2015 and 2016 QAP and 2015 and 2016 Tax Credit Manual is provided for reference. The Board book contains the red lined draft version of both documents which incorporates suggested changes by the development community and Authority staff as well as proposed final versions of each document.

Authority staff is requesting a motion from the Board to forward the Proposed Final 2015 and 2016 QAP to the Governor for approval and signature.

## **South Carolina State Housing Finance and Development Authority** **Low-Income Housing Tax Credit Program** **2014 ~~2015~~ and 2016 Qualified Allocation Plan**

*The mission of the South Carolina State Housing Finance and Development Authority (the "Authority") is to create quality affordable housing opportunities for the citizens of South Carolina. We expect to create and maintain a positive work culture that reinforces our mission, encourages innovation, and is based on a spirit of cooperation and teamwork. We will work to improve customer service and enhance employee performance by constantly reviewing processes and using technology. The Authority will strive to develop mutually supportive relationships that expand our ability to provide affordable housing while enhancing the value of investments. We will actively seek new and innovative ideas to improve affordable housing opportunities throughout the State.*

The 2015 and 2016 Qualified Allocation Plan is intended to govern the 2015 and 2016 tax credit funding cycles. The Authority will make technical amendments to this document for the 2016 tax credit funding cycle in the fall of 2015.

### **I. INTRODUCTION and PURPOSE**

The Low-Income Housing Tax Credit (the "LIHTC") Program was created by Congress in 1986 to promote the development of affordable housing for low-income individuals and families. The Internal Revenue Service (the "IRS") regulations for the LIHTC Program are found under Section 42 of the Internal Revenue Code (the "Code"). The Qualified Allocation Plan (the "QAP") has been prepared to comply with Section 42(m)(1)(B) of the Code of 1986, as amended; however the requirements and provisions are not limited to those contained in the Code. Additional procedures and policies used in the administration of the LIHTC Program are described in the LIHTC Manual. The administration and allocation of the LIHTC Program will be in accordance with the QAP criteria described herein as well as the guidelines, procedures, and requirements described within the LIHTC Manual. The LIHTC Manual criteria are incorporated by reference as additional provisions of the QAP.

The Authority, as the designated housing credit agency for the state, is responsible for allocating the LIHTC. As such the Authority is responsible for developing the guidelines and priorities that best address the need for affordable housing throughout the state by adopting a comprehensive QAP. The Authority's goal is to utilize the allotment of LIHTC to the maximum extent possible for creating or rehabilitating existing properties into viable affordable housing developments. The intent of the QAP is to set forth the criteria that the Authority will consider in evaluating developments applying for an allocation of LIHTC. Approval of the QAP by the Governor of the state is required after the public has had an opportunity to comment by written comment or at a public hearing.

The LIHTC provides a financial incentive that offsets initial capital development costs to qualified developments. It is the Authority's goal to ensure that proposed developments satisfy the necessity of providing affordable housing to the targeted populations in the locality and generate the annual revenue necessary to adequately support the annual operations and long-term maintenance to sustain financial health. The fact that an application is accepted for processing or that a development receives a reservation or allocation of tax credit dollars shall not be construed to be a representation or warranty by the Authority as to the feasibility, viability, or lack thereof, of any development.

Housing created through the LIHTC Program must be affordable for low-income individuals and families with a maximum annual income at or below sixty percent (60%) of the Area Median Income (the "AMI"). Section 42(h)(6) of the Code requires that a LIHTC development be subject to "an extended low-income housing commitment". The Authority complies with this requirement by requiring all LIHTC developments to execute and record "Restrictive Covenants" that stipulate the development will comply with income and rent requirements in the Code for a minimum of thirty (30) years as well as any other criteria in the QAP or LIHTC Manual.

Section 42(m) of the Code requires the Authority to allocate tax credits giving preference to proposals that:

- Serve the lowest income tenants
- Serve qualified tenants for the longest periods

- Are located in a Qualified Census Tract (QCT) and contribute to a concerted community revitalization plan
- Adhere to compliance and monitoring procedures
- Are intended for eventual tenant ownership
- Are intended to serve individuals with children
- Give preference to those on public housing waiting lists
- Are energy efficient
- Have a historic nature

The following criteria will also be considered in the selection process:

- Site Criteria
- Location Characteristics
- Financial Characteristics
- Development Characteristics
- Targeting Characteristics
- Applicant/Development Team Characteristics

The Authority's website contains general and historical information concerning the LIHTC Program under the Housing Partners, Tax Credit section. The Authority's web address is: [www.schousing.com](http://www.schousing.com). From time to time, the Authority may post bulletins or public notices to the tax credit web page in response to questions and requested clarifications submitted regarding the LIHTC Program. It is the applicant's responsibility to check the web page for updates. The web page provides a list of past LIHTC allocations and existing developments. LIHTC Program information may also be obtained by calling Laura Nicholson at (803) 896-9190, emailing [laura.nicholson@schousing.com](mailto:laura.nicholson@schousing.com), faxing (803) 551-4925, or writing SCSHFDA, LIHTC Program, 300-C Outlet Pointe Blvd., Columbia, SC 29210.

## II. THRESHOLD PARTICIPATION CRITERIA

### 1. Development Experience:

In order to participate in the LIHTC program either the developer(s), general partner(s) in a limited partnership or the managing member(s) of a limited liability company must have experience between January 1, 2007 and February 1, ~~2015~~ ~~2014~~ in one LIHTC development or other successful multifamily rental development of at least seventy-two (72) units or two (2) developments of at least thirty-six units each. Experience in one LIHTC development or other successful multifamily rental development of at least seventy-two (72) units means coordinating the development team in planning, financing and constructing a development through the receipt of Certificates of Occupancy and reaching stabilized occupancy. All developers, general partners or managing members must complete a Previous Participation Certificate (see **Exhibit K**). For developments awarded LIHTCs in which the developer(s), general partner(s) in a limited partnership or the managing member(s) of a limited liability company do not have previous LIHTC experience, the Authority will require that a management company with previous successful LIHTC management experience be hired for a minimum of two (2) years.

Any application submitted by developers, general partners, or managing members who from January 1, 2007 through February 1, ~~2015~~ ~~2014~~, have been removed, debarred, or asked to voluntarily withdraw from a LIHTC partnership and/or have ever returned an entire allocation of LIHTC in South Carolina, other than for reasons beyond their control acceptable to the Authority, is ineligible to participate in South Carolina's LIHTC program.

Any application submitted by developers, general partners, or managing members who have been disqualified from participating in any other state or other allocating agency's LIHTC Program within the past ~~seven (7)~~ eight (8) years, other than for reasons beyond their control acceptable to the Authority, is ineligible to participate in South Carolina's LIHTC program.

Any application submitted by developers, general partners, or managing members who have been reported to the IRS (Form 8823) for uncorrected non-compliance issues by the Authority or other allocating agency's LIHTC administrator, at the Authority's sole discretion, may be ineligible to participate in South Carolina's

LIHTC program. The Authority's determination of noncompliance violations is not subject to interpretation, appeal, or final IRS resolution of non-compliance violation.

## 2. Previous Year's Development Completion Status:

All developers awarded ~~2014 2013~~ South Carolina tax credit development(s) in the immediately preceding funding cycle must have closed the construction loan and purchased the land in order to submit an application in the current 2014 tax credit funding cycle. Evidence of the construction loan closing and the recorded warranty or fee simple deed must be provided to the Authority not later than February ~~27, 2015 3, 2014~~. Developers must include with their tax credit application package an executed Exhibit B form.

## 3. Financial Criteria:

The Authority will assess the financial capacity of the applicant or applicant group (to include all entities and/or persons taking an ownership interest in the development and all guarantors) based on their financial statements. Entities and/or persons serving as guarantors must verify their guarantor capacity in writing. The Authority will **only** accept financial statements audited, reviewed, or compiled by an independent certified public accountant (CPA). Only a balance sheet dated on or after December 31, ~~2013 2012~~ is required. All financial statements reports must include notes to the financial statements. Financial statements prepared in accordance with accounting principles generally accepted in the United State (U.S. GAAP) are preferred. Statements prepared on the income tax basis or cash basis must disclose that basis in the report. An applicant or applicant group must have a minimum net worth of \$5 million dollars and minimum unrestricted liquid assets of \$500,000 dollars. The Authority defines liquid assets as cash, cash equivalents, and investments held in the name of the entity(s) and/or person(s) including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including, but not limited to: 1) stock held in the applicant's own company or any closely held entity, 2) investments in retirement accounts, 3) cash or investments pledged as collateral for any liability, and 4) cash in property accounts including reserves. The liquidity requirement may also be met by a current irrevocable letter of credit, provided the supporting bank letter includes sufficient information as to the duration of and restrictions, if any, on the borrowing authority of the applicant. The letter of credit must remain in force from the date of the letter through construction loan closing. All liquid assets must be identified in the submitted financial statement. If no individual member of an applicant group meets the minimum financial requirements, then members may combine assets to meet the requirements by including a combining schedule in addition to their individual statements. The Authority reserves the right to verify information in the financial statements and all financial capacity statements made by applicants, lenders, accountants, and others, through phone calls and correspondence. If false statements are found to have been made at any point in time, all entities and/or person(s) associated with the application will be debarred from all Authority programs for three (3) years.

## 4. City/County/Legislative Notification:

Applicants are required to send a letter, not later than ~~February 27, 2015 March 1, 2014~~ to the highest elected official of the locality (i.e. Mayor or County Administrator) and the State Representative and State Senator of where the development is to be located. Although not required, it is recommended that all letters be sent via certified mail with a signed return receipt. While the applicant is encouraged to provide additional information, the notification letter must include the following:

- a) Contact information for the Applicant;
- b) Development information to include the following:
  1. Type of construction- rehabilitation, new construction, adaptive reuse;
  2. Total number of units;
  3. Total Acreage of proposed site;
  4. Tenant targeting- family, elderly, etc.;
  5. Address of proposed site; and
- c) A statement offering to meet and discuss the proposed development with them.

## III. CRITERIA for APPLICATION REVIEW

The Authority, at its sole discretion, may reject a site based on information submitted in the application package, the site review findings, or other information obtained that the Authority determines renders the site undesirable for a LIHTC development.

**Positive Site Characteristics:**

a) Points will be awarded as listed below for services ~~appropriate to the proposed tenant population~~ located within ½ mile, 1 mile, 1½ miles, 2 miles, 2½ miles, or 3 miles of the proposed site as indicated by an accessible public paved road existing at the time the application is submitted, which are appropriate to the proposed tenant population. Distances should be measured using a computer based mapping system such as Google Maps or other similar distance calculating systems. Submitted area site plan must have ¼ mile, ½ mile and 1 mile radius circles shown from the center of the proposed site. Color photographs of all services must be included with the application. Duplicate copies of the tax credit application must also contain color photographs, copies of the application, and The name of the service must be visible in the photograph. Applicants may include a maximum of only one (1) primary and one (1) alternate positive site service of each service type for scoring purposes. All positive site services must be listed on Form 2. All directions must be printed from the a mapping system and included in the application for points to be awarded. A site address for the proposed development site must be listed however if none is available then the site address of the nearest contiguous property must be listed. Directions that do not lead to the service, as stated in the directions provided with the Application, will not be awarded points. Google Maps or other similar distance mapping system printouts are used as a guide only for location addresses and approximate distances to the services.

Distances are subject to Authority verification and are GPS measured and odometer confirmed by a third party site analyst from center of the proposed roadway entrance into the subject site to center of roadway entrance into the positive service location. When a positive service is located on a parcel shared by multiple businesses, the distance is measured and odometer confirmed from the center of the proposed roadway entrance into the subject site to the center of the roadway entrance into the parcel nearest the positive service.

- (i) **Odometer Calculations:** the distances to positive services are driven and the odometer mileages and electronic tracking data systems used to determine mileage calculations. Distances are measured to one decimal point and are not rounded up or down. Distances less than a ½ mile are measured using electronic tracking data systems.

Only one (1) of each service type will be counted for points. All positive site services must be open to the general public and operational, and expected to continue to operate, at the time the Authority’s site visit is made or points will not be awarded.

| SERVICES  | ½ MILE | 1 MILE | 1½ MILES | 2 MILES | 2½ MILES | 3 MILES |
|---|--------|--------|----------|---------|----------|---------|
| Full Service Grocery Store: Full Service Grocery Store (the store must operate with regular business hours offering a <b>full</b> range and variety of foods, cleaning products and paper products. To qualify as offering a <b>full</b> range and variety of foods, the store must offer sufficient quantities of items from each of the following four categories of staple foods on a continuous basis: 1) meats, poultry and fish; 2) breads and cereals; 3) vegetables and fruits; and 4) dairy products.) | 4      | 3.5    | 3        | 2.5     | 2        | 1.5     |
| Pharmacy or Drug store  | 4      | 3.5    | 3        | 2.5     | 2        | 1.5     |
| Convenience Store <b>and</b> Gas Station  | 4      | 3.5    | 3        | 2.5     | 2        | 1.5     |
| Restaurant ( <u>must possess a current restaurant license issued by SC DHEC</u> )   | 3      | 2.5    | 2        | 1.5     | 1        | .5      |
| Entertainment Venues: museums, theaters ( <u>routinely offers live theatrical performances</u> ), cinemas, <u>public libraries (operated by a local government open at least five days a week, school libraries are not eligible)</u> , bowling alleys, skating rinks, and miniature golf.  | 3      | 2.5    | 2        | 1.5     | 1        | .5      |
| Retail Shopping Areas: malls or strip malls that have a minimum of four retail stores   | 3      | 2.5    | 2        | 1.5     | 1        | .5      |
| Doctor’s Office <u>staffed full time with</u> General   |        |        |          |         |          |         |

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|  |              |                |              |     |   |    |
|--|--------------|----------------|--------------|-----|---|----|
| Practitioners <del>or Nurse Practitioner only not</del> (specialized practices <del>do not count</del> ); Emergency Clinics, Urgent Care Facilities, or Hospital (Facilities must be available to the general public and must not be exclusive); <del>Minute Clinics</del> Walk-in Clinics (e.g., "Minute Clinics" or equivalent)- <del>that are staffed full time with a Nurse Practitioner or Physician's Assistant.</del>   | 3            | 2.5            | 2            | 1.5 | 1 | .5 |
| Public Schools- elementary, middle or high school (must be open and operational)   | 3            | 2.5            | 2            | 1.5 | 1 | .5 |
| Fire Station (Volunteer Fire Station qualifies)  | <del>3</del> | <del>2.5</del> | <del>2</del> | 1.5 | 1 | .5 |
| Full Service Banks or Credit Unions (free standing ATMs do not qualify)  | 3            | 2.5            | 2            | 1.5 | 1 | .5 |
| Public Park or Playground ( <del>to be owned and maintained by a local government containing, at a minimum, playground equipment and/or walking/bike trails and listed on a map or website. Playgrounds at churches, schools or in other neighborhoods do not count</del> ) or Recreation Center or Senior Activity Center ( <del>with scheduled activities and operated by a local government</del> ) or YMCAs ( <del>private gyms will not count</del> ). <del>They must be open to the general public and available to the targeted tenant population. Playgrounds at churches, schools, or in other neighborhoods, and private gyms will not receive points.</del> | 3            | 2.5            | 2            | 1.5 | 1 | .5 |

- ~~b) Sites should be relatively flat with negligible water runoff from adjacent properties. The development entrance(s) should be at or above access road grade. Topography of the site should be consistent with adjacent sites and buildings. Sites with large hills, mounds and/or berms, steep slopes, ridges and/or valleys should be avoided since these types of site characteristics can increase development costs. Criteria will be determined by a third party site reviewer. **2 pts**~~
- c) Site is compatible with the surrounding land. Surrounding area is defined as within one-quarter (1/4) mile of the subject property. This means the site and multifamily development are compatible with the existing land use pattern. The surrounding area should be residential or an appropriate mix of commercial uses, appropriate to the targeted tenants, and residential uses, single and/or multifamily housing. Criteria will be determined by a third party site reviewer. **2 pts**
- d) Water and Sewer utility tie-ins are accessible and within 350 feet of the proposed site. Evidence of such availability must be verified by a letter from the City/County official or utility provider. **2 pts**  
**OR**  
 Water and Sewer utility tie-ins are accessible and within 351 to 500 feet of the proposed site. Evidence of such availability must be verified by a letter from the City/County official or utility provider. **1 pt**

**Detrimental Site Characteristics:**

For the detrimental characteristics below, the Authority defines its determination of distance as the shortest distance, in a straight line, from the closest site boundary line of the proposed site to the closest site boundary line of the detrimental site characteristic to determine whether negative points will be assessed. When a detrimental site characteristic is located on a parcel shared by multiple businesses, the distance between the detrimental site characteristic and the proposed site is measured, in a straight line, from the closest site boundary line of the proposed site to the closest boundary line of the parcel on which the detrimental site characteristic is located.

~~**Odometer Calculations:** the distances to detrimental site charactersites are driven and the odometer milenges and electronic tracking data systems used to determine mileage calculations. Distances are~~

~~measured to one decimal point and are not rounded up or down. Distances less than a ½ mile are measured using electronic tracking data systems.~~

1. The following Detrimental Development Characteristics are **not allowed for any development site**. This list is not all inclusive and may be expanded:
  - a) Applications proposing an existing development to be subdivided into two (2) or more developments.
  - b) Applications proposing more than one phase of the same project in the same funding cycle regardless of the tenant targeting.
  - c) Applications for new construction developments located within one (1) mile of a development funded in the ~~2012 or 2013~~ or 2014 tax credit funding cycles that have not placed in service and achieved 90% occupancy at the time of application submission. The distance will be measured using the shortest distance, in a straight line, from the closest site boundary line of the proposed site to the closest site boundary line of the ~~2012 or 2013~~ or 2014 development.
  - d) Applications proposing developments for the same tenant populations within the same defined market area of existing Authority funded developments (tax credit, tax exempt bonds, etc.) that have a history of vacancy rates greater than ten percent (10%). Vacancy rates will be determined by using the second and fourth quarter vacancy rates reported by the property management for an existing development's previous year's operations. The Authority will make exceptions to the above requirement if the Authority determines, in its sole discretion, that the reason for the existing development having a history of vacancy rates greater than ten percent (10%) is not an issue of an "existing market" for the tenant population, but other characteristics that may or may not be resolvable (e.g. location, physical appearance, etc.)
  - e) Applications proposing scattered site developments that are not, in the Authority's determination, within the same primary market area and/or county boundaries.
  - f) Any site listed on or adjacent to a site listed on the National Priority List under CERCLA.
2. These **detrimental characteristics** will be assessed for each site with no limit to the negative points a site may accumulate.

**Three (3) points per item will be deducted for the following:**

- a) Sites within five hundred (500) feet of an easement containing an electric substation, whether it is active or inactive.
- b) New construction sites where any portion contains or permits any easements for overhead electric power lines, regardless of voltage, and/or such electric power lines encumber the proposed site with the exception of electric power lines used for the distribution of electric service for other unrelated properties and located within the outside 25 feet of the perimeter of the site ~~for the distribution of electric service for other unrelated properties as long as no portion of any building or proposed building is beneath such power lines.~~ A development proposing to bury all power lines will be exempt from this detrimental determination if documentation is provided from the utility provider stating that all power lines will be underground
- c) Sites where a portion of any building or proposed is located within the fall distance of any pole, tower or support structure of a high voltage transmission power line, communications transmission tower, microwave relay dish or tower, or commercial satellite dish (radio, TV cable, etc.). For field analysis, the Authority will use tower height as the fall distance. For the purpose of the QAP, a high voltage electric transmission line is a power line that carries a nominal voltage level greater than 60KV (sixty kilovolts). All fall distances for any tower, support structure or poles as listed above must be shown on the development site plan and submitted with the application. If the fall distance shows there are no buildings located within it, no points will be deducted.
- d) Sites where a nearby active railroad causes excessive noise and vibration. A map should be included with the application submission showing the distance from the site boundaries to the railroad tracks. At application submission, an Applicant submitting a proposed development within five hundred (500) feet of an active, in use railroad(s) is required to submit, from a qualified professional, an objective third party noise study that addresses the impact of the nearby railroad, specifically the frequency, noise levels, and shock vibrations levels, on the proposed development. The study must not be older than two (2) years prior to the application submission date and must adhere to the U. S. Department of Housing and Urban Development (the "HUD") environmental criteria and standard for noise abatement regulation, which states the maximum acceptable day/night average decibel level of sixty-five (65) dBA for exterior noise, along with any other analysis deemed pertinent to the noise study and its conclusion. The study must state the average decibel level on the site is less than sixty-

five (65) dBA and must support the placement of the development on the proposed site. Those sites where exterior noise is sixty-five (65) dBA and above but not exceeding seventy-five (75) dBA may be submitted; however, a noise mitigation plan must also be submitted. Sites with an exterior noise level at or above 75 dBA may not be submitted for funding consideration. The mitigation plan must specifically state what measures will be used to reduce the noise levels at the site and the noise study must indicate that the measures to be used will bring the unacceptable noise level at the site down to the acceptable noise level of less than sixty-five (65) dBA. Those sites where the noise levels as outlined in the Noise Study Report can achieve levels of 65 dBA or less will not be assessed negative points. However, the Authority, in its sole discretion, may approve or reject the site regardless of the conclusions reported in the study. If a railroad is listed as inactive then documentation from the owner of the railroad must be submitted indicating such.

- e) Sites where the Authority and/or its third party consultant determines the slope/terrain is not acceptable for development. All existing and proposed grades must be shown on the development plan.
- f) Sites where existing wetlands, natural, or man-made attributes could have a substantially negative effect on the development (e.g. 100 year flood plain, streams, ravines, drainage, waterways, etc.). At a minimum, the site should be 80% buildable with the listed conditions found primarily on the perimeter or fringes of the development site. If wetland areas are found on the interior of the site they should be successfully incorporated into the development's landscaping plan and complement existing green space areas.
- g) Sites within ~~one-half (1/2) mile~~ ~~one (1) mile~~ of an operating commercial beef/hog/chicken/turkey farm or processing plant. As part of the application submission, Applicants should identify and provide the name(s) and location of any such facility within ~~one-half (1/2) mile~~ ~~one (1) mile~~ of where the development is proposed.
- h) Sites within one-half (1/2) mile of a treatment, storage, or disposal facility for hazardous wastes, an active or inactive solid waste disposal facility and/or solid waste transfer facility.
- i) Sites within one-quarter (1/4) mile of a sewage treatment plant.
- j) Sites within one-quarter (1/4) mile of any jail, prison, detention center or correctional facility. This does not include a temporary holding facility at a location where the primary purpose is not a jail, prison, detention center or correctional facility.

**Two (2) points per item will be deducted for the following:**

- a) Sites within five hundred (500) feet of any commercial junkyard or salvage yard; trash heap, dump pile, or other eyesore as determined by the Authority.
- b) Sites within five hundred (500) feet of a pipeline(s) (excluding low pressure natural gas distribution lines, water and sewer lines).
- c) Sites within five hundred (500) feet of commercial bulk storage or distribution facilities for propane/butane gas, hazardous chemical or petroleum/gasoline.
- d) Sites within ~~one-quarter (1/4) mile~~ 500 feet of bars and night clubs. Any establishment that, on a continuous basis, sells alcohol by drink and/or permits the consumption of alcohol on its premises after 9 p.m. will be considered a bar or night club with the exception of the following: (1) a private residence; (2) ~~a full service restaurant that has a bar area within the restaurant;~~ (3) an establishment engaged primarily in the furnishing of lodging; (4) 3 a bona fide non-profit organization or club with membership not open to the general public to which the sale or consumption of alcoholic beverages is incidental to the main purpose of the organization; (5) 4 a meeting or banquet hall; (5) ~~a full service restaurant principally engaged in the preparation and service of a full menu of meal items that are available to customers upon demand at all times the business is open to the public.~~
- e) Sites within one-quarter (1/4) mile of adult video/entertainment clubs.
- f) Sites within one-quarter (1/4) mile of an operating industrial facility including but not limited to: steel manufacturers, oil refineries, ports, chemical plants, plastic manufacturers, airports, automotive and engine parts manufacturers and food processing plants.
- g) Sites that require the execution of voluntary or involuntary cleanup agreements with Department of Health and Environmental Control or any other third party organizations as noted in a Phase II environmental assessment report. A site that has already **fully** completed any cleanup agreements will not incur negative points. Documentation referencing such must be submitted with the Phase II environmental assessment report.

**Market Study Criteria:**

Proposed developments must be economically viable proposals justified by the market study findings. The capture rate, market advantage, absorption/lease-up period and overall vacancy rate are critical components in the assessment. A market study, completed by an analyst on the Authority's approved market analyst list, must be submitted with the tax credit application and meet the following requirements:

- a) **Capture Rate:** All developments must have a capture rate at or below 30%. Developments with a capture rate above 30% will be eliminated.
- b) **Market Advantage:** All developments must have an overall minimum market advantage of 10%. Developments not meeting the minimum 10% market advantage will be eliminated. Developments awarded tax credits will be required for three (3) years, beginning the date the placed in service application is received by the Authority, to maintain a minimum 10% market advantage level. Prior to a development beginning initial lease-up, the proposed rent levels by bedroom size must be submitted to the Authority. The Authority will provide its third party market analyst with the proposed placed in service rents and a determination will be made by the market analyst as to whether the proposed rents still meet the 10% market advantage percentage. If rents do not comply then the rents MUST be adjusted to meet the minimum 10% market advantage percentage. See Tie Breaker #2 for additional information related to meeting the Tie Breaker criteria for market advantage. Those developments representing a 25% market advantage at initial application submission and being awarded tax credits based on the Authority using Tie Breaker #2 criteria will be required to maintain a minimum 25% market advantage at placed in service. In the event of a softening or declining market at the time a development places in service the Authority will allow a rent floor at the level of the rents submitted at the initial application submission. **Developments not in compliance will not receive 8609s.**
- c) **Overall Vacancy Rate:** Points will be awarded to proposed developments in market areas where the overall existing and stabilized LIHTC vacancy rates are the lowest based on the following scale:
  - i. Overall vacancy rate of less than 6%:
  - ii. Overall vacancy rate of 6% but less than 10% or more:
  - iii. Developments proposed in markets where the overall LIHTC development vacancy rate is 10% or greater will be eliminated.
- d) **Absorption/Lease-Up Periods:** Developments must have absorption/lease-up periods of 12 months or less. Proposed developments with absorption/lease-up periods of more than 12 months will be eliminated.

1 pt  
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### **Tax Credit Development Experience:**

- a) Owners (which include individual(s), corporation(s), or in the case of a limited partnership, the general partners(s)) will receive points for previous development of successful LIHTC properties that have been completed over the past ~~seven (7)~~ eight (8) years, January 1, 2007 to February 1, 2015 ~~January 1, 2014~~. The owner may include experience gained as an owner in another firm, but not as an employee of another firm. Experience in LIHTC development (to include 4% and 9% Tax Credits, TCAP and Exchange funded developments) means, coordinating the development team from the planning, financing and construction of a development through the receipt of Certificates of Occupancy and issuance of 8609s. Solely purchasing tax credit properties after they have been placed in service will not count for points. Applicants **must have a current ownership interest** in the development(s) listed for points on **Exhibit K**. Experience will be awarded as follows:

|          |                                     |
|----------|-------------------------------------|
| 1 point  | 1 LIHTC project or 72-199 units     |
| 2 points | 2 LIHTC projects or 200-299 units   |
| 3 points | 3 LIHTC projects or 300-399 units   |
| 4 points | 4 LIHTC projects or 400-499 units   |
| 5 points | 5 LIHTC projects or 500-599 units   |
| 6 points | 6 LIHTC projects or 600-699 units   |
| 7 points | 7+ LIHTC projects or 700 plus units |

Max 7 pts

For every development listed above, the general partner(s) must be in compliance with and in good standing with both the Authority and the syndicator/equity provider. **Exhibit K-1** must be completed by the syndicator/equity provider or current equity asset management company and submitted with **Exhibit K** as part of the application submission. If **Exhibit K-1** is not provided then experience points will not be awarded.

- b) Owners (which include individual(s), corporation(s), or in the case of a limited partnership, the general partners(s)) who have previously developed LIHTC developments in South Carolina between January 1, 2007 and February 1, 2015. ~~February 1, 2014~~- LIHTC development (to include 4% and

9% Tax Credits, TCAP and Exchange funded developments) means, coordinating the development team from the planning, financing and construction of a development through the receipt of Certificates of Occupancy and issuance of 8609s. Applicants **must** have a current ownership interest in the development.

- 1 point            1 South Carolina LIHTC development
- 2 points          2 South Carolina LIHTC developments
- ~~3 points~~        ~~3 South Carolina LIHTC developments~~

Max ~~2~~ 3 pts

For every development listed above, the general partner(s) must be in compliance with and in good standing with both the Authority and the syndicator/equity provider or current equity asset management company. Exhibit K-1 must be completed by the syndicator/equity provider and submitted with Exhibit K as part of the application submission. If Exhibit K-1 is not provided then experience points will not be awarded.

- c) Applications that have no missing or incomplete documents as required for submission on the Authority's Exhibit A Application Checklist.

1pt

### **Targeting Characteristics:**

- a) Developments that elect to serve individuals on waiting lists for public housing. To receive points, the Applicant must include in their marketing plan a description of outreach, marketing and advertising methods used to attract individuals on public housing waiting lists as well as evidence that the public housing agencies have been contacted (i.e. copy of the letter sent to the PHA along with a signed return receipt). Applicants must not use minimum income criteria to reject Section 8 Housing Choice Voucher Participants when their income reflects that they can pay their portion of the rent. The site's minimum income needed for a household to pay the rent on the unit will be based on the actual amount that the Section 8 Housing Choice Voucher Participants would have to pay after the subsidy rather than the entire rent on the unit.
- b) Points will be given to developments that voluntarily extend the "extended use period" until twenty years after the close of the initial fifteen-year "compliance period" (as described in Section 42 of the Internal Revenue Code) and that voluntarily waive the right of the owner to petition the Authority to have its "extended use period" terminated prior to the completion of the nineteenth year of the "extended use period." Any development selecting this criterion is therefore agreeing to a thirty-five year combined compliance and "extended use period" and is committing to a minimum of 20 years of affordability.
- c) Points will be given to developments designating rental housing for specific tenant populations as outlined in this section. In order to be considered for these points, the development/units must be designed and equipped to serve the needs of the designated tenant population. Such design and equipment must be in addition to the minimum design requirements necessary to comply with state and federally mandated accessibility requirements and must be fully described in the application. A Marketing Plan which outlines the outreach efforts to be utilized for targeting tenants must be submitted with the application to receive these points. Choose only one (1) of the following:
  - (i) One hundred percent (100%) of the development is designed for individuals or families with children. To receive these points at least twenty-five percent (25%) of the low-income units must contain three (3) or more bedrooms.
  - (ii) At least eighty percent (80%) of the units are designed, equipped and occupied by older person(s) fifty-five years of age or older. The remaining units must be designed, equipped, and occupied by special needs populations. All new construction developments are limited to one (1) or two (2) bedroom units. All new construction developments, greater than a one (1) story structure must be accessible to all additional stories by elevators. Acquisition with rehabilitation developments more than one (1) story must provide evidence that existing elevators have received regular maintenance and are in good working condition as of the application submittal date to service all upper level rental units. Those developments without existing elevators will be required to install elevators. Developments designating 100% of the units for persons 55 or older are eligible for these points.
  - (iii) At a minimum, (10%) of the total units are set-aside for disabled and special needs tenants. Developments seeking points under this criterion should include a letter from the appropriate disability agency regarding the need for these units.
- d) Points will be given to the preservation of an existing development previously assisted with tax credits in which the initial 15 year compliance period has expired. The existing development must have been

2 pts

5 pts

5 pts

continuously operated throughout the initial 15 year compliance period without further financial assistance following the issuance of 8609s from the Authority to include additional tax credits, HOME or HTF funds or any debt restructuring. The development can have no outstanding compliance monitoring issues at the time of the application submission.

1 pt

- e) Sites considered as having Historic Character. Historic Character generally means any development consisting of one or more structures (1) (a) individually listed in the National Register of Historic Places; or (b) located in and contributing to a National Register Historic District and (2) the rehabilitation of which will be completed in such a manner as to be eligible for federal and state historic rehabilitation tax credits. The historic character of a site may be established by documentation from the South Carolina Department of Archives and History with the application submission.

1 pt

~~f) Eventual Homeownership: Provide a detailed narrative of how homeownership will be achieved. Submit an acceptable Conversion Agreement, and other documentation as required, that provides for tenant ownership at the end of the initial fifteen (15) year compliance period. The Applicant must submit a conversion plan as well as other required documentation that includes but is not limited to a detailed timeline outlining how the tenants will become homeowners. The conversion plan must include all homebuyer counseling programs to be provided along with the financial procedure that will be used to transfer the rental units into homeownership. The Applicant must execute a Conversion Agreement providing that the units will be converted to tenant ownership at the end of the 15 year tax credit compliance period or the 20 year compliance period if receiving state HOME funds.~~

1 pt

~~g) Letters of positive support from the City Manager, Mayor or County Administrator for the development of affordable housing within their communities.~~

- 1-12 pts

~~g) Letter of positive support for the specific proposed development from the State Senator representing the area of the development.~~

12 pt

~~h) Letter of positive support for the specific proposed development from the State Representative representing the area of the development.~~

12 pt

~~h) Developments that elect to both rent and income restrict up to twenty-five percent (20%-25) of the total units to 50% AMI tenants, for the entire term of the LIHTC compliance period. Points will be awarded on a sliding scale rounded to two decimal places.~~

0-20 25-pts

### **Development Size:**

Applications for developments consisting of fewer than 16 units will not be considered in any funding set-aside for the competitive tax credit funding cycle.

New construction developments, including adaptive reuse developments, will be awarded points based on the total development size as follows:

~~a) Developments at or below 56 total units.~~

3 pts

~~b) Developments having 57 to at or below 64 total units.~~

2 pts

~~c) Developments having 65 to 72 total units.~~

1 pt

New construction developments, including adaptive reuse developments, consisting of 73 total units or more may not participate in the competitive 9% tax credit program.

Rehabilitation developments will be awarded points based on the total development size as follows:

a) Developments at or below 88 total units.

2 pts

b) Development having 89 to 104 total units.

1 pt

Rehabilitation developments consisting of 130 total units or more may not participate in the competitive 9% tax credit program.

### **Development Characteristics:**

#### **Optional Development Design Criteria Points:**

This section allows developers to choose various optional design criteria to be included as part of the development. All developments must obtain a minimum of one hundred ten (110) points from this section to avoid disqualification. Although developments may choose to do more, the maximum number of points to be awarded from this section (items 1-30) is one hundred ten (110). Developments awarded credits must incorporate into the development all of the items chosen for points. As part of the placed in service application

submission, the Authority will require manufacturer's data sheets as confirmation that items chosen meet the standards as outlined.

- |   |               |
|---|---------------|
| 1. Roof shingles must be architectural style anti-fungal and warranted for a minimum of thirty (30) years.  | <b>8 pts</b>  |
| 2. Attic insulation rated R-38 or higher.   | <b>3 pts</b>  |
| 3. Energy Star rated HVAC systems (15 SEER or greater) in all units.  | <b>5 pts</b>  |
| 4. All units must have a balcony, sunroom, or patio. A sunroom must contain a minimum of three (3) window panels and have distinct architectural separation from the living room. Patios must be at least 64 sq. ft. Front porches are not considered patios.   | <b>10 pts</b> |
| 5. Curbing for paved areas throughout the development site including the parking areas.   | <b>5 pts</b>  |
| 6. Gazebo (Must be covered and have bench seating; must be permanently affixed and constructed in place; be ADA compliant, accessible and contain a minimum of 100 square feet) or covered picnic shelter (must have a table and bench seating and must be ADA compliant and accessible) in an appropriate location. (May not be selected for points if using this option as a recreation area for older persons under Mandatory Design Criteria, All Development Types, item 6.b). | <b>3 pts</b>  |
| 7. Irrigation/sprinkler system serving all landscaped areas.  | <b>10 pts</b> |
| 8. Underground utilities (gas/electric, cable and phone) throughout the development site.   | <b>5 pts</b>  |
| 9. Provide in the community room a minimum of two (2) current updated computer systems, manufactured within the last 12 months, to include new computers, new printers, and a new scanner. The computers must be equipped with high speed Internet service (e.g. broadband or cable). It is expected that printer cartridges, computer supplies and ongoing maintenance of the computers and systems will be furnished as part of receiving these points.                           | <b>3 pts</b>  |
| 10. Each unit must have an Energy Star ceiling fan with light fixture in the living room and all bedrooms. All ceiling fans and overhead lights must connect to wall switches.  | <b>5 pts</b>  |
| 11. Full size Energy Star refrigerator, with ice maker, having a minimum size of eighteen (18) cubic feet. (May not be selected for points if also selecting #30)   | <b>5 pts</b>  |
| 12. All units pre-wired for high speed (broadband) Internet hook-up with at least one (1) centrally located connection port and connection ports in all bedrooms or wireless computer network.  | <b>3 pts</b>  |
| 13. Over the range mounted microwave oven, with re-circulating fan, in all units.   | <b>4 pts</b>  |
| 14. All units must have a Range Queen or comparable extinguishing system over the stove or have element temperature control plates on each stove burner (e.g. Safe-T-element, etc).   | <b>3 pts</b>  |
| 15. A minimum square footage per unit based on the number of bedrooms per unit specified as follows. To qualify, all of the units must meet the minimum square footage per unit. The Authority considers the square footage of an individual unit to be the usable living space measured from the interior wall to interior wall.   | <b>20 pts</b> |

| <u>Bedrooms per Unit</u> | <u>Minimum Sq. Ft. per Unit</u> |
|--------------------------|---------------------------------|
| One                      | 750                             |
| Two                      | 950                             |
| Three                    | 1,100                           |
| Four                     | 1,250                           |

The maximum allowed per unit square footage for new construction units is as follows:

| <u>Bedrooms per Unit</u> | <u>Maximum Sq. Ft. per Unit</u> |
|--------------------------|---------------------------------|
| One                      | <del>950</del> 850              |
| Two                      | <del>1,200</del> 1,100          |
| Three                    | <del>1,350</del> 1,250          |
| Four                     | <del>1,500</del> 1,400          |

Note: Developments exceeding the maximum allowable square footages will not receive points.

- |   |               |
|---|---------------|
| 16. Providing bathrooms per unit based on the number of bedrooms according to the following. To qualify, all the units must provide the minimum number of bathrooms as specified. | <b>20 pts</b> |
|---|---------------|

| <u>Bedrooms per Unit</u> | <u>Bathrooms per Unit</u> |
|--------------------------|---------------------------|
| One                      | One Full                  |
| Two                      | One Full and One ¾ bath   |
| Three                    | Two Full                  |
| Four                     | Two Full and One-Half     |

Bathrooms are defined as follows: ½ bathroom contains a toilet and vanity with sink; ¾ bathroom contains a toilet, vanity with sink, and a shower; and a full bathroom contains a toilet, vanity with sink, and a tub/shower combination. ADA units ONLY may have a roll in shower. Older Persons and Elderly

developments, for one (1) bedroom - one (1) bathroom units ONLY, may have a shower without a tub and it will count as a full bathroom.

17. A minimum ~~six (6), ten (10) eight (8)~~ camera video security system with ~~four (4), eight (8) six (6)~~ cameras monitoring ~~roadways and parking areas and all building entrances the exterior site~~ and two (2) monitoring the manager's office and community center. Formatted: Strikethrough  
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7 pts
18. One (1) rental unit reserved for a security officer, on-site manager or maintenance person. The unit(s) will be treated either as community space and non-revenue generating or as an income eligible unit(s) which will be subject to compliance monitoring. Each unit(s) must be designated in the tax credit application. 5 pts
19. Walking trails, minimum 4 feet wide, paved and continuous. Trail should be a minimum 1250 linear feet. At a minimum, install one (1) permanently anchored weather resistant bench with a back at the mid-point of the trail. Sidewalks are not considered walking trails. 10 pts
20. ~~Permanent solid (i.e., wood, steel, vinyl, aluminum, or composite)~~ Perimeter fencing extending around all sides of the development site, except at development entrance(s). ~~Chain link fencing not allowed.~~ Formatted: Strikethrough  
5 pts
21. The development will be built to meet, at a minimum, the Version 3.0 Energy Star Certification. 15 pts
22. Provide an easily-accessible area that serves the entire development and is dedicated to the collection and Storage of non-hazardous material for recycling, to include paper, corrugated cardboard, glass, plastics, and metals. Property management is responsible for ensuring of proper disposal and removal of the recyclables. 5 pts

**The following items are for rehabilitation developments only:**

23. Install Energy Star rated dishwasher in all units. (May not be selected for points if also selecting #30) 3 pts
24. Install overhead light fixture connected to a wall switch in the living room and all bedrooms. All light fixtures to be fitted with Energy Star light bulbs. 3 pts
25. Provide one and one-half (1.5) bathrooms in all units with two (2) or more bedrooms. (May not be selected for points if also selecting #16). 10 pts
26. Minimum bedroom size for all bedrooms in each unit is 120 square feet. The minimum bedroom Square footage excludes the closet space. 5 pts
27. Provide a minimum 1200 square foot community building. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry room and storage/maintenance rooms will not be counted as part of the 1200 square foot minimum. 10 pts
28. Hookups for standard size washers/dryers in all units. (Hookups for stackable washer/dryers do not count) 5 pts
29. Energy Star rated windows in all units. 8 pts
30. In all units, existing appliances replaced with a full size Energy Star refrigerator, with ice maker, having a minimum size of eighteen (18) cubic feet; and an Energy Star rated dishwasher; and an energy efficient hot water heater with an energy factor greater than 0.61 for gas or 0.93 for electric. 10 pts

**Durable Construction:**

Durable construction with respect to each building, **choose only one** of the following:

1. Brick/stone veneer or stucco minimum 70% and remaining exterior fiber cement and/or hardiplank. 4 pts
2. Brick/stone veneer or stucco minimum 50% and remaining exterior fiber cement and/or hardiplank. 3 pts
3. Brick/stone veneer or stucco minimum 30% and remaining exterior fiber cement and/or hardiplank. 2 pts
4. Brick/stone veneer or stucco minimum 50% and remaining exterior siding to be vinyl siding with a thickness of at least .044 mils; or full fiber cement. 1 pt

The exterior of the building is defined as the exterior façade from finished grade elevation to eave line. All exterior wall faces must have an excess of brick/stone veneer based on the percentages selected above. This is applicable to all sides of all the buildings. On all exterior walls the brick/stone must extend above all areas of grass, landscaping and other areas of soil or mulch.

**Rent Targeting:**

~~Developments that elect to both rent and income restrict up to twenty five percent (25%) of the total units to 50% AMI tenants, for the entire term of the LIHTC compliance period. Points will be awarded on a sliding scale rounded to two decimal places. 0-25 pts~~

**Financial Characteristics:**

The Authority strives to ensure aesthetics and livable standards in its affordable housing developments in order to ensure that the developments funded are durable and marketable to tenants for the entire compliance period.

However, it is also the Authority's objective to allocate its annual allocation of tax credits in a manner that creates as many affordable housing units as possible. Because tax credits are limited, cost per type of unit and construction costs per square foot are important factors in analyzing applications. The Authority will apply cost standards for Eligible Basis per Heated Square Foot (EBHSF) based on the group average for each type of development submitted in the funding cycle. The Authority will use discretion in determining the groups for comparison, i.e. garden style, single family, townhouse type developments will be compared to each other to determine similar development costs. Developments with costs that appear to be higher than typically warranted will be reviewed by the Authority's construction cost consultant. The costs reviewed will include both hard and soft costs. The construction cost consultant will analyze building types, site conditions, local requirements, and costs for similar developments in similar areas of the state. If, based on the consultant's review, the development costs are found to be reasonable and can be substantiated then the development will remain in the competition. If however, after the consultant's review the costs cannot be substantiated or if substantiated are still found to be unreasonable for affordable housing, then the development will be eliminated from the tax credit competition.

Under no circumstances, regardless of construction type, set-aside, or tenant targeting will the Authority fund developments that exceed the following Total Development costs per unit:

- Rehabilitation- ~~\$110,000~~ ~~115,000~~ \$115,000 per unit
- New Construction- ~~Garden Style Multi-Story Developments: \$165,000 per unit~~
- ~~New Construction- Duplex, Townhouse, Single Family Developments: \$175,000 per unit~~
- Historic and Adaptive Reuse- ~~\$185,000~~ ~~175,000~~ per unit

Developments that exceed the Total Development costs per unit caps will be disqualified from funding consideration.

Under no circumstances, regardless of construction type, set-aside, or tenant targeting will the Authority fund in excess of the following tax credits per unit:

- Rehabilitation:  
1 bedroom: \$8,000      2 bedroom: \$10,000      3 bedroom- \$10,500      4 bedroom- \$11,000
- New Construction:  
1 bedroom: ~~\$14,500~~ ~~12,500~~      2 bedroom- ~~\$17,000~~ ~~16,000~~      3 bedroom- \$18,000      4  
Bedroom- \$19,500

#### IV. TIE BREAKER CRITERIA

The following factors will be used in the order they are listed to break a tie. If a tie is broken using the first factor then the other factors will not be applied and so on.

1. Developments with the highest site scores.
2. Market Rate Advantage: Developments representing rents with the highest market rate advantage will receive preference. Developments may propose rents at higher than a 25% market rate advantage however the Authority will cap the rate at 25% for the tie break review. The market rate advantage percentage will be taken out to two (2) decimal places for evaluation purposes. Developments that receive tax credit based on Tie Breaker Criteria #2 must meet a 25% market rate advantage and maintain that advantage for the full three (3) year period beginning the date the placed in service application is received by the Authority.
3. As required in each Set-Aside, the Authority will apply cost standards for Eligible Basis per Heated Square Foot (EBHSF) to all developments reaching this tiebreaker. Standard deviations will be calculated from the group average for each type of development submitted within the Set-Aside. The Authority will use discretion in determining the group types for comparison, which may include but are not limited to new construction, rehabilitation, garden style, and single family developments. Developments with an EBHSF that deviates above or below the group average will be assigned the following values: EBHSF less than or equal to 1.0 Standard Deviation = .5000, EBHSF greater than 1.0 and less than or equal to 2.0 Standard Deviations = .3000, EBHSF greater than 2.0 and less than or equal to 3.0 Standard Deviations = .2000, EBHSF greater than 3.0 Standard Deviations = .1000.

4. The groups established in Tie Breaker #3 will also be used for this Tie Breaker. If required in each Set-Aside, the Authority will rank each development based on the difference between its EBHSF and the group average EBHSF for each type of development submitted in that Set-Aside.
5. Developments located in a Qualified Census Tract (QCT) that contribute to a concerted community revitalization plan (CRP). The CRP plan must be included with the application submission.
- ~~5-6.~~ Eventual Homeownership: The Authority will allow only single family homes, townhouses or duplexes to be built for eventual homeownership. Provide a detailed narrative of how homeownership will be achieved. Submit an acceptable Conversion Agreement, and other documentation as required, that provides for tenant ownership at the end of the initial fifteen (15) year compliance period. The Applicant must submit a conversion plan as well as other required documentation that includes but is not limited to a detailed timeline outlining how the tenants will become homeowners. The conversion plan must include all homebuyer counseling programs to be provided along with the financial procedure that will be used to transfer the rental units into homeownership. The Applicant must execute a Conversion Agreement providing that the units will be converted to tenant ownership at the end of the 15 year tax credit compliance period or the 20 year compliance period if receiving state HOME funds. The Authority does not allow older persons or elderly persons to be targeted for homeownership. Land acquisition may not involve long term lease holds rather land must be purchased and owned by the partnership.
- ~~6-7.~~ If applications are still tied after all above tie breakers have been applied, the Authority will utilize a lottery system. All Application identification numbers, ONLY for those Applications still tied for funding, will be placed in a drum and an impartial Authority employee will draw developments at random until all funds are exhausted. The drawing will be open to the public, supervised by Internal Audit staff, with results posted on the Authority's tax credit webpage.

## **V. MANDATORY DESIGN CRITERIA**

The following mandatory design criteria **must be** included in the development design:

### **For ALL Development Types:**

1. Window coverings for each window, including glass doors, must be installed. Metal blinds are not permitted.
2. All kitchen and bathroom interior cabinets must be solid wood or wood/plastic veneer products with dual slide tracks on drawers. New cabinets must have solid wood dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A1 61.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
3. All entry doors must be metal-clad wood, steel or fiberglass doors that are insulated, paneled, and have a peephole. Deadbolt locks are required in entry doors. Dead bolt locks on entry doors should have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. The minimum clear width of all exterior doors shall be 34 inches.
4. Bi-fold and sliding interior doors are prohibited. All doors must be side hinged.
5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, sod shall be installed on the front and side areas to a point twenty (20'-0") feet from the building(s). Landscaping may incorporate sod and drought resistant plants and shrubs. All disturbed areas not sodded must be seeded. The Authority reserves the right to approve the final landscaping installation and require modifications.
6. All retention and/or detention ponds must be fenced in unless a letter is provided from the Department of Health and Environmental Control (DHEC) that a fence is not required. The storm water retention/detention basin design, maintenance and management shall be the sole responsibility of the owner/developer and shall be in strict accordance with all applicable federal, state, local and environmental regulations governing storm water retention/detention basins.
7. A recreation area suitable for proposed tenant targeting:
  - a) For family developments – (i) Playground for children located away from automobile traffic patterns with commercial quality play equipment (the playground area must have a minimum of four (4) separate pieces of equipment or a structure that encompasses a minimum of four (4) pieces of equipment) accessible to handicapped traffic and at least one permanently anchored, weather resistant bench, with a back, or (ii) an exercise room with a minimum of three nautilus-type work-out machines (this room's square footage may be included in the minimum 1,200 sq. ft. community building);

- b) For older persons developments – (i) An exercise room with a minimum of three (3) nautilus type work-out machines (this room’s square footage may be included in the minimum 1,200 sq. ft. community building), or (ii) a minimum of one gazebo, with seating, equipped with an Energy Star ceiling fan with light fixture.
8. A new development sign at the entrance(s) to the complex affixed with a Fair Housing logo.
9. Exterior lighting fixtures at all entry doors including individual apartment units, community buildings and common areas within the building(s). The fixtures at the individual apartment units are to be controlled from the interior of the unit.
10. Enclosed trash dumpsters and/or compactors. The dumpster must be enclosed by solid fencing on at least three sides. The pad and approach pad to the dumpster must be concrete and not asphalt. The trash dumpster/compactor must be ADA accessible and located on an ADA accessible route.
11. Roofing materials shall be anti-fungal shingles with a minimum 25-year warranty.
12. The following Energy Star appliances must be provided in each unit: Full sized refrigerator-freezer, with ice maker, having a minimum size of fourteen (14) cubic feet.
13. At least fourteen (14) SEER HVAC units must be installed. If the Physical Needs Assessment, completed for a rehabilitation development, does not recommend replacement of existing HVAC units in the development, this mandatory criterion is waived. However, any replacement HVAC units installed in the development must be at least fourteen (14) SEER. All refrigeration lines must be insulated. All developments must have central heat and air. Window units are not allowed for any development type.
14. A laundry facility containing: (a) at least one (1) commercial washer and one (1) commercial dryer per twenty-four (24) units; and (b) adequate seating and at least one (1) table for folding clothes. For developments containing more than one hundred (100) rental units that also provide washer and dryer hookups in all units, a minimum of one (1) commercial washer and one (1) commercial dryer per thirty-two (32) units is required. Single family detached unit, townhouse, or duplex developments must provide a washer and dryer hookup in every unit. Developments providing washers and dryers in all rental units are not required to provide a laundry facility.
15. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units.
16. Wall switch controlled Energy Star rated overhead lighting is required in all rooms.
17. Sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices. Rehabilitation projects must meet the Radon Mitigation Standards as required by the Environmental Protection Agency.
18. All new construction developments must submit a complete site specific soils report and boring site plan, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. Rehabilitation projects adding any new building foundations must submit a foundation specific soils report. The soils report and boring site plan must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of South Carolina must prepare the report. Rehabilitation projects adding any new building foundations must also submit a foundation specific soils report and boring site plan as stated above.
19. Metal flashing or 20 mil polyethylene when used in conjunction with a self- adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
20. Mailboxes, playground and all exterior project amenities must be ADA accessible.
21. Exterior wall insulation must have an overall R-11 minimum for the entire wall assembly and roof or attic insulation must have an R-30 rating minimum.
22. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. All shower units without a tub must have minimum dimensions of 30-inch width by 48-inch length (ADA approved shower). All tubs in designated handicap accessible units must come complete with “factory- installed grab bars”.
23. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6’-0” above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14” x 24” and must be hung with the top of mirror a minimum of 6’-0” above finish floor. Vanity cabinets or a medicine cabinet shall be provided in all units. All cabinets in designated handicap accessible units must be installed at ADA mounting heights.
24. Water heaters must be placed in drain pans with drain piping plumbed to disposal point as per the latest approved addition of the International Plumbing Code.
25. Pipe all Water Heater Temperature & Pressure (T&P) relief valve discharges to disposal point as per the latest approved edition of the International Plumbing Code.

26. Exterior shutters (new not recycled) are required on all 100% vinyl siding buildings. Only existing rehabilitation developments may have 100% vinyl building exteriors.
27. Roof gable vents must be made of aluminum or vinyl materials.
28. All attics must be vented.
29. Carpet and Resilient flooring materials must meet minimum FHA standards.
30. Each bedroom and hallway, etc. must have, as required by Code (local, state or Federal) a hard-wired battery back-up smoke detector.
31. All materials for construction must meet all local, state, federal and environmental regulations and specifications.
32. A carbon monoxide detector must be installed in each unit with gas mechanical systems or gas appliances. Units with an attached garage must also have a carbon monoxide detector installed. A combination unit smoke detector and carbon monoxide detector can be used to meet this requirement.
33. Pre-finished fascia and soffits must be vinyl covered aluminum and/or perforated cementitious panels with vents.
34. Gutter and downspout systems complete with splash blocks will be supplied surrounding all residential buildings.
35. Gazebos, Picnic Shelters, Mail Kiosks, etc.: Exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table and bench seating.
36. At a minimum, all developments must meet the 2006 International Energy Conservation Code.
37. Developments that have units, by bedroom size, smaller than the following square footages are considered to be obsolete units and are not eligible for funding:

| <u>Bedrooms per Unit</u> | <u>Minimum Sq. Ft. per Unit</u> |
|--------------------------|---------------------------------|
| One                      | 500                             |
| Two                      | 700                             |
| Three                    | 850                             |
| Four                     | 1,000                           |

**For ALL New Construction Developments:**

1. All units must be equipped with an Energy Star rated dishwasher and an energy efficient rated hot water heater with energy factor of 0.61 for gas or 0.93 for electric and will have manufacturer's data sheet submitted with plans.
2. All units must have Energy Star rated windows and will have manufacturer's data sheet submitted with plans.
3. All units must have an Energy Star rated HVAC system and will have manufacturer's data sheet submitted with plans.
4. Lighting must be in all common area corridors, stairwells, and the community room. Interior light fixtures to be fitted with Energy Star light bulbs.
5. Low flow water saving features must be used- low flow showerheads, low flow kitchen and bathroom faucets, and low flow toilets and will have manufacturer's data sheet submitted with plans.
6. Washer/dryer hookups in all units.
7. A minimum 1200 square foot community building. Entire facility must be ADA compliant. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry rooms and storage/maintenance rooms will not be counted as part of the 1200 square foot minimum. For developments proposing the second phase of a previously completed contiguous tax credit development, the requirement for an additional 1200 square foot community building is waived. However, it is required that laundry facilities be provided to the new phase and must be constructed on the site of the proposed phase. The mandatory laundry facility requirements under Section V. Mandatory Design Criteria, item 14 must be met.
8. All units pre-wired for cable television hook-ups in the living room and one (1) per bedroom.
9. Units with three (3) or more bedrooms must have a minimum of two (2) full bathrooms.
10. The minimum bedroom size for the primary bedroom in each unit must be at least 168 square feet. All other bedrooms must be a minimum 120 square feet. The minimum bedroom square footage excludes the closet space.
11. All older persons (55+ years) and elderly developments will be one-story structures, or if greater than one story, all stories will be accessible by elevators.

12. All sidewalks and walkways shall be a minimum of 36" in width and made of concrete and shall provide access to all parking spaces, front entryway doors, common amenities and driveways and shall be ADA compliant. Where ADA accessible routes, walkways, etc. are required within the development, clearly marked ramps, crosswalks, signage, etc. shall be furnished in accordance with ADA regulations.
13. Sliding glass doors are prohibited.
14. Water closets must be centered, at a minimum, 18 inches from sidewalls, vanity/lavatories and bath tubs.
15. Public use stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. Handrails and pickets must be constructed from steel or aluminum.
16. Patio and porch/balcony components used as part of the building shall have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Structural wood columns shall be at a minimum 6" x 6" pressure treated columns concealed as noted above with properly sized fiberglass, high density urethane or aluminum columns. Columns must be installed on metal brackets/clips to prevent water seepage into the columns. Decorative rails and/or guard rail systems used at porches and patios shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed.
17. Wall Framing: Sound proofing or sound batt insulation is required between the stud framing in party walls. A sound rating of STC 54 is required.
18. Fluorescent lighting is required in the kitchen.

**For ALL Single Family, Townhouse, and Duplex Developments:**

1. All detached single family homes must contain a minimum of three (3) bedrooms and two (2) full bathrooms.
2. All townhouses must contain a minimum of two (2) bedrooms and one and one-half bathroom. At a minimum, a half bathroom must be located on the first floor.
3. All duplexes must contain a minimum of two (2) bedrooms and one and one-half bathroom.
4. Developments must have concrete driveways, curbing at street and front entry walkways.
5. All new construction developments must have a washer and dryer hookup in each unit.
6. All HVAC and hot water heaters must be contained within the unit/building. These may not be located in the attic or crawl space.

**For ALL Rehabilitation Developments:**

Any of the following mandatory items (not to include repainting of the entire unit) replaced on or after January 1, ~~2008~~ ~~2006~~ are not required to be replaced as part of the rehabilitation.

1. Replace and install new flooring in each unit. At a minimum, tile must be VCT or better.
2. Entire unit (all rooms and ceilings) must be repainted.
3. New bathroom fixtures must be installed to include the following:
  - a) New tub and new shower, re-glazing not allowed. Three piece surround insert is acceptable. All caulking must be replaced.
  - b) Replace sink, vanity and plumbing fixtures with new. Vanity to include, at a minimum, a pull out drawer and/or storage area.
  - c) New toilet.
  - d) Install new re-circulating exhaust fan.
  - e) Install new water supply valves.
4. New kitchen fixtures must be installed to include the following:
  - a) Dual track sliding drawers.
  - b) New double sink and plumbing fixtures.
  - c) New stove with re-circulating exhaust fan.
  - d) New Energy Star rated refrigerator, with ice maker that is a minimum of 14 cubic feet.
  - e) Install new water supply valves.
5. All entry doors must be steel or fiberglass doors that are insulated, paneled, and have a peephole.
6. New Energy Star hot water heaters with an energy factor greater than 0.61/gas or 0.93/electric.
7. Replace all windows with insulated, double pane glass in either vinyl or aluminum framing.
8. All units wired for high speed (broadband) Internet hook-up with at least one (1) centrally located connection port or wireless computer network. All wires to be hidden.
9. Units with existing washer/dryer connections must replace and install new water supply fixtures and valves.
10. All older persons (55+ years) and elderly acquisition/rehabilitation developments may have more than one-story, provided that existing elevators, receiving regular maintenance, are in good working condition

as of the Application submittal date and service all upper level rental units. Those developments without existing elevators will be required to install elevators.

11. Window blinds and exterior window screens to be replaced.
12. Replace all damaged and worn interior doors, jams, frames, and hardware.
- ~~12,13.~~ Reseal all asphalt parking and roadway services throughout the development.

#### **For ALL Adaptive Reuse Developments:**

The definition of “adaptive reuse” is the conversion of an existing non-residential building(s) into a residential building(s). The architect must certify on **Exhibit G** that the development will meet the following requirements:

1. A minimum of fifty percent (50%) of the square footage of each existing building(s) must be converted to residential use; and
2. If additional buildings/units are constructed to provide additional space, the total square footage of the previously existing building(s) must constitute a minimum of fifty percent (50%) of the total square footage of the entire development.
- ~~2,3.~~ Reseal all asphalt parking and roadway services throughout the development.

## **VI. ADMINISTRATION OF THE QUALIFIED ALLOCATION PLAN**

The Authority reserves the right to resolve all conflicts, inconsistencies, or ambiguities, if any, in the QAP or that arise in administering, operating, or managing the reservation and/or allocation of the LIHTC Program. The Authority, at its sole discretion, reserves the right to allocate housing tax credits in a manner not in accordance with this QAP. At such time, or either a reasonable time thereafter, the Authority shall, as required by Section 42(m)(1)(A)(iv) of the Code, provide a written explanation to the general public of its reasons for making such allocation. The Authority further reserves the right, at its sole discretion, to modify or waive, on a case-by-case basis, any provision of this QAP or the LIHTC Manual that is not required by the Code. In any case where compliance with the QAP or LIHTC Manual produces unusual hardship or difficulty and the Code or regulations do not require the provision, the application of such provision may be waived in the Authority’s sole discretion upon a showing of substantial need and any other evidence as requested by the Authority.

The Authority reserves the right to withhold the issuance of a Form 8609 for any development or building that is determined at the Authority’s sole discretion **not to have been constructed in accordance with the representations** contained in the development descriptions and certified to in **Exhibit G** by the architect.

The QAP and LIHTC Manual are intended to provide sufficient information to prospective LIHTC applicants. However, due to the complexity of the program and the housing development process in general, not every potential circumstance is covered in the QAP or LIHTC Manual. The Authority will interpret the policies and guidelines contained in the QAP and LIHTC Manual upon review of an application for tax credits, and may accept or reject an application based on its interpretation. Applicants are strongly encouraged to seek guidance from Authority staff regarding any situation not explicitly addressed in the QAP or LIHTC Manual prior to submitting an application. However, the Authority reserves all rights in processing the applications. The Applicants are solely responsible for the contents of their applications and cannot rely on any representation by Authority staff.

By submitting an application to the Authority, the Applicant waives, holds harmless, and releases any claim or cause of action against the Authority or its staff related to or arising under the processing or scoring of any application or for the award of any tax credits under this program, and further the applicant covenants not to sue the Authority or its staff related to or arising under the processing or scoring of any applications or for the award of any tax credits under this program. The Applicant further agrees to indemnify the Authority for any claim or cause of action brought against the Authority related to or arising under the Applicant’s application.

## **VII. RECONSIDERATION PROCESS**

### **A. Initial Point Scoring:**

Any Applicant wishing to request a reconsideration of an initial point scoring decision of the Authority may do so in writing to be delivered to the attention of the Executive Director. Applicants may ONLY request reconsideration for applications in which they have an ownership interest.

Requests must be sent via **hand delivery or overnight courier**. An e-mail courtesy copy is appreciated, but does not constitute a timely request for reconsideration.

Reconsideration requests, along with a cashier's check for the **\$250.00 filing fee** per request, must be **received by the Authority by 5:00 p.m. (EST) within three (3) business days of the date of the posting of the point scores** for the applications on the Authority's website. Determination letter(s) regarding point scores will be mailed and emailed the same day as posting of the point scores.

Reconsideration requests must specifically identify the grounds for the reconsideration request. Only the application and documents then existing in the Authority's file will be considered. No additional documentation will be accepted by the Authority unless it explains previously submitted documentation. The burden is on the Applicant to demonstrate any errors in the review and/or point scoring process.

An Executive Committee will make a determination on the reconsideration request and the Authority will provide a written response to the Applicant. The Executive Committee may request additional information from staff involved with the initial point scoring to assist in the Executive Committee's review of the reconsideration request.

The Executive Committee's determination shall be considered the final decision of the Authority.

#### **B. Underwriting/Disqualification Decision:**

If the Authority identifies a deficiency in an application during its review that results in the disqualification of an application or a reduction of the amount of requested tax credits, ~~that could otherwise be awarded to an Applicant~~, the Authority will issue a preliminary decision letter to the Applicant identifying the grounds for the potential disqualification or reduction of requested tax credits.

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The Applicant may then provide a written response specifically identifying the reasons that the application should not be disqualified or the amount of requested tax credits should not be reduced.

Written responses must be delivered via **hand delivery or overnight courier** to the attention of the Executive Director. An e-mail courtesy copy is appreciated, but does not constitute a timely response.

Responses must be **received by the Authority by 5:00 p.m. (EST) within three (3) business days of the date of the preliminary decision letter**.

Only the application and documents then existing in the Authority's file will be considered. No additional documentation will be accepted by the Authority unless it explains previously submitted documentation. The burden is on the Applicant to demonstrate any errors in the review or disqualification process.

An Executive Committee will make a determination whether to disqualify the application or reduce the amount of requested tax credits and the Authority will provide a written response to the Applicant. The Executive Committee may request additional information from staff involved with the underwriting or disqualification decisions to assist in the Executive Committee's review of the reconsideration request.

The Executive Committee's determination shall be considered the final decision of the Authority.

#### **C. Communications with Authority**

The processes described in this Section VII are the exclusive means by which an Applicant may request reconsideration of a decision of the Authority regarding the scoring or evaluation of any application or the award of tax credits. Information submitted to the Authority outside of these processes, whether in writing or otherwise, will not be considered. ~~Applicants, members of an Applicant's development team, or persons on behalf of development team members are expressly prohibited from contacting the Authority or any Authority staff member outside of these processes regarding the scoring or evaluation of any application or the award of tax credits after the submission of applications for the present competitive funding cycle. Any violation of this~~

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~~prohibition may result in suspension from participation in the next competitive funding cycle for the Applicant and all of its development team members, regardless of which team member initiated the prohibited contact.~~

~~Any applicant wishing to request a reconsideration of a scoring decision of the Authority may do so in writing to be delivered to the attention of the Executive Director. Applicants may ONLY request reconsideration for applications in which they have an ownership interest. Requests must be sent via hand delivery or overnight courier. An e-mail courtesy copy is appreciated, but does not constitute a timely request for reconsideration. Reconsideration requests must be received by the Authority by 5:00 p.m. (EST) within three (3) business days of the date of the posting of the point scores for the applications on the Authority's website. Determination letter(s) regarding point scores will be mailed the same day as posting of the point scores. Reconsideration requests must specifically identify the grounds for the reconsideration request. Only the application and documents then existing in the Authority's file will be considered. No additional documentation will be accepted by the Authority unless it explains previously submitted documentation. The burden is on the Applicant to demonstrate any errors in the review and/or point scoring process.~~

~~An Executive Committee, to include the Executive Director, will make a determination on the reconsideration request within ten (10) business days, and the Authority will provide a copy of the written determination to the applicant. If the Executive Committee deems that a meeting and/or conference call is necessary, such a meeting and/or conference call will be scheduled within the ten (10) business day time period. The Executive Committee will not be made up of any staff involved with the initial point scoring of the tax credit application.~~

## **VIII. AMENDMENTS TO THE QUALIFIED ALLOCATION PLAN**

The Authority reserves the right to amend the QAP or LIHTC Manual as needed for the purpose of clarification, ensuring compliance with the Code or regulations, or any change necessary to affect the spirit and intent of the LIHTC Program as determined in the sole discretion of the Authority. All amendments shall be fully effective and incorporated herein immediately. Amendments may reflect changes, additions, deletions, interpretations, or other matters necessary to comply with the Code or regulations. Amendments are not limited to, but may perform such acts as cure ambiguities, supply information on omissions, correct inconsistencies, or facilitate the allocation of LIHTC that would not otherwise be allocated.

## **IX. APPROVAL BY THE GOVERNOR**

I, Nikki R. Haley, Governor of the State of South Carolina, do hereby signify my approval of this QAP for the distribution of federal LIHTC in the state in conformance with the Code, as amended.

The Authority is expressly granted authorization, to the extent it deems necessary, to amend or waive any requirements of this QAP or LIHTC Manual as described herein without the necessity of further approval.

Signature: \_\_\_\_\_  
Nikki R. Haley, Governor of South Carolina

Date: \_\_\_\_\_

# **South Carolina State Housing Finance and Development Authority**

## **Low-Income Housing Tax Credit Program**

### **2015 and 2016 Qualified Allocation Plan**

*The mission of the South Carolina State Housing Finance and Development Authority (the “Authority”) is to create quality affordable housing opportunities for the citizens of South Carolina. We expect to create and maintain a positive work culture that reinforces our mission, encourages innovation, and is based on a spirit of cooperation and teamwork. We will work to improve customer service and enhance employee performance by constantly reviewing processes and using technology. The Authority will strive to develop mutually supportive relationships that expand our ability to provide affordable housing while enhancing the value of investments. We will actively seek new and innovative ideas to improve affordable housing opportunities throughout the State.*

The 2015 and 2016 Qualified Allocation Plan is intended to govern the 2015 and 2016 tax credit funding cycles. The Authority will make technical amendments to this document for the 2016 tax credit funding cycle in the fall of 2015.

## **I. INTRODUCTION and PURPOSE**

The Low-Income Housing Tax Credit (the “LIHTC”) Program was created by Congress in 1986 to promote the development of affordable housing for low-income individuals and families. The Internal Revenue Service (the “IRS”) regulations for the LIHTC Program are found under Section 42 of the Internal Revenue Code (the “Code”). The Qualified Allocation Plan (the “QAP”) has been prepared to comply with Section 42(m)(1)(B) of the Code of 1986, as amended; however the requirements and provisions are not limited to those contained in the Code. Additional procedures and policies used in the administration of the LIHTC Program are described in the LIHTC Manual. The administration and allocation of the LIHTC Program will be in accordance with the QAP criteria described herein as well as the guidelines, procedures, and requirements described within the LIHTC Manual. The LIHTC Manual criteria are incorporated by reference as additional provisions of the QAP.

The Authority, as the designated housing credit agency for the state, is responsible for allocating the LIHTC. As such the Authority is responsible for developing the guidelines and priorities that best address the need for affordable housing throughout the state by adopting a comprehensive QAP. The Authority’s goal is to utilize the allotment of LIHTC to the maximum extent possible for creating or rehabilitating existing properties into viable affordable housing developments. The intent of the QAP is to set forth the criteria that the Authority will consider in evaluating developments applying for an allocation of LIHTC. Approval of the QAP by the Governor of the state is required after the public has had an opportunity to comment by written comment or at a public hearing.

The LIHTC provides a financial incentive that offsets initial capital development costs to qualified developments. It is the Authority’s goal to ensure that proposed developments satisfy the necessity of providing affordable housing to the targeted populations in the locality and generate the annual revenue necessary to adequately support the annual operations and long-term maintenance to sustain financial health. The fact that an application is accepted for processing or that a development receives a reservation or allocation of tax credit dollars shall not be construed to be a representation or warranty by the Authority as to the feasibility, viability, or lack thereof, of any development.

Housing created through the LIHTC Program must be affordable for low-income individuals and families with a maximum annual income at or below sixty percent (60%) of the Area Median Income (the “AMI”). Section 42(h)(6) of the Code requires that a LIHTC development be subject to “an extended low-income housing commitment”. The Authority complies with this requirement by requiring all LIHTC developments to execute and record “Restrictive Covenants” that stipulate the development will comply with income and rent requirements in the Code for a minimum of thirty (30) years as well as any other criteria in the QAP or LIHTC Manual.

Section 42(m) of the Code requires the Authority to allocate tax credits giving preference to proposals that:

- Serve the lowest income tenants
- Serve qualified tenants for the longest periods

- Are located in a Qualified Census Tract (QCT) and contribute to a concerted community revitalization plan
- Adhere to compliance and monitoring procedures
- Are intended for eventual tenant ownership
- Are intended to serve individuals with children
- Give preference to those on public housing waiting lists
- Are energy efficient
- Have a historic nature

The following criteria will also be considered in the selection process:

- Site Criteria
- Location Characteristics
- Financial Characteristics
- Development Characteristics
- Targeting Characteristics
- Applicant/Development Team Characteristics

The Authority's website contains general and historical information concerning the LIHTC Program under the Housing Partners, Tax Credit section. The Authority's web address is: [www.schousing.com](http://www.schousing.com). From time to time, the Authority may post bulletins or public notices to the tax credit web page in response to questions and requested clarifications submitted regarding the LIHTC Program. It is the applicant's responsibility to check the web page for updates. The web page provides a list of past LIHTC allocations and existing developments. LIHTC Program information may also be obtained by calling Laura Nicholson at (803) 896-9190, emailing [laura.nicholson@schousing.com](mailto:laura.nicholson@schousing.com), faxing (803) 551-4925, or writing SCSHFDA, LIHTC Program, 300-C Outlet Pointe Blvd., Columbia, SC 29210.

## II. THRESHOLD PARTICIPATION CRITERIA

### 1. Development Experience:

In order to participate in the LIHTC program either the developer(s), general partner(s) in a limited partnership or the managing member(s) of a limited liability company must have experience between January 1, 2007 and February 1, 2015 in one LIHTC development or other successful multifamily rental development of at least seventy-two (72) units or two (2) developments of at least thirty-six units each. Experience in one LIHTC development or other successful multifamily rental development of at least seventy-two (72) units means coordinating the development team in planning, financing and constructing a development through the receipt of Certificates of Occupancy and reaching stabilized occupancy. All developers, general partners or managing members must complete a Previous Participation Certificate (see **Exhibit K**). For developments awarded LIHTCs in which the developer(s), general partner(s) in a limited partnership or the managing member(s) of a limited liability company do not have previous LIHTC experience, the Authority will require that a management company with previous successful LIHTC management experience be hired for a minimum of two (2) years.

Any application submitted by developers, general partners, or managing members who from January 1, 2007 through February 1, 2015, have been removed, debarred, or asked to voluntarily withdraw from a LIHTC partnership and/or have ever returned an entire allocation of LIHTC in South Carolina, other than for reasons beyond their control acceptable to the Authority, is ineligible to participate in South Carolina's LIHTC program.

Any application submitted by developers, general partners, or managing members who have been disqualified from participating in any other state or other allocating agency's LIHTC Program within the past eight (8) years, other than for reasons beyond their control acceptable to the Authority, is ineligible to participate in South Carolina's LIHTC program.

Any application submitted by developers, general partners, or managing members who have been reported to the IRS (Form 8823) for uncorrected non-compliance issues by the Authority or other allocating agency's LIHTC administrator, at the Authority's sole discretion, may be ineligible to participate in South Carolina's

LIHTC program. The Authority's determination of noncompliance violations is not subject to interpretation, appeal, or final IRS resolution of non-compliance violation.

## **2. Previous Year's Development Completion Status:**

All developers awarded 2014 South Carolina tax credit development(s) in the immediately preceding funding cycle must have closed the construction loan and purchased the land in order to submit an application in the current tax credit funding cycle. Evidence of the construction loan closing and the recorded warranty or fee simple deed must be provided to the Authority not later than February 27, 2015. Developers must include with their tax credit application package an executed Exhibit B form.

## **3. Financial Criteria:**

The Authority will assess the financial capacity of the applicant or applicant group (to include all entities and/or persons taking an ownership interest in the development and all guarantors) based on their financial statements. Entities and/or persons serving as guarantors must verify their guarantor capacity in writing. The Authority will **only** accept financial statements audited, reviewed, or compiled by an independent certified public accountant (CPA). Only a balance sheet dated on or after December 31, 2013 is required. All financial statements must include notes to the financial statements. Financial statements prepared in accordance with accounting principles generally accepted in the United State (U.S. GAAP) are preferred. Statements prepared on the income tax basis or cash basis must disclose that basis in the report. An applicant or applicant group must have a minimum net worth of \$5 million dollars and minimum unrestricted liquid assets of \$500,000 dollars. The Authority defines liquid assets as cash, cash equivalents, and investments held in the name of the entity(s) and/or person(s) including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including, but not limited to: 1) stock held in the applicant's own company or any closely held entity, 2) investments in retirement accounts, 3) cash or investments pledged as collateral for any liability, and 4) cash in property accounts including reserves. The liquidity requirement may also be met by a current irrevocable letter of credit, provided the supporting bank letter includes sufficient information as to the duration of and restrictions, if any, on the borrowing authority of the applicant. The letter of credit must remain in force from the date of the letter through construction loan closing. All liquid assets must be identified in the submitted financial statement. If no individual member of an applicant group meets the minimum financial requirements, then members may combine assets to meet the requirements by including a combining schedule in addition to their individual statements. The Authority reserves the right to verify information in the financial statements and all financial capacity statements made by applicants, lenders, accountants, and others, through phone calls and correspondence. If false statements are found to have been made at any point in time, all entities and/or person(s) associated with the application will be debarred from all Authority programs for three (3) years.

## **4. City/County/Legislative Notification:**

Applicants are required to send a letter, not later than February 27, 2015 to the highest elected official of the locality (i.e. Mayor or County Administrator) and the State Representative and State Senator of where the development is to be located. Although not required, it is recommended that all letters be sent via certified mail with a signed return receipt. While the applicant is encouraged to provide additional information, the notification letter must include the following:

- a) Contact information for the Applicant;
- b) Development information to include the following:
  1. Type of construction- rehabilitation, new construction, adaptive reuse;
  2. Total number of units;
  3. Total Acreage of proposed site;
  4. Tenant targeting- family, elderly, etc.;
  5. Address of proposed site; and
- c) A statement offering to meet and discuss the proposed development with them.

## **III. CRITERIA for APPLICATION REVIEW**

The Authority, at its sole discretion, may reject a site based on information submitted in the application package, the site review findings, or other information obtained that the Authority determines renders the site undesirable for a LIHTC development.

**Positive Site Characteristics:**

- a) Points will be awarded as listed below for services located within ½ mile, 1 mile, 1½ miles, 2 miles, 2½ miles, or 3 miles of the proposed site as indicated by an accessible public paved road existing at the time the application is submitted. Distances should be measured using a computer based mapping system such as Google Maps or other similar distance calculating systems. Submitted area site plan must have ¼ mile, ½ mile and 1 mile radius circles shown from the center of the proposed site. Color photographs of all services must be included with the application. Duplicate copies of the tax credit application must also contain color photographs. . The name of the service must be visible in the photograph. Applicants may include only one (1) positive site service of each service type for scoring purposes. All positive site services must be listed on Form 2. All directions must be printed from a mapping system and included in the application for points to be awarded. A site address for the proposed development site must be listed however if none is available then the site address of the nearest contiguous property must be listed. **Directions that do not lead to the service, as stated in the directions provided with the Application, will not be awarded points.** Google Maps or other similar distance mapping system printouts are used as a guide only for location addresses and approximate distances to the services.

Distances are subject to Authority verification and are GPS measured and odometer confirmed by a third party site analyst from center of the proposed roadway entrance into the subject site to center of roadway entrance into the positive service location. When a positive service is located on a parcel shared by multiple businesses, the distance is measured and odometer confirmed from the center of the proposed roadway entrance into the subject site to the center of the roadway entrance into the parcel nearest the positive service.

- (i) **Odometer Calculations:** the distances to positive services are driven and the odometer mileages and electronic tracking data systems used to determine mileage calculations. Distances are measured to one decimal point and are not rounded up or down. Distances less than a ½ mile are measured using electronic tracking data systems.

Only one (1) of each service type will be counted for points. All positive site services must be open to the general public and operational, and expected to continue to operate, at the time the Authority’s site visit is made or points will not be awarded.

| SERVICES  | ½ MILE | 1 MILE | 1½ MILES | 2 MILES | 2½ MILES | 3 MILES |
|---|--------|--------|----------|---------|----------|---------|
| Full Service Grocery Store: Full Service Grocery Store (the store must operate with regular business hours offering a <b>full</b> range and variety of foods, cleaning products and paper products. To qualify as offering a <b>full</b> range and variety of foods, the store must offer sufficient quantities of items from each of the following four categories of staple foods on a continuous basis: 1) meats, poultry and fish; 2) breads and cereals; 3) vegetables and fruits; and 4) dairy products.) | 4      | 3.5    | 3        | 2.5     | 2        | 1.5     |
| Pharmacy or Drug store  | 4      | 3.5    | 3        | 2.5     | 2        | 1.5     |
| Convenience Store <b>and</b> Gas Station  | 4      | 3.5    | 3        | 2.5     | 2        | 1.5     |
| Restaurant (must possess a current restaurant license issued by SC DHEC)  | 3      | 2.5    | 2        | 1.5     | 1        | .5      |
| Entertainment Venues: museums, theaters (routinely offers live theatrical performances), cinemas, public libraries (operated by a local government open at least five days a week, school libraries are not eligible), bowling alleys, skating rinks, and miniature golf.   | 3      | 2.5    | 2        | 1.5     | 1        | .5      |
| Retail Shopping Areas: malls or strip malls that have a minimum of four retail stores   | 3      | 2.5    | 2        | 1.5     | 1        | .5      |
| Doctor’s Office staffed full time with General Practitioner or Nurse Practitioner (specialized practices do not count); Emergency Clinics, Urgent Care Facilities, or Hospital (Facilities must be  | 3      | 2.5    | 2        | 1.5     | 1        | .5      |

|  |   |     |   |     |   |    |
|--|---|-----|---|-----|---|----|
| available to the general public and must not be exclusive); Walk-in Clinics (e.g., “Minute Clinics” or equivalent) that are staffed full time with a Nurse Practitioner or Physician’s Assistant.  |   |     |   |     |   |    |
| Public Schools- elementary, middle or high school (must be open and operational)   | 3 | 2.5 | 2 | 1.5 | 1 | .5 |
| Fire Station (Volunteer Fire Station qualifies)  |   |     |   | 1.5 | 1 | .5 |
| Full Service Banks or Credit Unions (free standing ATMs do not qualify)  | 3 | 2.5 | 2 | 1.5 | 1 | .5 |
| Public Park or Playground (to be owned and maintained by a local government containing, at a minimum, playground equipment and/or walking/bike trails and listed on a map or website. Playgrounds at churches, schools or in other neighborhoods do not count) or Recreation Center or Senior Activity Center (with scheduled activities and operated by a local government) or YMCAs (private gyms will not count). | 3 | 2.5 | 2 | 1.5 | 1 | .5 |

- b) Site is compatible with the surrounding land. Surrounding area is defined as within one-quarter (1/4) mile of the subject property. This means the site and multifamily development are compatible with the existing land use pattern. The surrounding area should be residential or an appropriate mix of commercial uses, appropriate to the targeted tenants, and residential uses, single and/or multifamily housing. Criteria will be determined by a third party site reviewer. **2 pts**
- c) Water and Sewer utility tie-ins are accessible and within 350 feet of the proposed site. Evidence of such availability must be verified by a letter from the City/County official or utility provider. **2 pts**  
**OR**  
Water and Sewer utility tie-ins are accessible and within 351 to 500 feet of the proposed site. Evidence of such availability must be verified by a letter from the City/County official or utility provider. **1 pt**

**Detrimental Site Characteristics:**

For the detrimental characteristics below, the Authority defines its determination of distance as the shortest distance, in a straight line, from the closest site boundary line of the proposed site to the closest site boundary line of the detrimental site characteristic to determine whether negative points will be assessed. When a detrimental site characteristic is located on a parcel shared by multiple businesses, the distance between the detrimental site characteristic and the proposed site is measured, in a straight line, from the closest site boundary line of the proposed site to the closest boundary line of the parcel on which the detrimental site characteristic is located.

- 1. The following Detrimental Development Characteristics are **not allowed for any development site**. This list is not all inclusive and may be expanded:
  - a) Applications proposing an existing development to be subdivided into two (2) or more developments.
  - b) Applications proposing more than one phase of the same project in the same funding cycle regardless of the tenant targeting.
  - c) Applications for new construction developments located within one (1) mile of a development funded in the 2013 or 2014 tax credit funding cycles that have not placed in service and achieved 90% occupancy at the time of application submission. The distance will be measured using the shortest distance, in a straight line, from the closest site boundary line of the proposed site to the closest site boundary line of the 2013 or 2014 development.
  - d) Applications proposing developments for the same tenant populations within the same defined market area of existing Authority funded developments (tax credit, tax exempt bonds, etc.) that have a history of vacancy rates greater than ten percent (10%). Vacancy rates will be determined by using the second and fourth quarter vacancy rates reported by the property management for an existing development’s previous year’s operations. The Authority will make exceptions to the above requirement if the Authority determines, in its sole discretion, that the reason for the existing development having a history of vacancy rates greater than ten percent (10%) is not an issue of an

“existing market” for the tenant population, but other characteristics that may or may not be resolvable (e.g. location, physical appearance, etc.)

- e) Applications proposing scattered site developments that are not, in the Authority’s determination, within the same primary market area and/or county boundaries.
- f) Any site listed on or adjacent to a site listed on the National Priority List under CERCLA.

2. These **detrimental characteristics** will be assessed for each site with no limit to the negative points a site may accumulate.

**Three (3) points per item will be deducted for the following:**

- a) Sites within five hundred (500) feet of an easement containing an electric substation, whether it is active or inactive.
- b) New construction sites where any portion contains or permits any easements for overhead electric power lines, regardless of voltage, and/or such electric power lines encumber the proposed site with the exception of electric power lines used for the distribution of electric service for other unrelated properties and located within 25 feet of the perimeter of the site as long as no portion of any building or proposed building is beneath such power lines.. A development proposing to bury all power lines will be exempt from this detrimental determination if documentation is provided from the utility provider stating that all power lines will be underground
- c) Sites where a portion of any building or proposed is located within the fall distance of any pole, tower or support structure of a high voltage transmission power line, communications transmission tower, microwave relay dish or tower, or commercial satellite dish (radio, TV cable, etc.). For field analysis, the Authority will use tower height as the fall distance. For the purpose of the QAP, a high voltage electric transmission line is a power line that carries a nominal voltage level greater than 60KV (sixty kilovolts). All fall distances for any tower, support structure or poles as listed above must be shown on the development site plan and submitted with the application. If the fall distance shows there are no buildings located within it, no points will be deducted.
- d) Sites where a nearby active railroad causes excessive noise and vibration. A map should be included with the application submission showing the distance from the site boundaries to the railroad tracks. At application submission, an Applicant submitting a proposed development within five hundred (500) feet of an active, in use railroad(s) is required to submit, from a qualified professional, an objective third party noise study that addresses the impact of the nearby railroad, specifically the frequency, noise levels, and shock vibrations levels, on the proposed development. The study must not be older than two (2) years prior to the application submission date and must adhere to the U. S. Department of Housing and Urban Development (the “HUD”) environmental criteria and standard for noise abatement regulation, which states the maximum acceptable day/night average decibel level of sixty-five (65) dBA for exterior noise, along with any other analysis deemed pertinent to the noise study and its conclusion. The study must state the average decibel level on the site is less than sixty-five (65) dBA and must support the placement of the development on the proposed site. Those sites where exterior noise is sixty-five (65) dBA and above but not exceeding seventy-five (75) dBA may be submitted; however, a noise mitigation plan must also be submitted. Sites with an exterior noise level at or above 75 dBA may not be submitted for funding consideration. The mitigation plan must specifically state what measures will be used to reduce the noise levels at the site and the noise study must indicate that the measures to be used will bring the unacceptable noise level at the site down to the acceptable noise level of less than sixty-five (65) dBA. Those sites where the noise levels as outlined in the Noise Study Report can achieve levels of 65 dBA or less will not be assessed negative points. However, the Authority, in its sole discretion, may approve or reject the site regardless of the conclusions reported in the study. If a railroad is listed as inactive then documentation from the owner of the railroad must be submitted indicating such.
- e) Sites where the Authority and/or its third party consultant determines the slope/terrain is not acceptable for development. All existing and proposed grades must be shown on the development plan.
- f) Sites where existing wetlands, natural, or man-made attributes could have a substantially negative effect on the development (e.g. 100 year flood plain, streams, ravines, drainage, waterways, etc.). At a minimum, the site should be 80% buildable with the listed conditions found primarily on the perimeter or fringes of the development site. If wetland areas are found on the interior of the site they should be successfully incorporated into the development’s landscaping plan and complement existing green space areas.

- g) Sites within one-half (1/2) mile of an operating commercial beef/hog/chicken/turkey farm or processing plant. As part of the application submission, Applicants should identify and provide the name(s) and location of any such facility within one-half (1/2) mile of where the development is proposed.
- h) Sites within one-half (1/2) mile of a treatment, storage, or disposal facility for hazardous wastes, an active or inactive solid waste disposal facility and/or solid waste transfer facility.
- i) Sites within one-quarter (1/4) mile of a sewage treatment plant.
- j) Sites within one-quarter (1/4) mile of any jail, prison, detention center or correctional facility. This does not include a temporary holding facility at a location where the primary purpose is not a jail, prison, detention center or correctional facility.

**Two (2) points per item will be deducted for the following:**

- a) Sites within five hundred (500) feet of any commercial junkyard or salvage yard; trash heap, dump pile, or other eyesore as determined by the Authority.
- b) Sites within five hundred (500) feet of a pipeline(s) (excluding low pressure natural gas distribution lines, water and sewer lines).
- c) Sites within five hundred (500) feet of commercial bulk storage or distribution facilities for propane/butane gas, hazardous chemical or petroleum/gasoline.
- d) Sites within 500 feet of bars and night clubs. Any establishment that, on a continuous basis, sells alcohol by drink and/or permits the consumption of alcohol on its premises after 9 p.m. will be considered a bar or night club with the exception of the following: (1) a private residence; (2) an establishment engaged primarily in the furnishing of lodging; (3) a bona fide non-profit organization or club with membership not open to the general public to which the sale or consumption of alcoholic beverages is incidental to the main purpose of the organization; (4) a meeting or banquet hall; (5) a full service restaurant principally engaged in the preparation and service of a full menu of meal items that are available to customers upon demand at all times the business is open to the public.
- e) Sites within one-quarter (1/4) mile of adult video/entertainment clubs.
- f) Sites within one-quarter (1/4) mile of an operating industrial facility including but not limited to: steel manufacturers, oil refineries, ports, chemical plants, plastic manufacturers, airports, automotive and engine parts manufacturers and food processing plants.
- g) Sites that require the execution of voluntary or involuntary cleanup agreements with Department of Health and Environmental Control or any other third party organizations as noted in a Phase II environmental assessment report. A site that has already **fully** completed any cleanup agreements will not incur negative points. Documentation referencing such must be submitted with the Phase II environmental assessment report.

**Market Study Criteria:**

Proposed developments must be economically viable proposals justified by the market study findings. The capture rate, market advantage, absorption/lease-up period and overall vacancy rate are critical components in the assessment. A market study, completed by an analyst on the Authority's approved market analyst list, must be submitted with the tax credit application and meet the following requirements:

- a) **Capture Rate:** All developments must have a capture rate at or below 30%. Developments with a capture rate above 30% will be eliminated.
- b) **Market Advantage:** All developments must have an overall minimum market advantage of 10%. Developments not meeting the minimum 10% market advantage will be eliminated. Developments awarded tax credits will be required for three (3) years, beginning the date the placed in service application is received by the Authority, to maintain a minimum 10% market advantage level. Prior to a development beginning initial lease-up, the proposed rent levels by bedroom size must be submitted to the Authority. The Authority will provide its third party market analyst with the proposed placed in service rents and a determination will be made by the market analyst as to whether the proposed rents still meet the 10% market advantage percentage. If rents do not comply then the rents **MUST** be adjusted to meet the minimum 10% market advantage percentage. See Tie Breaker #2 for additional information related to meeting the Tie Breaker criteria for market advantage. Those developments representing a 25% market advantage at initial application submission and being awarded tax credits based on the Authority using Tie Breaker #2 criteria will be required to maintain a minimum 25% market advantage at placed in service. In the event of a softening or declining market at the time a development places in service the Authority will allow a rent floor at the level of the rents submitted at the initial application submission. **Developments not in compliance will not receive 8609s.**

- c) **Overall Vacancy Rate:** Points will be awarded to proposed developments in market areas where the overall existing and stabilized LIHTC vacancy rates are the lowest based on the following scale:
  - i. Overall vacancy rate of less than 6%:
  - ii. Overall vacancy rate of 6% but less than 10% or more:
  - iii. Developments proposed in markets where the overall LIHTC development vacancy rate is 10% or greater will be eliminated.
- d) **Absorption/Lease-Up Periods:** Developments must have absorption/lease-up periods of 12 months or less. Proposed developments with absorption/lease-up periods of more than 12 months will be eliminated.

1 pt  
½ pt

**Tax Credit Development Experience:**

- a) Owners (which include individual(s), corporation(s), or in the case of a limited partnership, the general partners(s)) will receive points for previous development of successful LIHTC properties that have been completed over the past eight (8) years, January 1, 2007 to February 1, 2015. The owner may include experience gained as an owner in another firm, but not as an employee of another firm. Experience in LIHTC development (to include 4% and 9% Tax Credits, TCAP and Exchange funded developments) means, coordinating the development team from the planning, financing and construction of a development through the receipt of Certificates of Occupancy and issuance of 8609s. Solely purchasing tax credit properties after they have been placed in service will not count for points. Applicants **must have a current ownership interest** in the development(s) listed for points on **Exhibit K**. Experience will be awarded as follows:

|          |                                     |
|----------|-------------------------------------|
| 1 point  | 1 LIHTC project or 72-199 units     |
| 2 points | 2 LIHTC projects or 200-299 units   |
| 3 points | 3 LIHTC projects or 300-399 units   |
| 4 points | 4 LIHTC projects or 400-499 units   |
| 5 points | 5 LIHTC projects or 500-599 units   |
| 6 points | 6 LIHTC projects or 600-699 units   |
| 7 points | 7+ LIHTC projects or 700 plus units |

Max 7 pts

For every development listed above, the general partner(s) must be in compliance with and in good standing with both the Authority and the syndicator/equity provider. **Exhibit K-1** must be completed by the syndicator/equity provider or current equity asset management company and submitted with **Exhibit K** as part of the application submission. If **Exhibit K-1** is not provided then experience points will not be awarded.

- b) Owners (which include individual(s), corporation(s), or in the case of a limited partnership, the general partners(s)) who have previously developed LIHTC developments in South Carolina between January 1, 2007 and February 1, 2015. LIHTC development (to include 4% and 9% Tax Credits, TCAP and Exchange funded developments) means, coordinating the development team from the planning, financing and construction of a development through the receipt of Certificates of Occupancy and issuance of 8609s. Applicants **must** have a current ownership interest in the development.

|          |                                     |
|----------|-------------------------------------|
| 1 point  | 1 South Carolina LIHTC development  |
| 2 points | 2 South Carolina LIHTC developments |

Max 2 pts

For every development listed above, the general partner(s) must be in compliance with and in good standing with both the Authority and the syndicator/equity provider or current equity asset management company. **Exhibit K-1** must be completed by the syndicator/equity provider and submitted with **Exhibit K** as part of the application submission. If **Exhibit K-1** is not provided then experience points will not be awarded.

- c) Applications that have no missing or incomplete documents as required for submission on the Authority's Exhibit A Application Checklist.

1pt

**Targeting Characteristics:**

- a) Developments that elect to serve individuals on waiting lists for public housing. To receive points, the Applicant must include in their marketing plan a description of outreach, marketing and advertising methods used to attract individuals on public housing waiting lists as well as evidence that the public housing agencies have been contacted (i.e. copy of the letter sent to the PHA along with a signed return receipt). Applicants must not use minimum income criteria to reject Section 8 Housing Choice

- Voucher Participants when their income reflects that they can pay their portion of the rent. The site's minimum income needed for a household to pay the rent on the unit will be based on the actual amount that the Section 8 Housing Choice Voucher Participants would have to pay after the subsidy rather than the entire rent on the unit. **2 pts**
- b) Points will be given to developments that voluntarily extend the "extended use period" until twenty years after the close of the initial fifteen-year "compliance period" (as described in Section 42 of the Internal Revenue Code) and that voluntarily waive the right of the owner to petition the Authority to have its "extended use period" terminated prior to the completion of the nineteenth year of the "extended use period." Any development selecting this criterion is therefore agreeing to a thirty-five year combined compliance and "extended use period" and is committing to a minimum of 20 years of affordability. **5 pts**
- c) Points will be given to developments designating rental housing for specific tenant populations as outlined in this section. In order to be considered for these points, the development/units must be designed and equipped to serve the needs of the designated tenant population. Such design and equipment must be in addition to the minimum design requirements necessary to comply with state and federally mandated accessibility requirements and must be fully described in the application. A Marketing Plan which outlines the outreach efforts to be utilized for targeting tenants must be submitted with the application to receive these points. Choose only one (1) of the following: **5 pts**
- (i) One hundred percent (100%) of the development is designed for individuals or families with children. To receive these points at least twenty-five percent (25%) of the low-income units must contain three (3) or more bedrooms.
- (ii) At least eighty percent (80%) of the units are designed, equipped and occupied by older person(s) fifty-five years of age or older. The remaining units must be designed, equipped, and occupied by special needs populations. All new construction developments are limited to one (1) or two (2) bedroom units. All new construction developments, greater than a one (1) story structure must be accessible to all additional stories by elevators. Acquisition with rehabilitation developments more than one (1) story must provide evidence that existing elevators have received regular maintenance and are in good working condition as of the application submittal date to service all upper level rental units. Those developments without existing elevators will be required to install elevators. Developments designating 100% of the units for persons 55 or older are eligible for these points.
- (iii) At a minimum, (10%) of the total units are set-aside for disabled and special needs tenants. Developments seeking points under this criterion should include a letter from the appropriate disability agency regarding the need for these units.
- d) Points will be given to the preservation of an existing development previously assisted with tax credits in which the initial 15 year compliance period has expired. The existing development must have been continuously operated throughout the initial 15 year compliance period without further financial assistance following the issuance of 8609s from the Authority to include additional tax credits, HOME or HTF funds or any debt restructuring. The development can have no outstanding compliance monitoring issues at the time of the application submission. **1pt**
- e) Sites considered as having Historic Character. Historic Character generally means any development consisting of one or more structures (1) (a) individually listed in the National Register of Historic Places; or (b) located in and contributing to a National Register Historic District and (2) the rehabilitation of which will be completed in such a manner as to be eligible for federal and state historic rehabilitation tax credits. The historic character of a site may be established by documentation from the South Carolina Department of Archives and History with the application submission. **1pt**
- f) Letters of positive support from the City Manager, Mayor or County Administrator for the development of affordable housing within their communities. **1pt**
- g) Letter of positive support for the specific proposed development from the State Senator representing the area of the development. **1pt**
- h) Letter of positive support for the specific proposed development from the State Representative representing the area of the development. **1pt**
- i) Developments that elect to both rent and income restrict up to twenty percent (20%) of the total units to 50% AMI tenants, for the entire term of the LIHTC compliance period. Points will be awarded on a sliding scale rounded to two decimal places. **0-20 pts**

## **Development Size:**

Applications for developments consisting of fewer than 16 units will not be considered in any funding set-aside for the competitive tax credit funding cycle.

New construction developments, including adaptive reuse developments, will be awarded points based on the total development size as follows:

- a) Developments at or below **64** total units. **2 pts**
- b) Developments having **65 to 72** total units. **1 pt**

New construction developments, including adaptive reuse developments, consisting of **73** total units or more may not participate in the competitive 9% tax credit program.

Rehabilitation developments will be awarded points based on the total development size as follows:

- a) Developments at or below **88** total units. **2 pts**
- b) Development having **89 to 104** total units. **1 pt**

Rehabilitation developments consisting of **130** total units or more may not participate in the competitive 9% tax credit program.

## **Development Characteristics:**

### **Optional Development Design Criteria Points:**

This section allows developers to choose various optional design criteria to be included as part of the development. All developments **must** obtain a minimum of one hundred ten (110) points from this section to avoid disqualification. Although developments may choose to do more, the maximum number of points to be awarded from this section (items 1-30) is one hundred ten (110). Developments awarded credits must incorporate into the development all of the items chosen for points. As part of the placed in service application submission, the Authority will require manufacturer's data sheets as confirmation that items chosen meet the standards as outlined.

- 1. Roof shingles must be architectural style anti-fungal and warranted for a minimum of thirty (30) years. **8 pts**
- 2. Attic insulation rated R-38 or higher. **3 pts**
- 3. Energy Star rated HVAC systems (15 SEER or greater) in all units. **5 pts**
- 4. All units must have a balcony, sunroom, or patio. A sunroom must contain a minimum of three (3) window panels and have distinct architectural separation from the living room. Patios must be at least 64 sq. ft. Front porches are not considered patios. **10 pts**
- 5. Curbing for paved areas throughout the development site including the parking areas. **5 pts**
- 6. Gazebo (Must be covered and have bench seating; must be permanently affixed and constructed in place; be ADA compliant, accessible and contain a minimum of 100 square feet) or covered picnic shelter (must have a table and bench seating and must be ADA compliant and accessible) in an appropriate location. (May not be selected for points if using this option as a recreation area for older persons under Mandatory Design Criteria, All Development Types, item 6.b). **3 pts**
- 7. Irrigation/sprinkler system serving all landscaped areas. **10 pts**
- 8. Underground utilities (gas/electric, cable and phone) throughout the development site. **5 pts**
- 9. Provide in the community room a minimum of two (2) current updated computer systems, manufactured within the last 12 months, to include new computers, new printers, and a new scanner. The computers must be equipped with high speed Internet service (e.g. broadband or cable). It is expected that printer cartridges, computer supplies and ongoing maintenance of the computers and systems will be furnished as part of receiving these points. **3 pts**
- 10. Each unit must have an Energy Star ceiling fan with light fixture in the living room and all bedrooms. All ceiling fans and overhead lights must connect to wall switches. **5 pts**
- 11. Full size Energy Star refrigerator, with ice maker, having a minimum size of eighteen (18) cubic feet. (May not be selected for points if also selecting #30) **5 pts**
- 12. All units pre-wired for high speed (broadband) Internet hook-up with at least one (1) centrally located connection port and connection ports in all bedrooms or wireless computer network. **3 pts**
- 13. Over the range mounted microwave oven, with re-circulating fan, in all units. **4 pts**
- 14. All units must have a Range Queen or comparable extinguishing system over the stove or have element temperature control plates on each stove burner (e.g. Safe-T-element, etc). **3 pts**

15. A minimum square footage per unit based on the number of bedrooms per unit specified as follows. To qualify, all of the units must meet the minimum square footage per unit. The Authority considers the square footage of an individual unit to be the usable living space measured from the interior wall to interior wall. 20 pts

| <u>Bedrooms per Unit</u> | <u>Minimum Sq. Ft. per Unit</u> |
|--------------------------|---------------------------------|
| One                      | 750                             |
| Two                      | 950                             |
| Three                    | 1,100                           |
| Four                     | 1,250                           |

The maximum allowed per unit square footage for new construction units is as follows:

| <u>Bedrooms per Unit</u> | <u>Maximum Sq. Ft. per Unit</u> |
|--------------------------|---------------------------------|
| One                      | 950                             |
| Two                      | 1,200                           |
| Three                    | 1,350                           |
| Four                     | 1,500                           |

Note: Developments exceeding the maximum allowable square footages will not receive points.

16. Providing bathrooms per unit based on the number of bedrooms according to the following. To qualify, all the units must provide the minimum number of bathrooms as specified. 20 pts

| <u>Bedrooms per Unit</u> | <u>Bathrooms per Unit</u> |
|--------------------------|---------------------------|
| One                      | One Full                  |
| Two                      | One Full and One ¾ bath   |
| Three                    | Two Full                  |
| Four                     | Two Full and One-Half     |

Bathrooms are defined as follows: ½ bathroom contains a toilet and vanity with sink; ¾ bathroom contains a toilet, vanity with sink, and a shower; and a full bathroom contains a toilet, vanity with sink, and a tub/shower combination. ADA units ONLY may have a roll in shower. Older Persons and Elderly developments, for one (1) bedroom - one (1) bathroom units ONLY, may have a shower without a tub and it will count as a full bathroom.

17. A minimum eight (8) camera video security system with six (6) cameras monitoring roadways and parking areas and all building entrances and two (2) monitoring the manager's office and community center. 7 pts
18. One (1) rental unit reserved for a security officer, on-site manager or maintenance person. The unit(s) will be treated either as community space and non-revenue generating or as an income eligible unit(s) which will be subject to compliance monitoring. Each unit(s) must be designated in the tax credit application. 5 pts
19. Walking trails, minimum 4 feet wide, paved and continuous. Trail should be a minimum 1250 linear feet. At a minimum, install one (1) permanently anchored weather resistant bench with a back at the mid-point of the trail. Sidewalks are not considered walking trails. 10 pts
20. Perimeter fencing extending around all sides of the development site, except at development entrance(s). Chain link fencing is not allowed. 5 pts
21. The development will be built to meet, at a minimum, the Version 3.0 Energy Star Certification. 15 pts
22. Provide an easily-accessible area that serves the entire development and is dedicated to the collection and Storage of non-hazardous material for recycling, to include paper, corrugated cardboard, glass, plastics, and metals. Property management is responsible for ensuring of proper disposal and removal of the recyclables. 5 pts

**The following items are for rehabilitation developments only:**

23. Install Energy Star rated dishwasher in all units. (May not be selected for points if also selecting #30) 3 pts
24. Install overhead light fixture connected to a wall switch in the living room and all bedrooms. All light fixtures to be fitted with Energy Star light bulbs. 3 pts
25. Provide one and one-half (1.5) bathrooms in all units with two (2) or more bedrooms. (May not be selected for points if also selecting #16). 10 pts
26. Minimum bedroom size for all bedrooms in each unit is 120 square feet. The minimum bedroom square footage excludes the closet space. 5 pts
27. Provide a minimum 1200 square foot community building. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry room and storage/maintenance rooms will not be counted as part of the 1200 square foot minimum. 10 pts
28. Hookups for standard size washers/dryers in all units. (Hookups for stackable washer/dryers do not count) 5 pts
29. Energy Star rated windows in all units. 8 pts

30. In all units, existing appliances replaced with a full size Energy Star refrigerator, with ice maker, having a minimum size of eighteen (18) cubic feet; and an Energy Star rated dishwasher; and an energy efficient hot water heater with an energy factor greater than 0.61 for gas or 0.93 for electric. **10 pts**

### **Durable Construction:**

Durable construction with respect to each building, **choose only one** of the following:

1. Brick/stone veneer or stucco minimum 70% and remaining exterior fiber cement and/or hardiplank. **4 pts**
2. Brick/stone veneer or stucco minimum 50% and remaining exterior fiber cement and/or hardiplank. **3 pts**
3. Brick/stone veneer or stucco minimum 30% and remaining exterior fiber cement and/or hardiplank **2 pts**
4. Brick/stone veneer or stucco minimum 50% and remaining exterior siding to be vinyl siding with a thickness of at least .044 mils; or full fiber cement. **1 pt**

The exterior of the building is defined as the exterior façade from finished grade elevation to eave line. All exterior wall faces must have an excess of brick/stone veneer based on the percentages selected above. This is applicable to all sides of all the buildings. On all exterior walls the brick/stone must extend above all areas of grass, landscaping and other areas of soil or mulch.

### **Financial Characteristics:**

The Authority strives to ensure aesthetics and livable standards in its affordable housing developments in order to ensure that the developments funded are durable and marketable to tenants for the entire compliance period. However, it is also the Authority's objective to allocate its annual allocation of tax credits in a manner that creates as many affordable housing units as possible. Because tax credits are limited, cost per type of unit and construction costs per square foot are important factors in analyzing applications. The Authority will apply cost standards for Eligible Basis per Heated Square Foot (EBHSF) based on the group average for each type of development submitted in the funding cycle. The Authority will use discretion in determining the groups for comparison, i.e. garden style, single family, townhouse type developments will be compared to each other to determine similar development costs. Developments with costs that appear to be higher than typically warranted will be reviewed by the Authority's construction cost consultant. The costs reviewed will include both hard and soft costs. The construction cost consultant will analyze building types, site conditions, local requirements, and costs for similar developments in similar areas of the state. If, based on the consultant's review, the development costs are found to be reasonable and can be substantiated then the development will remain in the competition. If however, after the consultant's review the costs cannot be substantiated or if substantiated are still found to be unreasonable for affordable housing, then the development will be eliminated from the tax credit competition.

Under no circumstances, regardless of construction type, set-aside, or tenant targeting will the Authority fund developments that exceed the following Total Development costs per unit:

- Rehabilitation- \$115,000 per unit
- New Construction Garden Style Multi-Story Developments: \$165,000 per unit
- New Construction- Duplex, Townhouse, Single Family Developments: \$175,000 per unit
- Historic and Adaptive Reuse- \$185,000 per unit

Developments that exceed the Total Development costs per unit caps will be disqualified from funding consideration.

Under no circumstances, regardless of construction type, set-aside, or tenant targeting will the Authority fund in excess of the following tax credits per unit:

- Rehabilitation:  
1 bedroom: \$8,000      2 bedroom: \$10,000      3 bedroom- \$10,500      4 bedroom- \$11,000
- New Construction:  
1 bedroom: \$14,500      2 bedroom- \$17,000      3 bedroom- \$18,000      4 Bedroom- \$19,500

## **IV. TIE BREAKER CRITERIA**

**The following factors will be used in the order they are listed to break a tie. If a tie is broken using the first factor then the other factors will not be applied and so on.**

1. Developments with the highest site scores.
2. Market Rate Advantage: Developments representing rents with the highest market rate advantage will receive preference. Developments may propose rents at higher than a 25% market rate advantage however the Authority will cap the rate at 25% for the tie break review. The market rate advantage percentage will be taken out to two (2) decimal places for evaluation purposes. Developments that receive tax credit based on Tie Breaker Criteria #2 must meet a 25% market rate advantage and maintain that advantage for the full three (3) year period beginning the date the placed in service application is received by the Authority.
3. As required in each Set-Aside, the Authority will apply cost standards for Eligible Basis per Heated Square Foot (EBHSF) to all developments reaching this tiebreaker. Standard deviations will be calculated from the group average for each type of development submitted within the Set-Aside. The Authority will use discretion in determining the group types for comparison, which may include but are not limited to new construction, rehabilitation, garden style, and single family developments. Developments with an EBHSF that deviates above or below the group average will be assigned the following values: EBHSF less than or equal to 1.0 Standard Deviation = .5000, EBHSF greater than 1.0 and less than or equal to 2.0 Standard Deviations = .3000, EBHSF greater than 2.0 and less than or equal to 3.0 Standard Deviations = .2000, EBHSF greater than 3.0 Standard Deviations = .1000.
4. The groups established in Tie Breaker #3 will also be used for this Tie Breaker. If required in each Set-Aside, the Authority will rank each development based on the difference between its EBHSF and the group average EBHSF for each type of development submitted in that Set-Aside.
5. Developments located in a Qualified Census Tract (QCT) that contribute to a concerted community revitalization plan (CRP). The CRP plan must be included with the application submission.
6. Eventual Homeownership: The Authority will allow only single family homes, townhouses or duplexes to be built for eventual homeownership. Provide a detailed narrative of how homeownership will be achieved. Submit an acceptable Conversation Agreement, and other documentation as required, that provided for tenant ownership at the end of the initial fifteen (15) year compliance period. The Applicant must submit a Conversion Plan as well as other required documentation that includes but is not limited to a detailed timeline outlining how the tenants will become homeowners. The Conversion Plan must include all homebuyer counseling programs to be provided along with the financial procedure that will be used to transfer the rental units into homeownership. The Applicant must execute a Conversion Agreement providing that the units will be converted to tenant ownership at the end of the 15 year tax credit compliance period or the 20 year compliance period if receiving state HOME funds. The Authority does not allow older persons or elderly persons to be targeted for homeownership. Land acquisition may not involve long term lease holds rather land must be purchased and owned by the partnership.
7. If applications are still tied after all above tie breakers have been applied, the Authority will utilize a lottery system. All Application identification numbers, ONLY for those Applications still tied for funding, will be placed in a drum and an impartial Authority employee will draw developments at random until all funds are exhausted. The drawing will be open to the public, supervised by Internal Audit staff, with results posted on the Authority's tax credit webpage.

## **V. MANDATORY DESIGN CRITERIA**

The following mandatory design criteria **must be** included in the development design:

### **For ALL Development Types:**

1. Window coverings for each window, including glass doors, must be installed. Metal blinds are not permitted.
2. All kitchen and bathroom interior cabinets must be solid wood or wood/plastic veneer products with dual slide tracks on drawers. New cabinets must have solid wood dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A1 61.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
3. All entry doors must be metal-clad wood, steel or fiberglass doors that are insulated, paneled, and have a peephole. Deadbolt locks are required in entry doors. Dead bolt locks on entry doors should have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. The minimum clear width of all exterior doors shall be 34 inches.
4. Bi-fold and sliding interior doors are prohibited. All doors must be side hinged.

5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, sod shall be installed on the front and side areas to a point twenty (20'-0") feet from the building(s). Landscaping may incorporate sod and drought resistant plants and shrubs. All disturbed areas not sodded must be seeded. The Authority reserves the right to approve the final landscaping installation and require modifications.
6. All retention and/or detention ponds must be fenced in unless a letter is provided from the Department of Health and Environmental Control (DHEC) that a fence is not required. The storm water retention/detention basin design, maintenance and management shall be the sole responsibility of the owner/developer and shall be in strict accordance with all applicable federal, state, local and environmental regulations governing storm water retention/detention basins.
7. A recreation area suitable for proposed tenant targeting:
  - a) For family developments – (i) Playground for children located away from automobile traffic patterns with commercial quality play equipment (the playground area must have a minimum of four (4) separate pieces of equipment or a structure that encompasses a minimum of four (4) pieces of equipment) accessible to handicapped traffic and at least one permanently anchored, weather resistant bench, with a back, or (ii) an exercise room with a minimum of three nautilus-type work-out machines (this room's square footage may be included in the minimum 1,200 sq. ft. community building);
  - b) For older persons developments – (i) An exercise room with a minimum of three (3) nautilus type work-out machines (this room's square footage may be included in the minimum 1,200 sq. ft. community building), or (ii) a minimum of one gazebo, with seating, equipped with an Energy Star ceiling fan with light fixture.
8. A new development sign at the entrance(s) to the complex affixed with a Fair Housing logo.
9. Exterior lighting fixtures at all entry doors including individual apartment units, community buildings and common areas within the building(s). The fixtures at the individual apartment units are to be controlled from the interior of the unit.
10. Enclosed trash dumpsters and/or compactors. The dumpster must be enclosed by solid fencing on at least three sides. The pad and approach pad to the dumpster must be concrete and not asphalt. The trash dumpster/compactor must be ADA accessible and located on an ADA accessible route.
11. Roofing materials shall be anti-fungal shingles with a minimum 25-year warranty.
12. The following Energy Star appliances must be provided in each unit: Full sized refrigerator-freezer, with ice maker, having a minimum size of fourteen (14) cubic feet.
13. At least fourteen (14) SEER HVAC units must be installed. If the Physical Needs Assessment, completed for a rehabilitation development, does not recommend replacement of existing HVAC units in the development, this mandatory criterion is waived. However, any replacement HVAC units installed in the development must be at least fourteen (14) SEER. All refrigeration lines must be insulated. All developments must have central heat and air. Window units are not allowed for any development type.
14. A laundry facility containing: (a) at least one (1) commercial washer and one (1) commercial dryer per twenty-four (24) units; and (b) adequate seating and at least one (1) table for folding clothes. For developments containing more than one hundred (100) rental units that also provide washer and dryer hookups in all units, a minimum of one (1) commercial washer and one (1) commercial dryer per thirty-two (32) units is required. Single family detached unit, townhouse, or duplex developments must provide a washer and dryer hookup in every unit. Developments providing washers and dryers in all rental units are not required to provide a laundry facility.
15. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units.
16. Wall switch controlled Energy Star rated overhead lighting is required in all rooms.
17. Sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices. Rehabilitation projects must meet the Radon Mitigation Standards as required by the Environmental Protection Agency.
18. All new construction developments must submit a complete site specific soils report and boring site plan, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. Rehabilitation projects adding any new building foundations must submit a foundation specific soils report. The soils report and boring site plan must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of South Carolina must prepare the report. Rehabilitation projects adding any new building foundations must also submit a foundation specific soils report and boring site plan as stated above.

19. Metal flashing or 20 mil polyethylene when used in conjunction with a self- adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
20. Mailboxes, playground and all exterior project amenities must be ADA accessible.
21. Exterior wall insulation must have an overall R-11 minimum for the entire wall assembly and roof or attic insulation must have an R-30 rating minimum.
22. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. All shower units without a tub must have minimum dimensions of 30-inch width by 48-inch length (ADA approved shower). All tubs in designated handicap accessible units must come complete with “factory- installed grab bars”.
23. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6’-0” above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14” x 24” and must be hung with the top of mirror a minimum of 6’-0” above finish floor. Vanity cabinets or a medicine cabinet shall be provided in all units. All cabinets in designated handicap accessible units must be installed at ADA mounting heights.
24. Water heaters must be placed in drain pans with drain piping plumbed to disposal point as per the latest approved addition of the International Plumbing Code.
25. Pipe all Water Heater Temperature & Pressure (T&P) relief valve discharges to disposal point as per the latest approved edition of the International Plumbing Code.
26. Exterior shutters (new not recycled) are required on all 100% vinyl siding buildings. Only existing rehabilitation developments may have 100% vinyl building exteriors.
27. Roof gable vents must be made of aluminum or vinyl materials.
28. All attics must be vented.
29. Carpet and Resilient flooring materials must meet minimum FHA standards.
30. Each bedroom and hallway, etc. must have, as required by Code (local, state or Federal) a hard-wired battery back-up smoke detector.
31. All materials for construction must meet all local, state, federal and environmental regulations and specifications.
32. A carbon monoxide detector must be installed in each unit with gas mechanical systems or gas appliances. Units with an attached garage must also have a carbon monoxide detector installed. A combination unit smoke detector and carbon monoxide detector can be used to meet this requirement.
33. Pre-finished fascia and soffits must be vinyl covered aluminum and/or perforated cementitious panels with vents.
34. Gutter and downspout systems complete with splash blocks will be supplied surrounding all residential buildings.
35. Gazebos, Picnic Shelters, Mail Kiosks, etc.: Exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table and bench seating.
36. At a minimum, all developments must meet the 2006 International Energy Conservation Code.
37. Developments that have units, by bedroom size, smaller than the following square footages are considered to be obsolete units and are not eligible for funding:

| <u>Bedrooms per Unit</u> | <u>Minimum Sq. Ft. per Unit</u> |
|--------------------------|---------------------------------|
| One                      | 500                             |
| Two                      | 700                             |
| Three                    | 850                             |
| Four                     | 1,000                           |

**For ALL New Construction Developments:**

1. All units must be equipped with an Energy Star rated dishwasher and an energy efficient rated hot water heater with energy factor of 0.61 for gas or 0.93 for electric and will have manufacturer’s data sheet submitted with plans.
2. All units must have Energy Star rated windows and will have manufacturer’s data sheet submitted with plans.
3. All units must have an Energy Star rated HVAC system and will have manufacturer’s data sheet submitted with plans.
4. Lighting must be in all common area corridors, stairwells, and the community room. Interior light fixtures to be fitted with Energy Star light bulbs.

5. Low flow water saving features must be used- low flow showerheads, low flow kitchen and bathroom faucets, and low flow toilets and will have manufacturer's data sheet submitted with plans.
6. Washer/dryer hookups in all units.
7. A minimum 1200 square foot community building. Entire facility must be ADA compliant. The square footage counted towards this total may include a leasing office, an equipped exercise room, and an equipped computer center. Laundry rooms and storage/maintenance rooms will not be counted as part of the 1200 square foot minimum. For developments proposing the second phase of a previously completed contiguous tax credit development, the requirement for an additional 1200 square foot community building is waived. However, it is required that laundry facilities be provided to the new phase and must be constructed on the site of the proposed phase. The mandatory laundry facility requirements under Section V. Mandatory Design Criteria, item 14 must be met.
8. All units pre-wired for cable television hook-ups in the living room and one (1) per bedroom.
9. Units with three (3) or more bedrooms must have a minimum of two (2) full bathrooms.
10. The minimum bedroom size for the primary bedroom in each unit must be at least 168 square feet. All other bedrooms must be a minimum 120 square feet. The minimum bedroom square footage excludes the closet space.
11. All older persons (55+ years) and elderly developments will be one-story structures, or if greater than one story, all stories will be accessible by elevators.
12. All sidewalks and walkways shall be a minimum of 36" in width and made of concrete and shall provide access to all parking spaces, front entryway doors, common amenities and driveways and shall be ADA compliant. Where ADA accessible routes, walkways, etc. are required within the development, clearly marked ramps, crosswalks, signage, etc. shall be furnished in accordance with ADA regulations.
13. Sliding glass doors are prohibited.
14. Water closets must be centered, at a minimum, 18 inches from sidewalls, vanity/lavatories and bath tubs.
15. Public use stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. Handrails and pickets must be constructed from steel or aluminum.
16. Patio and porch/balcony components used as part of the building shall have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Structural wood columns shall be at a minimum 6" x 6" pressure treated columns concealed as noted above with properly sized fiberglass, high density urethane or aluminum columns. Columns must be installed on metal brackets/clips to prevent water seepage into the columns. Decorative rails and/or guard rail systems used at porches and patios shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed.
17. Wall Framing: Sound proofing or sound batt insulation is required between the stud framing in party walls. A sound rating of STC 54 is required.
18. Fluorescent lighting is required in the kitchen.

**For ALL Single Family, Townhouse, and Duplex Developments:**

1. All detached single family homes must contain a minimum of three (3) bedrooms and two (2) full bathrooms.
2. All townhouses must contain a minimum of two (2) bedrooms and one and one-half bathroom. At a minimum, a half bathroom must be located on the first floor.
3. All duplexes must contain a minimum of two (2) bedrooms and one and one-half bathroom.
4. Developments must have concrete driveways, curbing at street and front entry walkways.
5. All new construction developments must have a washer and dryer hookup in each unit.
6. All HVAC and hot water heaters must be contained within the unit/building. These may not be located in the attic or crawl space.

**For ALL Rehabilitation Developments:**

Any of the following mandatory items (not to include repainting of the entire unit) replaced on or after January 1, 2008 are not required to be replaced as part of the rehabilitation.

1. Replace and install new flooring in each unit. At a minimum, tile must be VCT or better.
2. Entire unit (all rooms and ceilings) must be repainted.
3. New bathroom fixtures must be installed to include the following:
  - a) New tub and new shower, re-glazing not allowed. Three piece surround insert is acceptable. All caulking must be replaced.
  - b) Replace sink, vanity and plumbing fixtures with new. Vanity to include, at a minimum, a pull out drawer and/or storage area.
  - c) New toilet.

- d) Install new re-circulating exhaust fan.
- e) Install new water supply valves.
4. New kitchen fixtures must be installed to include the following:
  - a) Dual track sliding drawers.
  - b) New double sink and plumbing fixtures.
  - c) New stove with re-circulating exhaust fan.
  - d) New Energy Star rated refrigerator, with ice maker that is a minimum of 14 cubic feet.
  - e) Install new water supply valves.
5. All entry doors must be steel or fiberglass doors that are insulated, paneled, and have a peephole.
6. New Energy Star hot water heaters with an energy factor greater than 0.61/gas or 0.93/electric.
7. Replace all windows with insulated, double pane glass in either vinyl or aluminum framing.
8. All units wired for high speed (broadband) Internet hook-up with at least one (1) centrally located connection port or wireless computer network. All wires to be hidden.
9. Units with existing washer/dryer connections must replace and install new water supply fixtures and valves.
10. All older persons (55+ years) and elderly acquisition/rehabilitation developments may have more than one-story, provided that existing elevators, receiving regular maintenance, are in good working condition as of the Application submittal date and service all upper level rental units. Those developments without existing elevators will be required to install elevators.
11. Window blinds and exterior window screens to be replaced.
12. Replace all damaged and worn interior doors, jams, frames, and hardware.
13. Reseal all asphalt parking and roadway services throughout the development.

#### **For ALL Adaptive Reuse Developments:**

The definition of “adaptive reuse” is the conversion of an existing non-residential building(s) into a residential building(s). The architect must certify on **Exhibit G** that the development will meet the following requirements:

1. A minimum of fifty percent (50%) of the square footage of each existing building(s) must be converted to residential use; and
2. If additional buildings/units are constructed to provide additional space, the total square footage of the previously existing building(s) must constitute a minimum of fifty percent (50%) of the total square footage of the entire development.
3. Reseal all asphalt parking and roadway services throughout the development.

## **VI. ADMINISTRATION OF THE QUALIFIED ALLOCATION PLAN**

The Authority reserves the right to resolve all conflicts, inconsistencies, or ambiguities, if any, in the QAP or that arise in administering, operating, or managing the reservation and/or allocation of the LIHTC Program. The Authority, at its sole discretion, reserves the right to allocate housing tax credits in a manner not in accordance with this QAP. At such time, or either a reasonable time thereafter, the Authority shall, as required by Section 42(m)(1)(A)(iv) of the Code, provide a written explanation to the general public of its reasons for making such allocation. The Authority further reserves the right, at its sole discretion, to modify or waive, on a case-by-case basis, any provision of this QAP or the LIHTC Manual that is not required by the Code. In any case where compliance with the QAP or LIHTC Manual produces unusual hardship or difficulty and the Code or regulations do not require the provision, the application of such provision may be waived in the Authority’s sole discretion upon a showing of substantial need and any other evidence as requested by the Authority.

The Authority reserves the right to withhold the issuance of a Form 8609 for any development or building that is determined at the Authority’s sole discretion **not to have been constructed in accordance with the representations** contained in the development descriptions and certified to in **Exhibit G** by the architect.

The QAP and LIHTC Manual are intended to provide sufficient information to prospective LIHTC applicants. However, due to the complexity of the program and the housing development process in general, not every potential circumstance is covered in the QAP or LIHTC Manual. The Authority will interpret the policies and guidelines contained in the QAP and LIHTC Manual upon review of an application for tax credits, and may accept or reject an application based on its interpretation. Applicants are strongly encouraged to seek guidance from Authority staff regarding any situation not explicitly addressed in the QAP or LIHTC Manual prior to submitting an application. However, the Authority reserves all rights in processing the applications. The

Applicants are solely responsible for the contents of their applications and cannot rely on any representation by Authority staff.

By submitting an application to the Authority, the Applicant waives, holds harmless, and releases any claim or cause of action against the Authority or its staff related to or arising under the processing or scoring of any application or for the award of any tax credits under this program, and further the applicant covenants not to sue the Authority or its staff related to or arising under the processing or scoring of any applications or for the award of any tax credits under this program. The Applicant further agrees to indemnify the Authority for any claim or cause of action brought against the Authority related to or arising under the Applicant's application.

## **VII. RECONSIDERATION PROCESS**

### **1. Initial Point Scoring:**

Any Applicant wishing to request a reconsideration of an initial point scoring decision of the Authority may do so in writing to be delivered to the attention of the Executive Director. Applicants may **ONLY** request reconsideration for applications in which they have an ownership interest.

Requests must be sent via **hand delivery or overnight courier**. An e-mail courtesy copy is appreciated, but does not constitute a timely request for reconsideration.

Reconsideration requests, along with a cashier's check for the **\$250.00 filing fee** per request, must be **received by the Authority by 5:00 p.m. (EST) within three (3) business days of the date of the posting of the point scores** for the applications on the Authority's website. Determination letter(s) regarding point scores will be mailed and emailed the same day as posting of the point scores.

Reconsideration requests must specifically identify the grounds for the reconsideration request. Only the application and documents then existing in the Authority's file will be considered. No additional documentation will be accepted by the Authority unless it explains previously submitted documentation. The burden is on the Applicant to demonstrate any errors in the review and/or point scoring process.

An Executive Committee will make a determination on the reconsideration request and the Authority will provide a written response to the Applicant. The Executive Committee may request additional information from staff involved with the initial point scoring to assist in the Executive Committee's review of the reconsideration request.

The Executive Committee's determination shall be considered the final decision of the Authority.

### **2. Underwriting/Disqualification Decision:**

If the Authority identifies a deficiency in an application during its review that results in the disqualification of an application or a reduction of the amount of requested tax credits, the Authority will issue a preliminary decision letter to the Applicant identifying the grounds for the potential disqualification or reduction of requested tax credits.

The Applicant may then provide a written response specifically identifying the reasons that the application should not be disqualified or the amount of requested tax credits should not be reduced.

Written responses must be delivered via **hand delivery or overnight courier** to the attention of the Executive Director. An e-mail courtesy copy is appreciated, but does not constitute a timely response.

Responses must be **received by the Authority by 5:00 p.m. (EST) within three (3) business days of the date of the preliminary decision letter**.

Only the application and documents then existing in the Authority's file will be considered. No additional documentation will be accepted by the Authority unless it explains previously submitted documentation. The burden is on the Applicant to demonstrate any errors in the review or disqualification process.

An Executive Committee will make a determination whether to disqualify the application or reduce the amount of requested tax credits and the Authority will provide a written response to the Applicant. The Executive Committee may request additional information from staff involved with the underwriting or disqualification decisions to assist in the Executive Committee's review of the reconsideration request.

The Executive Committee's determination shall be considered the final decision of the Authority.

### **3. Communications with Authority**

The processes described in this Section VII are the exclusive means by which an Applicant may request reconsideration of a decision of the Authority regarding the scoring or evaluation of any application or the award of tax credits. Information submitted to the Authority outside of these processes, whether in writing or otherwise, will not be considered.

## **VIII. AMENDMENTS TO THE QUALIFIED ALLOCATION PLAN**

The Authority reserves the right to amend the QAP or LIHTC Manual as needed for the purpose of clarification, ensuring compliance with the Code or regulations, or any change necessary to affect the spirit and intent of the LIHTC Program as determined in the sole discretion of the Authority. All amendments shall be fully effective and incorporated herein immediately. Amendments may reflect changes, additions, deletions, interpretations, or other matters necessary to comply with the Code or regulations. Amendments are not limited to, but may perform such acts as cure ambiguities, supply information on omissions, correct inconsistencies, or facilitate the allocation of LIHTC that would not otherwise be allocated.

## **IX. APPROVAL BY THE GOVERNOR**

I, Nikki R. Haley, Governor of the State of South Carolina, do hereby signify my approval of this QAP for the distribution of federal LIHTC in the state in conformance with the Code, as amended.

The Authority is expressly granted authorization, to the extent it deems necessary, to amend or waive any requirements of this QAP or LIHTC Manual as described herein without the necessity of further approval.

**Signature:** \_\_\_\_\_  
**Nikki R. Haley, Governor of South Carolina**

**Date:** \_\_\_\_\_

**South Carolina State Housing Finance and Development Authority**  
**2014 2015 and 2016 Low-Income Housing Tax Credit Manual**

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- ~~2014 2015~~ Qualified Census Tracts (QCTs) and Difficult Development Areas (DDAs) are posted on the Authority's website at [www.schousing.com](http://www.schousing.com)
- Instructions for Extranet File Uploads on the Authority's Extranet
- ~~2013 2014~~ Rent and Income Charts are posted on the Authority's website at [www.schousing.com](http://www.schousing.com). As soon as possible following publication by HUD, the ~~2014 2015~~ Rent and Income Charts will be posted on the Authority's website. It is the responsibility of the Applicant to obtain the applicable rent and income information to use in completing the Application.

## I. PROGRAM ADMINISTRATION and PROCEDURES

The 2015 and 2016 Tax Credit Manual is intended to govern the 2015 and 2016 tax credit funding cycles. The Authority will make technical amendments and funding amount changes to this document for the 2016 tax credit funding cycle in the fall of 2015.

### General Guidelines:

1. **Fees** - Payment of **all** fees must be in the form of a cashier's check made payable to the South Carolina State Housing Finance and Development Authority. All fees are nonrefundable. Following is a list of the Authority's fee schedule:
  - a) Tax Credit Application Fee: \$5,500.00 due at time of application submission.
  - b) Market Study Review Fee: \$600.00 due at time of application submission.
  - c) Missing Documents Fee: \$2,000.00 assessed for applications determined by Authority to have missing documents as part of the tax credit application submission.
  - ~~e)d~~ Reconsideration Fee: \$250.00 due at the time a request for reconsideration is submitted.
  - ~~d)e~~ Tax Credit Reservation Fee: 10% of the tax award amount due 14 calendar days after the notification of the tax credit award.
  - ~~e)f~~ Plan Review and Construction Inspections Fee: \$4,750.00 due 14 calendar days after the notification of the tax credit award.
  - ~~f)g~~ Compliance Monitoring Fees:
    - i. 2011- ~~2015 2014~~ Awarded Developments- the first fifteen (15) years payable at placed in service and calculated at \$35.00 per LIHTC unit.
    - ii. 2009-2010 Awarded Developments- the first two (2) years payable at placed in service and calculated at \$35.00 per LIHTC unit and thereafter on an annual basis. Fee is due annually not later than February 1<sup>st</sup>.
    - iii. 2008 and prior Awarded Developments- \$35.00 per LIHTC unit paid annually, not later than February 1<sup>st</sup> of each calendar year.
  - ~~g)h~~ Reprocessing of Form 8609 Fee: \$100.00 per Form 8609 will be charged if errors in the final cost certification were made by either the developer or CPA resulting in Authority staff re-underwriting a development.
  - ~~h)i~~ Re-underwriting Fee: \$2,000.00 will be charged if an awarded development has to be re-underwritten due to a change in the number of buildings, units, design of the development, sources and uses of funds, etc. This fee will also be charged for developments requesting a restructuring review any time during the 30 year compliance period.
  - ~~i)j~~ Extension Request Fee: \$1,000.00 for the first extension request and \$2,000.00 for additional extension requests. Extension requests relate to the submission of Exhibit L Quarterly Progress Report and Tax Credit Program Awarded Development Timelines.
2. **Deadlines** – All applications must be submitted by the required due dates as specified in the LIHTC Program Schedule. Additional information requested by the Authority will be due not later than seven (7) business days from the date the information was requested.
3. **Document Timeliness**- All supporting documentation required for the ~~2014 2015~~ Tax Credit Application must not be dated prior to September 1, ~~2014 2013~~. The only exception will be for Site Control Documents, community revitalization plans and the Railroad Noise Study.
4. **Material Changes Prohibited**
  - a) If, upon the submission of the Carryover Allocation Documents, the Verification of Ten Percent Expenditure (10% Test) Application or the Placed-in-Service (PIS) Application, it is determined that the development is not substantially the same as the development described in the original Tax Credit Application, the development will not receive an allocation of Low Income Housing Tax Credits (LIHTC). The following changes are deemed to be material and are not permitted:
    - i. General or Managing Partners (GP);

- ii. Total number of LIHTC units;
  - iii. Total number of units;
  - iv. Number of bedrooms and bathrooms per unit mix;
  - v. Specific tenant population targeted;
  - vi. Tenant mix (low-income/market rate);
  - vii. An increase in the total number of units after initial application submission;
  - viii. Site; or
  - ix. Decreases in square footage.
- b) Changes in the number of buildings and units contained in each building will be allowed only to comply with changes required by local regulatory codes made after the Application submittal deadline. Required changes must be received in writing from the City/County/Regulatory Agency requiring such.
5. **Transfers**
- a) Neither reservations nor carryovers are transferable without the prior written consent of the Authority. Examples of situations in which such consent may be given include, but are not limited to:
    - i. Death;
    - ii. Bankruptcy;
    - iii. Receivership; or
    - iv. Cessation of business operations of a GP;
  - b) No change in the makeup or identity of a GP in a partnership or its equivalent in a limited liability company is permitted without the prior written consent of the Authority. Without limitation, this prohibition includes indirect transfers through the admission of any “special limited partner(s)” under any scheme that leads to the eventual exit of a GP or its equivalent in a limited liability company;
  - c) LIHTCs allocated to developments whose ownership is altered in violation of this provision shall be subject to revocation by the Authority.
6. **Fractional Rounding** - Fractional units must be increased to the next whole unit.
7. **ADA Requirements and Certification**
- a) The Authority will not offer an allocation to any development unless the Applicant submits, with its Application, a certification, signed by an architect or professional engineer licensed to practice in SC, which states that the architect or engineer will review the plans and specifications of the proposed development to ensure that such plans and specifications will comply with the accessibility and other requirements of Section 504 of the Rehabilitation Act, the Fair Housing Amendments to the Civil Rights Act of 1968, the Americans With Disabilities Act, and any other applicable state or federal legislation;
  - b) As part of its PIS Application, a certification must be included which is signed by an architect or professional engineer licensed to practice in SC which contains a statement that the development has been constructed in accordance with the accessibility and other requirements of Section 504 of the Rehabilitation Act, the Fair Housing Amendments to the Civil Rights Act of 1968, the Americans With Disabilities Act, and any other applicable state or federal legislation, and that the development, as built, complies with the U.S. Department of Housing and Urban Development (HUD) “*Fair Housing Act Design Manual*.”
8. By submitting an application to the Authority, the applicant waives, hold harmless, and releases any claim or cause of action against the Authority or its staff related to or arising under the processing or scoring of any application or for the award of any tax credits under this program, and further the applicant covenants not to sue the Authority or its staff related to or arising under the processing or scoring of any application or for the award of any tax credits under this program. The applicant further agrees to indemnify the Authority for any claim or cause of action brought against the Authority related to or arising under the applicant’s Tax Credit Application.
9. The applicant acknowledges and understands that the tax credits awarded through this program are not entitlements or rights, but rather are privileges conferred at the sole discretion of the Authority to encourage the development of low income housing for citizens of the State.

**Program Suspension/Debarment:**

1. Any of the following actions may result in suspension from participating for funding from any of the Authority administered programs for a period of three (3) years:
  - a) Developments that receive a carryover allocation under the program are expected to meet the Ten Percent (10%) Test by the date specified in the carryover document, and to be placed-in-service by the Code deadline. Failure of a development to achieve either of these goals will disqualify the Applicant.
  - b) All GPs of a limited partnership and the equivalent in a limited liability corporation that receive a carryover allocation are required to remain in the partnership until the development places-in-service. Exceptions due to death, bankruptcy, or cessation of business operations will be allowed. All other removals whether voluntary or involuntary will result in disqualification for all GPs in a limited partnership and the equivalent in a limited liability corporation. Any person or entity, including Syndicators, that attempts to circumvent this provision will be subject to disqualification.
  - c) Failure to provide the Exhibit G certification, or providing a false or inaccurate certification that a development meets the above standards when, in fact, it does not, will result in the disqualification of the developer and the architect. The Authority will also file a complaint against the architect with the S.C. Department of Labor, Licensing and Regulation.
  - d) Developments that receive Tax Credit Assistance Program (TCAP) funds or Exchange Program funds are expected to remain in compliance with all rules and regulations imposed by these programs. Failure of a development to remain in compliance will result in all GPs of a limited partnership and the equivalent in a limited liability corporation being suspended.
  - e) Applicant(s) may not interfere with a tax credit application, for which it is not an owner or principal, at any public hearing or other official meeting. This type of action could undermine the tax credit program in general and could create on-going consequences that can create a negative connotation of the tax credit program.
2. Any of the following actions will result in the permanent debarment from participating for funding from any of the Authority administered programs:
  - a) Any Applicant who provides false or misleading information to the Authority with regard to a development seeking LIHTC will be permanently debarred from further participation in the Authority's programs, in any capacity whatsoever, regardless of when such false or misleading information is discovered. Any reservation or carryover allocation obtained on the basis of such false or misleading information shall be void. Each Applicant shall be given written notice by the Program Director stating the reason for which the sanction of debarment was imposed.
  - b) Any partnership formation and/or developer agreement, whether written or otherwise, that attempts to circumvent Authority requirements will result in the permanent debarment of all parties involved from further participation in the Authority programs, regardless of when the violation is discovered.
  - c) For nonprofit sponsored developments, if the requirement for continuous and ongoing material participation is breached, the nonprofit and all of its officers and directors shall be permanently debarred from future participation. In the event that the requirement for continuous and ongoing control over the development is breached, such breach will be reported to the IRS as noncompliance, and the nonprofit and all of its officers and directors shall be permanently debarred.
3. Member(s) of the development team or person(s) on behalf of a development team member(s) contacting Board members from the Tax Credit Application submission date through the date of the award of the tax credits regarding (i) the scoring or evaluation of any applications, (ii) interpretations of the QAP, this Manual, or the implementation of the LIHTC program, or (iii) the award of tax credits will be suspended from the tax credit program until the next competitive funding cycle. In addition, all application(s) associated with any such member(s) of the development team will be disqualified from funding consideration.
4. The Authority, in its sole discretion, may determine other acts to be infractions of the program that require suspension or debarment. Suspensions or debarments based on such acts not defined shall be conducted as outlined in the South Carolina State Housing Finance and Development Authority's Debarment and Program Suspension Policy.

#### **Definitions:**

1. **Applicant** - includes each person, corporation, developer, partnership, joint venture, association, or other entity that has an ownership interest in the development for which the LIHTC application is submitted.
2. **Developer** - any individual or entity responsible for initiating and controlling the development process and ensuring that a material portion of the development process is accomplished.
3. **Material Participation** - the regular, continuous and substantial involvement in the operation of the development throughout the compliance period, as defined by the Code.
4. **Participants** - the Applicant, owner, developer, property management entity, consultants, Syndicators, etc., proposed to be involved with the development for which an application is submitted.
5. **Principal** - any Applicant, owner, developer, guarantor, financial guarantor, or any other person, corporation, partnership, joint venture, or other entity, including any affiliate thereof, or any other person, firm, corporation, or entity of any kind whatsoever that either directly or indirectly receives a portion of the development fee (whether or not deferred) for development services and/or receives any compensation with respect to such development. Note: Consultants are not considered Principals.
6. **Related Parties** - Notwithstanding anything to the contrary contained herein, the Authority will not reserve credits in an amount in excess of \$1.5 million to any GP or Principal(s) of such GP, directly or indirectly. Applicants will be deemed to be related if any Principal of an Applicant is also a Principal in any other Applicant.

An “**Identity of Interest**” is considered to exist if any of the following conditions exist:

- When there is any financial interest of the Applicant, Principal, owner and any other member of the development team;
- When one or more of the officers, directors, stockholders, members, or partners of the Applicant, Principal, or owner is also an officer, director, stockholder, member, or partner of any other member of the development team;
- When any officer, director, stockholder, member or partner of the Applicant, Principal, or owner has any financial interest whatsoever in any other member of the development team;
- When any other member of the development team advances any funds to the Applicant, Principal, or owner;
- When any other member of the development team provides and pays, on behalf of the Applicant, Principal, or owner, the cost of any architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by any other member of the development team in connection with its obligations under its contract with the Applicant, Principal, or owner;
- When any other member of the development team takes stock or any interest in the Applicant, Principal, or owner entity as part of the consideration to be paid him/her;
- When any relationship exists which would give the Applicant, Principal, or owner or any other member of the development team control or influence over the price of the contract or the price paid to any other member of the development team or to a subcontractor, material supplier or lessor of equipment;
- When there exist (or come into being) any side deals, agreements, contracts, or undertakings entered into or contemplated, thereby altering, amending, or canceling any of the required application or closing (should there be a closing) documents.

## **II. LIHTC ALLOCATION CEILING: LIMITS and CATEGORIES**

### **LIHTC Allocation Ceiling:**

The amount of LIHTC available in SC in each calendar year reflects the sum of the amounts allowed under IRC Section 42(h)(3)(C). This amount may be increased by returned tax credits from prior years, tax credits allocated from the National Pool or by new legislation increasing the amount of LIHTC distributed to each state. The Authority reserves the right to withhold such credits from allocation as it deems advisable.

**Return of Credits and Returned Credit Allocation Procedures** - Allocations of credit may be returned only in accordance with applicable U.S. Treasury Regulations on a date agreed upon by the Authority and the Applicant. Amounts that are not accepted or are returned will be made available as follows:

- a) Amounts awarded in the competition and returned prior to November 1<sup>st</sup> may be offered to qualified developments submitted in the annual tax credit funding cycle that are capable of meeting carryover requirements. Reservations of returned amounts will be offered to developments in the order in which they appear on the waiting list if the amount offered is at least ninety percent (90%) of the credit amount for which the development is qualified. If no development can be funded to at least ninety percent (90%) of its qualified amount, such amounts shall be carried forward to the following tax credit year. LIHTC developments receiving a reservation of credits prior to November 1<sup>st</sup> will be required to meet all carryover qualifications.
- b) Any amounts returned after November 1<sup>st</sup> will be carried forward into the next tax credit year.

**Cap for Single Applicant/ Related Parties/ Principal/ Owner:**

1. The Authority will not allocate more than \$1.5 million in LIHTCs to a Principal involved with multiple developments (see “Definitions” on page 5).
2. The maximum tax credit awarded per project will not exceed \$750,000, inclusive of the basis boost.
3. In the event a Principal exceeds the limitation, the tax credit award to that Principal’s development with the lowest point score will be reduced so that the limitation is not exceeded. That development will be awarded a reservation only if the LIHTC amount, as calculated by the Authority, is at least ninety percent (90%) of the unreduced amount that the development would have otherwise received.
4. Regardless of the percentage of participation a Principal has in the development, one hundred percent (100%) of the development’s LIHTC reservation will count toward the limitation per Principal.
5. A Principal may not be associated with or submit more than three (3) applications/developments.
6. A Principal may not be awarded more than two (2) developments.
- 6.7. Fees paid to third party development consultants, evidenced by the cost certification, must not exceed \$35,000 total. The consultant fee must be for legitimate and necessary consulting services.

**Special Allocation of Noncompetitive Tax Credits:**

In its sole and absolute discretion, and where warranted by extenuating circumstances, the Authority reserves the right to allocate additional credits to previously awarded developments.

Any additional credits from the ~~2014~~ 2015 credit ceiling supplementing awards from prior years will not count against the ~~2014~~ 2015 cap limits for single applicant, related parties, principal or owner.

**Geographic Distribution of Tax Credits:**

In order to ensure that tax credits are geographically distributed to all areas of the State, the Authority will limit tax credit awards to a maximum of two (2) new construction developments per county. ~~and a maximum of one (1) new construction development in the same city. The Authority may rely on data or opinions provided by its third party market analyst firm before or after application submissions to further restrict new construction throughout the State based on market data. New construction developments awarded as part of the RAD Set Aside will not count towards the developments per county limit.~~

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**Set-Asides:**

The Authority has ~~six (6)~~ five (5) Set-Asides in which applicants may compete for credits: General, Underserved Counties, ~~Rental Assistant Demonstration (RAD)~~, Rehabilitation, Rural Housing Service (RHS), and Nonprofit Set-Asides. Proposals in the General Set-Aside will be considered for funding after awards in the other Set-Asides have been made. Developments, regardless of Set-Aside, competing in the same county for an award of credits will be funded based on the highest scoring application. Unused funds in the Underserved Counties, ~~RAD~~, Rehabilitation, Nonprofit (after the minimum 10% IRS requirement is met) or RHS Set-Asides will roll up to the General Set-Aside. After awards have been

made in the General Set-Aside, any unused funds remaining in this Set-Aside will be allocated to the development, irrespective of the development's Set-Aside, having the highest funding percentage. The maximum funding percentage is determined by dividing the amount of credit remaining in that Set-Aside by the amount of credit calculated by the Authority for a development that is partially funded. These unused funds will be allocated if they increase the development's funding percentage to at least ninety percent (90%). A development can compete for funding consideration only in the Set-Aside in which it applies.

**1. General Set-Aside:**

- a) Up to \$~~4,900,000~~ 3,850,000 of the state LIHTC ceiling is initially reserved for developments participating in this Set-Aside.
- b) Developments eligible to participate in this Set-Aside can be new construction, adaptive reuse or rehabilitation developments having a current vacancy rate of 30% or greater only.

**2. Underserved Counties Set-Aside:**

- a) Up to \$1,500,000 of the state LIHTC ceiling is initially reserved for developments participating in the Underserved Counties Set-Aside.
- b) To compete in this Set-Aside, development sites must be located in one of the following counties which has not received a new construction LIHTC award in the past four (4) years: Abbeville, Allendale, Barnwell, Calhoun, Cherokee, Chester, Chesterfield, Colleton, ~~Darlington~~, Dillon, ~~Edgefield~~, Fairfield, Hampton, Jasper, Lee, Marion, Marlboro, McCormick, ~~Orangeburg, and Union, and Williamsburg~~.
- c) Developments eligible to participate in this Set-Aside can be new construction, adaptive reuse or rehabilitation developments having a current vacancy rate of 30% or greater only.

**~~3. Rental Assistant Demonstration (RAD) Set-Aside:~~**

- ~~a) Up to \$750,000 of the state LIHTC ceiling is initially reserved for developments participating in the RAD Set-Aside. Applicants must have an approved RAD Conversion Commitment from HUD to compete in this Set-Aside.~~
- ~~b) Only RAD developments choosing Project Based Rental Assistance (PBRA) are eligible for this Set-Aside.~~
- ~~c) Developments eligible to participate in this Set-Aside can be new construction or rehabilitation.~~

**4.3. Rehabilitation Set-Aside:**

- a) Up to \$2,100,000 of the state LIHTC ceiling is initially reserved for developments participating in the Rehabilitation Set-Aside.
- b) This Set-Aside is for one hundred percent (100%) rehabilitation developments only. Adaptive Reuse developments will not be allowed in this Set-Aside.
- c) Rehabilitation developments having a current vacancy rate of 30% or greater will not be allowed to participate in the Rehabilitation Set-Aside. These developments must compete in the General or Underserved Counties Set-Aside.

**5.4. Rural Housing Service (RHS) Set-Aside:**

- a) Up to \$~~900,000~~ 800,000 of the state LIHTC ceiling is initially reserved for the use of eligible RHS developments;
- b) In order to compete within the RHS Set-Aside:
  - i. The development must have been selected for RHS 514, 515, or 516 funding as evidenced by a letter from the RHS State Multifamily Housing Director.
  - ii. The applicant must be qualified to do business in the State of South Carolina, as evidenced by having a status of "Good Standing" with the South Carolina Secretary of State's Office.

**6.5. Nonprofit Set-Aside:**

- a) As per Section 42 of the Code, a minimum of ten percent (10%) of the state LIHTC ceiling is reserved for the exclusive use of eligible nonprofit organizations. The Authority will initially reserve up to

~~\$1,600,000~~ ~~1,500,000~~ of the state LIHTC ceiling for use in the Nonprofit Set-Aside. Credits awarded to eligible nonprofit organizations from the designated Set-Aside will count toward meeting the minimum ten percent (10%) state ceiling. Should the Authority not award the minimum ten percent (10%) state ceiling then those credits will be carried forward to the next funding cycle.

- b) Eligible nonprofit organizations must meet the following criteria:
- i. The nonprofit organization(s) must be a tax-exempt organization under Section 501(c)(3) or 501(c)(4) of the Code. A tax-exempt organization is defined as:
    1. An entity that has full-time staff whose responsibilities include the development of housing.
    2. An entity qualified to do business in the State of South Carolina, as evidenced by having a status of "Good Standing" with the South Carolina Secretary of State's Office.
  - ii. The nonprofit organization(s) must have among its exempt purposes the development of low-income housing;
  - iii. The nonprofit organization(s) must also meet the requirements for material participation contained in Section 469 of the Code:
    1. Each nonprofit must submit a narrative statement, certified by a resolution of the nonprofit's Board of Directors, describing the nonprofit's plan for material participation during the development and compliance period;
    2. The Authority will review the narrative statement to determine whether the participation of the nonprofit in the ongoing operation of the development will be deemed material. Such determination shall be made in the sole discretion of the Authority;
    3. For participation to be deemed material, it must be continuous and ongoing throughout the compliance period;
    4. In the event that the requirement for continuous and ongoing material participation is breached, such breach will be reported to the IRS as noncompliance and the nonprofit and all of its officers and directors shall be permanently debarred;
  - iv. If the ownership entity of the development is a limited partnership, the nonprofit organization or the wholly owned single-asset entity subsidiary must own (directly or through the partnership) at least 51% interest in the general partner of the partnership entity in accordance with current laws and IRS regulations throughout the development's compliance period. If the ownership entity of the development is a limited liability company, the nonprofit organization or the wholly owned single-asset entity subsidiary must be the managing member (having similar powers to a GP in a limited partnership) throughout the development's compliance period.
  - v. The nonprofit GP of the limited partnership or its equivalent in a limited liability company may be an association or alliance of eligible nonprofit organization(s) and a for profit organization(s).
  - vi. Fees paid to third party development consultants, evidenced by the cost certification, must not exceed \$35,000. The consultant fee must be for legitimate and necessary consulting services;
  - vii. Only the nonprofit organization(s) that is the GP, or the functional equivalent(s) in an LLC, shall be permitted to exercise substantial and ongoing continuous control over the application submission process and over the subsequently produced development. All functions and responsibilities normally performed or undertaken by a GP must be performed by the nonprofit GP. No LP or other investor shall be permitted to exercise control, either directly or indirectly, over the nonprofit GP or to participate in matters relating to the ownership or operation of the development beyond the degree of participation that is usual and customary for an LP.

#### **Combination with Other Authority-Administered Programs:**

**Applicants may apply for HOME funds only when applying for tax credits.**

##### **State HOME Funds**

- a) State HOME funds up to \$7.8 million will be available in the LIHTC competition;
- b) The maximum state HOME award any one (1) development can request is ~~\$600,000~~ ~~700,000~~. The award will be available as a deferred loan with a one half percent (1/2%) interest rate and an even term and amortization period of not less than twenty (20) and not more than thirty (30) years. Payment of both principal and interest will be deferred for the term of the loan. These awards will be available as

~~deferred loans with a one-half percent (1/2%) interest rate and a term and amortization period of no longer than thirty (30) years. Both principal and interest will be deferred for thirty (30) years;~~

- c) HOME funds will be provided to the set-asides as follows: General- ~~\$3,150,000~~ 2,960,000; Underserved Counties- ~~\$980,000~~ 1,120,000; RAD- ~~\$560,000~~; Rehabilitation- ~~\$1,330,000~~ 1,600,000; RHS- ~~\$490,000~~ 640,000 and Nonprofit- ~~\$1,050,000~~ 1,120,000. HOME funds will be awarded in descending point score order by set-aside until the HOME funds are exhausted. A development will be awarded HOME funds only if the HOME amount, as calculated by the Authority, is at least ninety percent (90%) of the unreduced amount that the development would have otherwise received. HOME funds not initially awarded in a Set-Aside will roll to the General Set-Aside. If HOME funds remain after all General Set-Aside awards are made then remaining funds may be applied to developments in the other Set-Asides. The Authority reserves the right to reduce HOME funds requested based on underwriting analysis.
- d) HOME funds are not available to developments that have contracts to receive project based rental assistance from Rural Housing Services (RHS) or the Department of Housing and Urban Development (HUD) for 50% or more of the units.
- e) State HOME funds are a permanent financing source and therefore may not be used during the course of project construction. HOME funds may only be requested once the following criteria has been met:
- i. The project is 100% complete and a certificate of occupancy has been issued by the local City/County officials; and
  - ii. The HOME final inspection has been requested, completed and approved; and
  - iii. The HOME loan has closed and, at a minimum, Authority staff in receipt of a copy of the recorded or clock marked date stamped HOME Mortgage and HOME Restrictive Covenant.
- f) State HOME funds can be applied for and combined with LIHTC proposals only in conjunction with the LIHTC competition. If a HOME award has previously been awarded for the proposed LIHTC development and has not been closed out then the development is not eligible for LIHTC funding. Previously awarded HOME developments that have been closed out can apply only if written approval is given by the Authority's Awards Management Manager and if the development meets the 10-year rule criteria as outlined in Section 42 of the Code;
- g) State HOME funds may be awarded to any LIHTC development if, and only if, at least twenty percent (20%) of the development's total units are rent and income restricted and HOME restricted, based on the fifty percent (50%) Area Median Income. The maximum HOME subsidy per unit cannot exceed the per unit HUD 221(d) limits by bedroom size;
- h) Only one state HOME award will be allocated per development;
- i) LIHTC will not be allocated to any development that applies for state HOME funds but does not receive a state HOME award; and
- j) The Applicant must provide at the Tax Credit Application submission a Phase I Environmental Site Assessment Report prepared by a third party independent licensed environmental professional and addressed to the SC State Housing Finance & Development Authority. For developments with existing buildings, a report must also be included that contains the results from lead-based paint testing. The Phase I ESA must be prepared in accordance with the American Society for Testing and Materials Practice Standards E-1527-05, or as may be amended. If the Phase I indicates that there are environmental issues at the site which will require a Phase II ESA then the applicant must submit not only a Phase I ESA but also a Phase II ESA with the Application submission. The report must be accompanied by a certification from the Applicant stating that any issues raised in the environmental report(s) have been reviewed. HOME funds will not be awarded to developments which require mitigation for hazardous materials, other than lead-based paint and/or asbestos, found on, within, or adjacent to the proposed site.
- k) For the purposes of this section, Applicant(s) means any person associated with the ~~2014~~ 2015 LIHTC Application and any prior HOME awards. In order to receive a reservation of LIHTC in conjunction with state HOME funds, each of the following provisions are applicable and must be met by the Applicant by February 3, ~~2015~~ 2014:
- i. All ~~2014~~ 2012 and previous state HOME awards must be officially closed out; and
  - ii. All ~~2012~~ 2013 HOME awards must have a minimum of seventy-five percent (75%) of the funds drawn or seventy-five percent (75%) of the development completed; and

- iii. The completion percentage for previous HOME awards must be met by February 3, ~~2015~~ 2014. Written confirmation regarding HOME award completion percentages must be provided with the Tax Credit Application submission from the Awards Management Manager (~~Form M-47~~).

### **III. APPLICATION SUBMISSION PROCESS**

#### **Application Submission Procedures:**

**It is required that the Tax Credit Application submission be organized using the Tabs corresponding to Exhibit A-Application Checklist. All documents listed on the Application Checklist, if applicable, are to be submitted.**

1. **Completed Tax Credit Application** – All pages of the Application must be completed and the application certification page executed by the Applicant and a notary public. All required application signatures must be originals. Faxes will not be accepted. The Authority reserves the right to determine whether any omission in the Application or required documentation is material or non-material for purposes of the satisfaction of the criteria. Each Applicant must submit an original in a three ring binder **and** two (2) binder clipped or rubber banded copies of the entire Application package, including all attachments. All pictures/photos submitted as part of the Application package must be in color, including Application copies. In addition, the Application and all attachments, exhibits, certifications, opinions, etc. must also be submitted on a Flash Drive or CD in PDF format.
2. **Application Submission Fee** - A **\$5,500** fee is due at the time of the Application submittal.
3. **Market Study Review Fee** – A market study review fee of **\$600** is due at the time of the Application submittal. This fee and the Application fee may be submitted as a single check.
4. **Certification for Development Rejection Form** - The Applicant consents to the Authority's review of its Application to determine whether or not it meets requirements, and agrees that a determination made that an Application fails to meet requirements is final and is not subject to further appeal (**Form 1**).
5. **Rent Roll**- A current rent roll certified by the on-site property manager or a representative of the property management company for all rehabilitation developments must be submitted with the Application.
6. **Utility Allowance**- The applicable utility allowance from the RHS office, the HUD office, the Authority's statewide utility allowance sheet or other approved utility provider are the only allowances permitted at application submission and must be submitted with the initial tax credit Application. The allowance must be dated within 12 months of the tax credit application submission date. It is understood that once a development places in service and there are tenants residing in the development that have a housing choice voucher, then the applicable utility allowance for use with that tenant would be the local PHA utility allowance.
7. **Relocation Certification and Tenant Profile Form** - Developments must minimize the displacement of low income households.
  - a) Should permanent or temporary displacement occur, a detailed, step by step relocation plan must be furnished with the Application describing how displaced persons will be relocated, including a description of the costs of relocation. The Applicant is responsible for all relocation expenses, which must be included in the project's development budget. All Applicants applying for acquisition/rehabilitation developments must complete **FORM 3**, Developer Relocation Certification and Tenant Profile Form. Applicants applying for HOME funds must comply with the uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as revised in 49 CFR Part 24;
  - b) Developments involving permanent relocation of tenants are discouraged and will be considered for LIHTC only application submittals. No more than ten percent (10%) of the existing tenants may be permanently displaced. A detailed, step by step relocation plan must be furnished with the Application describing how permanently displaced persons will be relocated, including a description of the costs of relocation. The Applicant is responsible for all relocation expenses, which must be included in the project's development budget.
8. **Development Narrative** - The Authority requires a description of:
  - a) The current use of the site;
  - b) All development and unit amenities;
  - c) Older person amenities, if applicable;

- d) Number of units to receive project based rental assistance and the type of assistance;
  - e) Utilities to be used and if tenant or owner will be responsible;
  - f) Proposed supportive services, if applicable;
  - g) Furnishings, if applicable; and
  - h) Identity and proximity of services, including transportation, available to the proposed site and appropriate to its tenant population. Each application must include:
    - 1. A map identifying the development site and the location of services. Pictures of services must be in color;
    - 2. Written directions from the site to each service;
    - 3. The services must be identified by name on the map and in the written directions;
    - 4. Mileage must be provided from the site to the identified service. Distance should be measured using a computer based mapping system such as Google Maps, or other similar distance calculating systems. All directions must be printed from the mapping system and included in the application for points to be awarded. Distances are subject to Authority verification and GPS verification.
9. **Site Control Documents** - At the time of Application submission, the Applicant must have site control. The Applicant must show evidence of site control by having one of the following executed documents:
- a) The Applicant holds title to the site on which the development will be constructed by a properly executed and recorded deed. A seller's deed or other proof of ownership is also required for any Quitclaim deeds. The Authority may require a quiet title action be completed prior to placing in service; or
  - b) The Applicant has an executed purchase option (the Authority will not accept options on other options) with date certain performance; or
  - c) The Applicant has an executed purchase contract with date certain performance; or
  - d) The Applicant has an executed land lease or an executed option on a land lease either of which must be for a term of not less than fifty (50) years in term. Long term leases are not allowed for developments electing to convert to homeownership after fifteen (15) years.
  - e) With the exception of a) above, the Applicant must also submit a copy of the current recorded deed recorded- or other proof of ownership for the site in order to verify the seller. The Authority may require a quiet title action be completed prior to placing in service.~~for the site in order to verify the seller.~~
  - f) For all developments requesting HOME funds the following language **must be** included in any purchase option, purchase contract, or long term lease or included as an executed addendum attached to one of these documents and dated on or before March ~~13, 2015~~ 2014. "Notwithstanding any provision of this Agreement, if U.S. Department of Housing and Urban Development (HUD) funds are used, including, but not limited to HOME funds, the parties agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of an environmental review and receipt of a release of funds notice from the U.S. Dept of HUD under 24 CFR Part 58. The parties further agree that the provision of any federal funds to the project is conditioned on the determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review. If no HUD funds are utilized in regard to this property, this provision shall be considered null and void."
10. **Zoning** – The Applicant must provide and have in place at the time of Application submission proper zoning for the proposed site:
- a) For new construction or adaptive reuse developments, evidence that the land use requirements for each site on which the development will be located is currently zoned for or allows for multifamily residential use. All special/conditional uses specific to zoning approval must be approved and completed. A letter provided from the City/County official should verify that the proposed development site currently meets the local zoning or land use restrictions.
  - b) For rehabilitation developments, a letter provided from the City/County official should verify that this type of development, as existing, is allowed by local zoning or land use restrictions.
11. **Site Suitability Determination and General Site Information** - The Applicant must provide:

- a) **Labeled color photographs** (or color copies) of the proposed development site and all adjacent properties;
- b) A **map clearly identifying the exact location** of the development site. The site must be marked with survey tape and/or some other identifying material. All corners of the property's boundaries must be marked and the site entrance noted in some distinctive way. In addition, a sign or number marker that clearly identifies the proposed site must be placed on the site and a photograph of the sign or number marker included with the color photographs submitted as part of the Application;
- c) A **map with directions** to the development site from 300-C Outlet Point Blvd., Columbia, SC, 29210;
- d) A **site plan/ schematic site plan** that shows how the development is to be built. The plan must show the site boundaries and setbacks, indicate the placement of buildings on the site, parking areas, sidewalks, planned landscaping, amenities (i.e. gazebo/picnic/playground areas), easements for power lines/sewer and water lines/ cable and phone lines/etc., utility locations for water/ sewer/ gas/ electric/ phone and cable, trash dumpsters, buffers, retaining walls, etc.;
- e) **Preliminary Development Plans** - Plans must include the front, rear and side elevations of the buildings as well as detailed unit floor plans for each bedroom size. Plans must include square footages of each room in the unit as well as the total square footage of the unit itself. Acquisition with rehabilitation development must provide preliminary plans showing all proposed changes to existing buildings, parking areas, utilities, etc.;
- f) A **Schematic Site Plan/Topography Map Overlay**. A map using the criteria from item (d) above must be provided. The map must clearly identify the site contour lines at twenty (20) foot intervals or less. A bar graph indicating the scale for distance must also be included on the map. The map must also show any existing wetland areas.
- g) The most current **Aerial Photograph**, preferably a Google Earth map, with the location of the site clearly marked. The site location must be in the center of the aerial photograph. The map must also show a ¼, ½, and 1 mile radius circle beyond the development site.
- h) **Water and Sewer Letter**- Written verification by City/County official or the utility service provider indicating that the water and sewer utility tie-ins are accessible and within the specified 350 feet or 351- 500 feet of the proposed site, if claiming points. For existing developments only, a current water/sewer bill may be submitted in lieu of the City/County letter.

NOTE: All required plans and maps must be no larger than 11x17, utilize a scale in which one inch (1") equals one hundred feet (100') or less, and fit, neatly folded if necessary, in a 3-ring binder.

12. **Phase I Environmental Assessment Report** – The Applicant must provide at Application submission a Phase I Environmental Site Assessment Report prepared by a third party independent licensed environmental professional and addressed to the SC State Housing Finance & Development Authority. For developments with existing buildings, a report must also be included that contains the results from lead-based paint testing. The Phase I ESA must be prepared in accordance with the American Society for Testing and Materials Practice Standards E-1527-05, or as may be amended. If the Phase I indicates that there are environmental issues at the site which will require a Phase II ESA then the applicant must submit not only a Phase I ESA but also a Phase II ESA with the Application submission. The report must be accompanied by a certification from the Applicant stating that any issues raised in the environmental report(s) have been reviewed. HOME funds will not be awarded to developments which require mitigation for hazardous materials found on, within, or adjacent to the proposed site.
13. **Market Study** – A third party independent market study, prepared by an Authority approved market analyst, must be submitted with the Application. The market study must adhere to the Authority's ~~2015~~ 2014 Market Study Guideline Procedures.
14. **Affirmative Fair Housing Marketing Plan**- All properties are required to have an Affirmative Fair Housing Marketing Plan. Applicants that have properties with project based Section 8, HUD Section 236 or USDA rental assistance contracts may submit the current approved Affirmative Fair Housing Marketing Plan. If the current plan is within six (6) months of expiration, you must submit the current plan along with supporting documentation that demonstrates that an updated plan has been submitted to HUD or USDA for renewal. All Applicants must submit an executed Fair Housing Certification form.
15. **Appraisals** - The Authority requires appraisals at Application submission for all development proposals.

- ~~a) Appraisers must have a MAI designation from The Appraisal Institute or an ASA Accredited Senior Appraiser designation from The American Society of Appraisers. Appraisers must be in good standing with the issuing organization at the time reports are completed.~~
- ~~b) Appraisers must be licensed by the South Carolina Real Estate Appraisers Board on a permanent, non-temporary basis.~~
- ~~e) Appraisers must identify the Authority as an authorized user of the appraisal, noting that the Authority may rely on the representations made therein. Additionally, the Authority reserves the right to convey a copy of the appraisal to third parties, assigns and pertinent parties involved in the contemplated allocation of tax credits.~~
- ~~c) Appraisals must be prepared in conformance with the Uniform Standards of professional Appraisal Practice (USPAP) published by the Appraisal Foundation and with title XI of the Federal Finance Reform, Recovery and Enforcement Act of 1989 (FIRREA).~~
- ~~d) Comparable properties must be located in the proposal's sub-market. If an appraiser chooses comparable properties outside of the sub-market, the appraiser must also include a detailed description of every comparable located closer to the proposal and a list detailing why each was not chosen as a comparable. Regardless, comparable must be located in the proposal's home county or in extreme instances, an adjacent county.~~
- ~~d) If the appraisal does not substantiate the purchase price submitted in the tax credit application the Authority may decrease the amount proposed in the application to match the appraised value. Developments not meeting minimum underwriting requirements or found to be financially infeasible as a result of this reduction will be disqualified.~~
- ~~e) The land value and building(s) value will be appraised "as is" and reported separately. No valuations can be less than the tax assessor's valuation. NOTE: The appraiser should defend or dismiss the assessor's split (in value) between the land and building(s).~~
- ~~f) "Land Only" Value - land should be valued without regard to any improvements/restrictions. This value should be based on similar land sales in the sub-market or the value of the "land only" of improved sales in the sub-market.~~
- ~~g) As-Is Building Value -
  - ~~i. Market:~~ as if market rents are in place; the appraiser will not consider the unique aspects of below-market financing, federal subsidies and/or low-income tax credits in this value estimate.
  - ~~ii. Restricted:~~ based on current restricted rents (not post rehab); the appraiser will consider the unique aspects of below-market financing, federal subsidies and/or low-income tax credits in this value estimate.~~
- ~~i) For Rural Development funded developments only, the values for "As-Is, Restricted Rents" and "Interest Credit Subsidy" will be added together to arrive at the appraised value. If a property's acquisition price exceeds the appraised value using this method, the purchase price will be written down to the appraised value. If the purchase price includes acquired reserves (cash), the reserves should be deducted from the purchase price before the comparison to appraised value.~~
- ~~h) If the Authority deems the appraised value of a proposal to be unusual or excessive, a separate appraiser will be hired by the Authority, at the applicant's expense, to prepare a second appraisal.~~

#### ~~15. Appraisals~~

- ~~a) The Authority requires appraisals at Application submission for all development proposals. All appraisals must be done by an appraiser licensed by the South Carolina Real Estate Appraisers Board on a permanent, non-temporary basis.~~
- ~~b) If the appraisal does not substantiate the purchase price submitted in the tax credit application the Authority may decrease the amount proposed in the application to match the appraised price.~~
- ~~c) The land value and building(s) value will be appraised "as is" and reported separately. No valuations can be less than the tax assessor's valuation.~~
- ~~d) Developments not meeting minimum underwriting requirements or found to be financially infeasible as a result of this reduction will be disqualified.~~

**16. Physical Needs Assessment Report (PNA)** - A PNA report prepared and certified by a third party independent licensed engineer or architect is required for rehabilitation developments. The PNA report must not be dated prior to September 1, ~~2014~~ **2013**.

- a) The Authority requires a minimum of \$20,000 per unit in hard construction costs with at least fifty percent (50%) of the hard construction costs attributed to interior unit costs. If the PNA report represents needed repairs in excess of \$20,000 per unit, then the application must reflect the higher rehabilitation costs. Developments that do not reflect at least \$20,000 per unit in hard construction costs will be disqualified for LIHTC funding consideration.
- b) The PNA report must state that one hundred percent (100%) of the units were inspected and provide information unit by unit. **If the PNA report does not reflect that one hundred percent (100%) of the units were inspected then the proposed development will be eliminated from further funding consideration.**
- c) All rehabilitation developments must adhere to mandatory design criteria as outlined in the QAP. Any mandatory items replaced on or after January 1, ~~2008~~ **2007** are not required to be replaced as part of the rehabilitation. The PNA report must include a unit by unit listing of all mandatory items replaced on or after January 1, ~~2008~~ **2007**.
- d) The report must include a comprehensive list of the immediate necessary repairs and their costs. Additionally, the remaining “useful life” of major systems including the HVAC and roofing must be estimated. Major systems that have been replaced within the past seven (7) years are not allowable rehabilitation expenditure items for meeting the \$20,000 in hard construction costs per unit requirement.
- e) All appliances seven (7) years and older, to include range, refrigerator, dishwasher, and hot water heater, must be replaced.
- f) The PNA report must also address the overall structural integrity of each existing building(s).
- g) Developments applying in the RHS set-aside may submit the rehabilitation assessment utilized by RHS. The assessment must not be dated prior to September 1, ~~2014~~ **2013**.
- h) **Exhibit R** must be submitted with the PNA report. The hard construction costs per unit indicated on page 11 of the Tax Credit Application must be greater than or equal to the hard construction costs indicated on **Exhibit R**.
- i) Adaptive reuse developments are not required to submit a PNA report.

**17. Parking Space Criteria** – Parking areas must be located on the development site. In localities that do not have their own parking space regulatory code/requirement, the Authority requires that the development provide adequate parking spaces. If tenants are required to pay for parking, those charges must be included in the rental fees and are subject to the LIHTC allowable rent limitations. The minimum number of parking spaces is as follows (again, only in those localities that **DO NOT** have their own regulatory code/requirements):

- a) For older persons developments – a minimum of one-half (.5) parking space per unit is required;
- b) For a homeless/transitional development – a minimum of one (1) parking space per every ten (10) beds is required in addition to sufficient parking for all development staff;
- c) For all other developments, for each unit of three (3) or more bedrooms – a minimum of two (2) parking spaces per unit is required; for each unit of two (2) or fewer bedrooms – a minimum of one and one-half (1.5) parking spaces per unit is required;
- d) Existing properties being submitted for acquisition or rehabilitation are not required to increase existing parking as stated in (a), (b) or (c) above.

**18. Community Revitalization Plan Areas (CRP)** – Required for tie break purposes only. Refer to Section IV Tie Breaker Criteria in the ~~2015 and 2016~~ 2014 QAP.

**19. Qualified Census Tract (QCT) Verification** – Applicants must provide written verification from the City/County official that the proposed site is located within a federally designated QCT.

**20. Opinions, Certifications and Exhibits** – All opinions, certifications and exhibits submitted by attorneys, the Applicant, or other professionals must be based on an independent investigation into the facts and circumstances surrounding the proposed development. All opinions, certifications, and exhibits must be in the form specified by the Authority. **Applications will be disqualified if an opinion, certification, or exhibit has been materially altered, amended, or changed.** All opinions and certifications submitted by attorneys, architects and/or engineers, and certified public accountants (CPAs) must be on letterhead

with original signatures. Changes in professionals hired by the Applicant, i.e. attorneys, architects, and certified public accountants, are permissible; however, the new professionals must adhere to the original certifications made by previous professionals.

**21. Third Party Professionals** -Architects, engineers and certified public accountants must be independent third-party professionals and be licensed to practice their professions in South Carolina. Attorneys must be independent third-party professionals and be licensed to practice law by any state. Matters of South Carolina law must be opined on by South Carolina licensed attorneys.

## **Application Review:**

### **1. Internal Completeness Review**

- a) Applications will be reviewed for completeness after the submittal deadline. It is the Applicant's responsibility to submit all required documentation. Applicants will be notified in writing of any documents that are missing and/or incomplete and given seven (7) business days to submit those documents. The Authority will make the final determination if applications are complete. The Authority has the right to request clarification or additional information if it deems necessary;
- b) Applications may not have missing **threshold** documents at the time of application submission. Applications with missing **threshold** documents will be disqualified.
- c) Applications with three (3) or fewer missing and/or incomplete documents will be assessed a \$2,000 administrative fee. If any missing and/or incomplete documents to be resubmitted are not received by the seven (7) business day deadline, the Application will be disqualified;
- d) If an Application has four (4) or more missing and/or incomplete documents the Application will be disqualified;
- e) Any document(s) determined to be missing and/or incomplete and are identified as document(s) needed for points consideration may be accepted but the Applicant will not receive points;
- f) Authority staff will review and point score all Applications. Final point scores will be posted to the Authority's website.
- g) If there is a tie between developments when final point scores are determined, the Authority will utilize the Tie Breaker Criteria outlined in Section IV of the ~~2014~~ 2015 and 2016 QAP to determine the development(s) to be awarded tax credits.
- h) Applications that do not score high enough to receive an award will be placed on a waiting list for consideration should additional tax credits become available.

### **2. Site Review**

- a) Authority staff or contract consultant(s) will conduct evaluations for each Application site. A review will determine if there are (1) detrimental site characteristics on or near the proposed development and (2) positive site characteristics. If the Authority determines detrimental site characteristics exist on, adjacent to, or within unallowable distances from the site, the Authority may reject the application.
- b) All sites will receive a point score based on positive and detrimental site characteristics.

It is the objective of the Authority to select the best available sites for those developments best satisfying the general purpose and guidelines of this LIHTC Manual and the QAP. The determination of detrimental site characteristics should not be construed as a finding that a site is not a buildable site under any circumstances.

### **3. Market Study Review**

Submitted market studies must conform to the requirements in the Authority's ~~2014~~ 2015 Market Study Guideline Procedures, contain an Exhibit S-2 form, and a ~~2014~~ 2015 S-2 Rent Calculation Worksheet. Market analysts must adhere to Market Study Terminology as sanctioned by the National Council of Affordable Housing Market Analysts. The Market Study terminology list is available at: [www.housingonline.com](http://www.housingonline.com). The Authority will engage a third party market analyst to review all market studies submitted with a Tax Credit Application. The Authority's third party market analyst will review each

study to ensure that Authority procedures were followed. The Authority's third party market analyst will have at least six (6) weeks to review all submitted market studies. A report for each submitted market study will be prepared noting any deficiencies found in the market study. The report will be provided to both the analyst that prepared the market study, the Applicant, and the Authority. All deficiencies noted in the market study report must be addressed to the satisfaction of the Authority's third party market analyst and Authority staff. The Authority will consider the market study, the market, marketability factors, and any additional information available to determine if an acceptable market exists for a development as proposed. The Authority is not bound by the conclusions or recommendations of the market study submitted with an Application and reserves the right to disqualify any Application in the competition if it determines an acceptable market does not exist.

#### **IV. FINANCIAL UNDERWRITING STANDARDS**

##### **Memorandum of Understanding:**

On March 1, 2012, a Memorandum of Understanding (MOU) between the South Carolina State Housing Finance and Development Authority (SCSHFDA) and the United States Department of Housing and Urban Development-Regional Administrator's Office (HUD Regional) and the United States Department of Agriculture, Rural Housing Service (RHS) was executed. The MOU outlines the respective roles and responsibilities for Subsidy Layering Reviews (SLRs) related to affordable housing proposals to be developed and financed within the State of South Carolina. The MOU describes the work, conditions, circumstances, and procedures under which all parties will conduct SLRs when involved in the development process for reviewing proposals requesting low income housing tax credits. Information provided by Applicants in their application submission for tax credits and seeking funding through HUD or RHS will be reviewed and information shared with the other funding partners, as outlined in the MOU.

##### **Basic Financial Feasibility Review:**

1. Section 42(m)(2)(A) of the Code provides that "The housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing development throughout the credit period." **In determining financial feasibility, the Authority will disregard all personal or other guarantees that are required to supply deficiencies in income necessary to pay debt service and operating expenses of the development. Developments that are not financially feasible without such guarantees will not be offered a LIHTC award.**
2. Developments determined not to be financially feasible or determined not to need the LIHTC will be disqualified.
3. To receive an allocation, a development must be underwritten to determine the least amount of credit necessary to be financially feasible at the following times:
  - a) When the initial Application is made; and
  - b) When the Carryover Allocation is requested; and
  - c) When the last building is Placed-In-Service.
4. All financial underwriting standards will be applied to all developments from the initial application submission through the issuance of 8609s.

##### **Financial Characteristics:**

Development income information on any market rate and low income units must be provided. Market rate units are units that are not income or rent restricted and are available without regard to tenant income. The low-income units are units subject to the income and rent restrictions of the Code. The Applicant must indicate all federal, state, or local subsidies that will be providing any type of assistance for the low-income tenants.

In determining maximum allowable gross rent and utility allowances for LIHTC units, the use of an imputed income based on the number of bedrooms in a unit is required by the provisions of the Code. Units with no separate bedroom are treated as being occupied by one (1) person and larger units are treated as being occupied by one and one-half (1.5) persons per separate bedroom.

0 Bedroom Unit = 1.0 person income  
1 Bedroom Unit = 1.5 person income  
2 Bedroom Unit = 3.0 person income  
3 Bedroom Unit = 4.5 person income  
4 Bedroom Unit = 6.0 person income

Maximum annual gross rents cannot exceed thirty percent (30%) of the imputed income. Gross rent does not include any payment under Section 8 of the U. S. Housing Act of 1937, or any comparable rental assistance program with respect to such unit or the occupants. Gross rent must include an allowance for any utilities paid by the tenant.

The Revenue Reconciliation Act of 1993 requires the housing credit agency to consider the reasonableness and appropriateness of development costs and operating expenses. In making this determination, the housing credit agency must consider: (1) the sources and uses of funds and the total financial structure of the development; (2) any proceeds expected to be generated by the syndication of the tax credit; and (3) the percentage of the housing credit dollar amount to be used for development costs other than intermediary costs.

Certain fees are considered to be intermediary costs. The term "intermediary" has not been defined in the Code, and the IRS has not issued regulations concerning this provision. Until such regulations are promulgated, the Authority has defined intermediary costs as all costs other than "land, sticks, and bricks." For evaluating the reasonableness of certain fees and overhead items represented for tax credit basis purposes, additional documentation as to the nature and amount of intermediary costs may be required. The Authority reserves the right to question any fees which are unidentified, unusual or excessive and to limit these fees and overhead items, based on the development size and other associated risk factors. A tax attorney or consultant is recommended to aid in determining which development costs are included in eligible basis under the Code.

The development costs are evaluated for reasonableness, necessity, and eligibility. Cost comparisons with previous development cost certifications and other third party data may be performed for comparability and reasonableness. Acquisition and/or rehabilitation development costs will be evaluated to assess whether the proposed rehabilitation is required and satisfies the PNA. The Authority reserves the right to inspect proposed rehabilitation developments before a reservation is offered.

Applicants are cautioned to be accurate in providing development cost information. Underestimating could result in insufficient tax credits being available to successfully complete the development while overestimating could result in a development being considered infeasible. **Increases in development costs due to cost overruns will not result in an increase in the allocated tax credit.**

#### **Utility Allowances:**

Any utility services paid for by the tenant must be considered in the calculation of tenant-paid rent. An allowance for tenant-paid utilities is deducted from the maximum allowable monthly gross rent to determine the maximum allowable monthly net rent; the proposed tenant rent may not exceed the maximum allowable monthly net rent. Any services paid for by the owner should not be included in the utility allowance.

1. **Sources:** Applicants may submit utility allowances only from those sources approved by the Authority. The Authority will accept utility allowances at the initial application submission provided by the following:
  - a) Rural Housing Service (RHS) but only for those developments financed by and receiving rental assistance from RHS. A copy of the RHS approved utility allowance must be provided;

- b) HUD Regulated Buildings with 100% project based rental subsidies where the rents and utility allowances are reviewed by HUD each year. A copy of the current approved HUD allowance for the development must be provided;
- c) HUD Utility Schedule Model. All utility allowance calculations on the Excel Spreadsheets as part of the HUD Utility Schedule Model must be provided. The Authority reserves the right to review all backup data used for calculations;
- d) Third party certified utility company estimates **only if** that utility company will be directly providing services to the development; **or**
- e) The S.C. State Housing Finance and Development Authority's statewide utility allowance calculation.

The Authority will not accept utility allowances determined by any other sources, including engineers, consultants, and applicants/developers at the initial application submission.

Once a development places in service and there are tenants residing in the development that have a housing choice voucher, it is understood that the applicable utility allowance for use with that tenant would be the local PHA utility allowance.

2. **Mandatory Services:** Utility services which must be provided to all tenants are heating, air conditioning, cooking, lighting and/or other electric, hot water, water and sewer, and trash collection. Air conditioning must be separately identified in the allowance calculation.
3. **Other Charges:** The utility allowance must include an amount for the cost of any service paid for by the tenant. In addition the allowance must include any charges imposed by the utility provider for access or connection, such as electric or natural gas facilities fees. Charges for services must accurately reflect any surcharges based on the location of the development, such as higher water and sewer fees for sites outside the city limits. Charges for specific appliances, such as ranges and refrigerators, should be included in the allowance only if the tenant must supply the appliance(s).
4. **Calculation:** The utility allowance is computed by first adding the exact amount of each individual utility service (e.g., heating, cooking) for each bedroom size, without rounding. The resulting total utility allowance for each bedroom size is then rounded upward to the next whole dollar if it contains any fraction of a dollar (i.e., .01-.99). See Exhibit U for an example of a completed utility allowance schedule.

#### **Authority Designated Difficult Development Areas (DDAs):**

As outlined in H.R. 3221, the Housing and Economic Recovery Act of 2008, the Authority must establish criteria for determining which areas will be treated as Difficult Development Areas (DDAs) and which projects will be eligible to receive additional tax credits up to 130%. Developments utilizing tax exempt bonds are not eligible for this basis boost. The DDA criteria established by the Authority are separate from the federally designated DDA areas. Developments meeting any of the following criteria are eligible to receive a basis boost of up to 130%.

- a) If any part of the proposed site is in a federally designated Qualified Census Tract (QCT), the Authority will treat the entire site as a DDA area and allow the basis boost to all building(s) in the development; or
- b) Developments that are 100% elderly (62 years and older); or
- c) Developments that are 100% special needs; or
- d) Development that are targeted for older persons or families.

#### **Underwriting Standards:**

1. **Operating Reserves** - Developments receiving loan funds from RHS may satisfy the operating reserve requirement of the LIHTC program by establishing and maintaining the operating and maintenance capital reserve account and by maintaining this account as required by RHS. Developments not subject to the RHS reserve requirements must establish and maintain minimum operating reserves equal to six (6) months of

projected operating expenses, six (6) months of the Authority’s required replacement reserves, six (6) months of must-pay debt service and any additional reserves required by the syndicator and verified in writing. The reserve must be funded at the time the development places in service and prior to issuance of 8609s and must be maintained throughout the compliance period at the required level as required by the syndicator.

- 2. Replacement Reserves** – Applicants are required to establish and maintain minimum replacement reserves throughout the compliance period. Minimum replacement reserves are \$250 per unit annually for all new construction and for rehabilitation developments serving older persons (aged 55 and up), and \$300 per unit annually for all other rehabilitation developments. Any additional reserves must be required by the syndicator and verified in writing, and are limited to 50% of the Authority’s requirement. The reserves must be funded at the time the development places in service and must be reflected in the development’s annual audited financial statements. The Authority must grant prior approval to any use of Replacement Reserves. Applicants must submit satisfactory documentation to justify the expenditure(s) to the Authority’s Development Director. Approvals will be completed within five (5) business days of receipt. If Authority approval is not received within the specified timeframe, the Replacement Reserve request is automatically granted.

Replacement reserves must be funded with annual deposits from operational cash flow, as shown on the Authority’s development pro forma expense statement, during the initial fifteen (15) years. No pre-funded reserves may be used to satisfy the initial fifteen (15) year operational cash flow requirement.

- 3. Developer Fees, Developer Overhead, and Consultant Fees (the “Fees”)** - In evaluating the reasonableness of Fees the Authority has established limits as follows:

- a) **New Construction** – The sum of **Fees** may not exceed fifteen percent (**15 %**) of Adjusted Development Costs\*.
- b) **Rehabilitation without a change in ownership** – The sum of **Fees** may not exceed fifteen percent (**15%**) of Adjusted Development Costs\*.
- c) **Acquisition with rehabilitation**
  - i. **Acquisition** - For acquisition with rehabilitation developments, **Fees** allowed on the acquisition costs are limited as follows:
    - 1. **Acquisition costs up to \$500,000** – **Fees** may not exceed eight percent (**8%**) of Adjusted Development Costs\*.
    - 2. **Acquisition costs from \$500,001 to \$1,000,000** – **Fees** may not exceed the **greater of \$40,000** or seven percent (**7%**) of Adjusted Development Costs\*.
    - 3. **Acquisition costs from \$1,000,001 to \$1,500,000** - **Fees** may not exceed the **greater of \$70,000** or six percent (**6%**) of Adjusted Development Costs\*.
    - 4. **Acquisition costs greater than \$1,500,000** – **Fees** may not exceed the **greater of \$90,000** or five percent (**5%**) of Adjusted Development Costs\*.
    - 5. **Acquisition cost limit** - **Fees** on acquisition costs are capped at a **maximum of \$150,000**.
  - ii. **Rehabilitation** – **Fees** on rehabilitation costs may not exceed fifteen percent (**15%**) of Adjusted Development Costs\*.

|                             |   |                                      |         |
|-----------------------------|---|--------------------------------------|---------|
| *Adjusted Development Costs | = | Total Development Costs (Line 51)    | _____   |
|                             |   | Less Land (Line 1)                   | - _____ |
|                             |   | Less Consulting Fees (Line 20)       | - _____ |
|                             |   | Less Developer Fees (Line 45)        | - _____ |
|                             |   | Less Developer Overhead (Line 46)    | - _____ |
|                             |   | Less Other Developer Costs (Line 47) | - _____ |
|                             |   | Less Excess Reserves (Lines 48-50)   | - _____ |

The Authority defines Excess Reserves as reserves, regardless of description, greater than the sum of six (6) months of projected operating expenses plus six (6) months of must pay debt service plus six (6) months of the Authority’s required replacement reserves.

Line numbers refer to page 10 in the Tax Credit Application, the 10% Expenditure Test Application, and Placed In Service Application.

4. **Deferred Developer Fees** - Developer fees can be deferred to cover a gap in funding sources when:
- a) The entire amount will be paid pursuant to the standards required by the Code to stay in basis.
  - b) The deferred portion does not exceed fifty percent (**50%**), at initial tax credit application submission, of the total amount in the application.
  - c) Payment projections do not jeopardize the operation of the development.
  - d) Nonprofit organizations must include a resolution from the Board of Directors authorizing a deferred payment obligation from the development.
  - e) Applicants must include with the application a statement describing the terms of the deferred repayment obligation, including any interest rate charged and the source of repayment.
  - f) The Authority will require a Note evidencing the principal amount and terms of repayment of any deferred repayment obligation to be submitted at the time of the PIS cost certification.
5. **Contractor Cost Limits** - The combined total of Contractor Profit, Overhead, and General Requirements (the "Contractor Fees") shall be limited to fourteen percent (**14%**) of Hard Construction Costs. The restrictions on Contractor Fees are the following:

|                                 |  |
|---------------------------------|--|
| Contractor Profit and Overhead: | may not exceed <b>8%</b> of Hard Construction Costs        |
| <u>General Requirements:</u>    | <u>may not exceed <b>6%</b> of Hard Construction Costs</u> |
| Total Contractor Fees:          | may not exceed <b>14%</b> of Hard Construction Costs       |

If there is an identity of interest between the Applicant and contractor, as defined in the LIHTC Manual, the Authority, at its sole discretion, may require an additional cost certification with the PIS application of the construction costs. The Applicant will select the CPA and be responsible for any associated accounting fees.

\*\*\***Hard Construction Costs** are limited to the following line items from the development cost budget in the Application:

- Line 3 – Demolition
- Line 5 – On Site Improvement
- Line 6 – Off Site Improvement
- Line 7 – Other (Site Work)
- Line 8 – New Building
- Line 9 – Rehabilitation
- Line 10 – Accessory Building
- Line 15 – Contractor Contingency

For new construction developments, the contractor contingency may not exceed five percent (5%) of hard construction costs. For rehabilitation and adaptive reuse developments, the contractor contingency may not exceed ten percent (10%) of hard construction costs.

6. **Annual Operating Expenses (AOE)**
- a) Amounts submitted must be in whole dollars. Cents will be rounded by standard convention.
  - b) Applicants must provide a detailed explanation of the methodology used in determining AOE.
  - c) AOE must be projected in a range from a minimum of \$3,200 to a maximum of \$4,200 per unit.
  - d) AOE per unit are to be calculated excluding reserves.
  - e) The Authority may, in its sole discretion, consider and approve AOE outside of this range. The Applicant must present support for those expenses and provide evidence supporting the higher amount (e.g., insurance for coastal properties). Owner-paid utilities, other than water, sewer, and trash, will also be considered.

7. **Development Cost Review** – The Authority will utilize a construction cost consultant to render an opinion on the development cost projections for proposals considered for funding. Applicants will be required to provide detailed cost information to substantiate the projected costs. Should the construction cost consultant require additional information to render an opinion, applicants will be given seven (7) business days to provide the additional information. If the additional information is not received within seven (7) business day, the application will be disqualified. If the construction cost consultant determines that the projected costs cannot be substantiated or determines that the project’s costs are not reasonable for an affordable housing development, then the development will be eliminated from the tax credit competition. See the ~~2014~~ **20154 and 2016** QAP for maximum Total Development costs per unit and maximum tax credits per unit.
8. **Debt Coverage Ratio (DCR)**
- a) LIHTC dollars will not be reserved or allocated to developments that are not made financially feasible by the credit or which are financially feasible without the credit. The development’s first year DCR must be within the range of **1.20 to 1.45**. The development must maintain not less than a 1.0 DCR throughout the 15 year compliance period.
  - b) The DCR is calculated as Net Operating Income (NOI) divided by the annual debt service. For this purpose, NOI is the income remaining after subtracting Operating Expenses and Replacement Reserves from the Effective Gross Income (EGI).
  - c) For the purpose of determining the appropriate amount of tax credits to be allocated to a development, the Authority assumes that each development will bear the maximum level of permanent debt. **When calculating the tax credit amount, the Authority will limit the maximum DCR to 1.45. A proposed development may exceed the 1.45 maximum DCR for financial feasibility purposes, but when calculating the credit to be allocated, the Authority will limit the DCR to 1.45. In the event that the development DCR, as submitted, is greater than 1.45, the Authority will increase debt based on the terms submitted in the application in order to reduce the DCR to 1.45 for the calculation of the credit amount. This increase in debt will be included in the equity gap calculation.**
  - d) The maximum DCR of 1.45 restriction will be waived if the initial projected annual Cash Flow/Unit (CFU) does not exceed nine hundred dollars (\$900). CFU is calculated by subtracting annual debt service from the NOI and dividing this result by the number of units that will be rented to tenants. In the event that the development DCR, as submitted, is greater than 1.45 and the development CFU, as submitted, is greater than \$900, the Authority will increase debt based upon the terms submitted in the application in order to reduce the DCR to 1.45 or the CFU to \$900, whichever is met first, for calculation of the credit amount. This increase in debt will be included in the equity gap calculation.
9. **Expense Coverage Ratio (ECR)**
- a) For developments whose funding sources do not include repayable debt, financial feasibility will be measured by the Expense Coverage Ratio (ECR). The development’s initial ECR must be a minimum of **1.20**. Development utilizing the ECR may not have an initial projected annual cash flow per unit in excess of \$900.
  - b) The ECR is calculated as Effective Gross Income (EGI) divided by the sum of Annual Operating Expenses (AOE) plus Replacement Reserves.
  - c) For the purpose of determining the appropriate amount of tax credits to be allocated to a development, the Authority assumes that each development will bear a reasonable level of permanent debt if it is feasible for the development to do so. If it is determined in the Authority’s underwriting analysis that a proposed development can bear a level of permanent debt, then debt will be imputed at current rates and the debt coverage ratio (DCR) rules identified in 8 a) through 8 d) above will apply.
10. **Funding Sources**
- a) Applicants receiving “soft loans” (e.g., AHP, Deferred Developer Fees, etc.) must adequately explain in their applications the repayment terms of these loans.

- b) Income that is projected to be generated by a property during the construction or rent up period may not be used as a funding source in the proposal for low-income housing tax credits. Examples of this are “rent-up cash flow” and interest earnings.
- c) As per HUD guidelines for the HOME program, those Applicants requesting HOME funds as part of the development’s financial structure must have executed commitments for all funding sources represented in the tax credit application or the development will not be eligible for HOME funding.

**11. Permanent Financing**

A letter of intent is required for all permanent financing sources. The Authority will underwrite the first mortgage debt at ~~the lesser of an interest rate of six and a half percent (6½%) percent (6%)~~ or the rate provided in the lender letter, ~~if less~~. The letter must clearly state the term of the permanent loan, the amortization period, how the interest rate will be indexed, the current rate at the time of the letter, the anticipated principal amount of the loan, and the lien position. All permanent loans must have a term of at least eighteen (18) years. No balloon payment may be due prior to eighteen (18) years after conversion to permanent loan. All permanent loans are required to amortize so that debt service on such loans is paid in equal installments over a period of twenty (20) years or longer. Any permanent loan represented as having an amortization period less than twenty (20) years will be underwritten by Authority staff with a minimum twenty (20) year amortization with 240 equal monthly debt service payments. ~~No balloon payment may be due for at least eighteen (18) years after the conversion to permanent loan.~~ Should a proposal fail to meet other underwriting guidelines resulting from projecting a minimum twenty (20) year amortization, the proposal may be disqualified. All cash flow loans will be considered additional deferred developer fee and will be included for purposes of the 50% deferral limit.

**12. Annual Rent, Expense Trends and Vacancy Rates**

- a) Development rents will be trended upward at a two percent (2%) annual increase.
- b) Operating expenses will be trended upward at a three percent (3%) annual increase.
- c) For the vacancy rate, the Authority will utilize the greater of seven percent (7%) or the vacancy rate represented in the market study for the primary market area.
- d) The pro-forma financial statements must substantiate that the development will maintain a positive cash flow after paying annual expenses and replacement reserve from operations for the initial fifteen (15) year period. A fifteen (15) year pro-forma must be submitted with the application.

**13. Other Income**

Projected income from services or charges other than monthly rental of dwelling units must be clearly specified with type and amount of income identified in detail in the application for tax credits. Other Income projections may not exceed three percent (3%) of the total potential annual rent. For this purpose, total potential annual rent will be defined as the sum of all rents to be collected assuming one hundred percent (100%) occupancy at the proposed tenant rents as represented in the application for tax credits.

**14. Brokering / Reselling of Services to Tenants**

Revenue and expenses resulting from acting as a broker or reseller of services to tenants **may not be included** in a proposal for low-income housing tax credits. Examples include, but are not limited to, the brokering or purchase and resale of cable, satellite, and/or internet service to tenants. These activities are not prohibited as long as they are in compliance with IRC Section 42, but income projected to be generated from such endeavors will be excluded when performing the Authority’s underwriting analysis.

**15. Minimum Hard Cost Requirement** - The Authority requires a minimum hard cost ratio of not less than sixty-five percent (65%) of total development costs.

*Hard Costs* are the following line items on the development cost budget in the Application:

- Line 1 – Land
- Line 2 – Existing Structure
- Line 3 – Demolition

- Line 4 – Other (Land & Buildings)
- Line 5 – On Site Improvement
- Line 6 – Off Site Improvement
- Line 7 – Other (Site Work)
- Line 8 – New Building
- Line 9 – Rehabilitation
- Line 10 – Accessory Building
- Line 15 – Contractor Contingency

Although the total of soft costs can be up to thirty-five percent (35%) of total developments costs, the Authority and its third party cost consultant will review soft cost budget items to ensure that these costs are within reasonable and acceptable ranges based on current industry standards. If costs are determined to be too high or too low, an explanation of how the costs were determined will be requested. Depending on further review of the explanation, costs may be adjusted as deemed necessary.

**16. Rent Allowance Increases for Project Based Rental Developments**

Developments with HUD approved HAP contracts or RHS approved RA contracts will be allowed to increase the current HAP and RA contract rents by up to ~~five ten~~ percent (~~10% 5%~~) over the current approved HAP and RA contract rents in effect at the time of the tax credit application submission. The market study submitted with the application must support the increased rents. At the submission of a placed in service application, a new HAP or RA contract must be submitted or an approval letter from the Columbia HUD or Columbia RHS Office approving the placed in service rents.

**Syndication Information:**

If the information as to the syndication value is unusual, the Authority in its sole discretion may assign a value based on existing market information. If any elements of the syndication proposal are unusual, the Applicant must provide an explanation. The Authority will underwrite using a LOI syndication ~~floor rate of not less than 85 cents. rates from 80 to 85 cents. Rates outside of the range will be adjusted to the nearest end point, 80 or 85.~~

**Determination of Credit Award:**

**1. Equity Gap Calculation:**

Equity gap is defined as total development costs minus the total of all non-LIHTC sources of funds (i.e., the development costs not covered by debt financing, grants, etc.). The Authority will impute debt for owner financed developments. **When calculating the tax credit amount to be awarded/allocated, the Authority will limit the maximum DCR to 1.45. In the event that the DCR for the proposal submitted is greater than 1.45, the Authority will increase debt based on the terms stated in the application in order to reduce the DCR to 1.45 for the purpose of calculating the tax credit. This increase in the debt amount will be utilized in the equity gap calculation.** The tax credit amount is calculated so that, over ten years, the allocation equals the excess development costs, thereby "closing" the equity gap. If credits are syndicated, only a portion of the ten (10) year allocation amount is returned to the developer as equity. The rest is used to cover the Syndicator's expenses and reserve requirements. The equity factor is the percentage of the ten (10) year credit returned to the development owner in the form of equity.

A certified statement from the Syndicator or private placement entity identifying the syndication factor per tax credit dollar and the amount of syndication proceeds is required when available, but not later than the PIS date. The equity gap is calculated as follows:

|                         |         |
|-------------------------|---------|
| Total Development Cost  | _____   |
| Less:                   |         |
| Total Sources of Funds* | (_____) |
| Equity Gap              | _____   |

|                                 |         |
|---------------------------------|---------|
| Divide by 10 Year Credit Period | ÷ 10    |
| Annual Tax Credit Required      | _____   |
| Divide by Syndication Value     | _____   |
| Returned Per Tax Credit Dollar  | ÷ _____ |
| Annual Credit Amount            | _____   |

\* For the purpose of the equity gap calculation, a developer fee note will not be considered as a source of funding.

2. Maximum Credit Allowable:

The amount of the tax credit awarded will be limited to the amount necessary to fill the equity gap but cannot exceed the amount determined using the applicable percentage set monthly by the Secretary of the Treasury.

|                                     |            |
|-------------------------------------|------------|
| Total Qualified Basis               | _____      |
| Multiplied by Applicable Percentage | _x _____ % |
| Maximum Annual Credit Amount        | _____      |

The actual amount of the credit for the development is determined by the Authority.

If the development is eligible for historic tax credits, include a detailed narrative description of the calculation of eligible basis for the historic credit and other information critical to the successful combination of the two (2) tax credit programs.

## V. RESERVATION/CARRY-OVER ALLOCATION PROCEDURES

### Notification of Reservation Award:

**Reservation Certificate** – Reservation Certificates will be sent to Applicants for those developments in order of highest to lowest point score until tax credits have been exhausted. To acknowledge acceptance of the reservation of tax credits, Applicants must execute and return the Reservation Certificates. Once all Reservation Certificates have been executed and returned, the LIHTC Awards List will be released and posted on the Authority’s website: [www.schousing.com](http://www.schousing.com). The date of the Reservation Certificate is the “Reservation Date.”

Under Section 42(b)(2)(A), only developments receiving an allocation of credits by December 31, 2013 are eligible for the flat 9% credit rate.

The amount of tax credits reserved for the ~~2014~~ 2015 tax credit funding cycle will be calculated based on the **greater of** the tax credit applicable percentage (%) in effect for the month of credit reservation or the applicable percentage (%) in effect for the month of the initial Tax Credit Application submission.

Applicants who receive a reservation of tax credits will be notified of the dollar amount of tax credits preliminarily reserved and the Reservation Fee which must be submitted to the Authority. Applicants have ten (10) business days from the date of the notification letter to submit fees and the executed original Reservation Certificate. Upon receipt of the Reservation Fee, Construction Inspection Fees, and the executed Reservation Certificate, the Authority will execute the Reservation Certificate and forward a copy to the Applicant.

### Reservation Certificate Conditions:

**Reservations of LIHTCs are not transferable.** Any changes in GP, partnership, or individual, etc., listed as the "owner" entity on the initial Application will result in cancellation of the reservation of tax credits. A non-

refundable Reservation Fee will be charged in an amount equal to ten percent (10%) of the annual LIHTC amount reserved for the development. Applicants must strictly comply with the following reservation conditions:

1. Developments may, because of the limited supply of credit dollars, be offered reservations in an amount less than the maximum amount for which it would otherwise qualify. Additional LIHTC amounts that may become available for reallocation will be reserved only upon payment of a Reservation Fee equal to ten percent (10%) of the additional amount awarded.
2. Developments will be subject to four (4) construction inspections by an independent third party consultant during the course of construction. This includes three inspections during the construction phase and a final inspection. In addition, all development plans and specifications will be reviewed for compliance with Exhibit G criteria, for which points were taken, as well as ADA compliance. The Authority's fee schedule for these reviews are as follows:
  - a) Construction inspection fee \$750.00 per inspection; and
  - b) Plan and specification review \$1,750.00.

A total of \$4,750.00 to cover these reviews is due at the time the executed Reservation Certificate is returned.

3. Developments seeking a Placed-In-Service (PIS) allocation the year in which the reservation was made must submit a PIS application on or before the second Monday in December not later than 5:00 p.m. (EST).
4. Developments with a reservation of LIHTC that will PIS after December 31 of the year in which the reservation was issued must submit an Application for a Carryover Allocation to the Authority no later than the date specified in the Reservation Certificate.
5. Issuance of additional regulations by the IRS may change the amounts and terms of the Reservation Certificate, or may cause it to be revoked in order to comply with such regulations.
6. Failure to meet any of the above conditions will render the Reservation Certificate null and void.
7. Any untimely submission of documentation referenced in the Reservation Certificate will result in its cancellation.

#### **Carryover Allocation Procedure:**

Applicants receiving a Reservation Certificate will be notified of the requirements to apply for an **allocation** of tax credits at the time of the reservation.

Issuance of a Reservation Certificate does not guarantee that the development will be the recipient of an allocation of LIHTC, nor does it guarantee that, if the development becomes the recipient of an allocation of LIHTC, such credit will be in the amount stated in the Reservation Certificate. All allocations will be determined by the Authority. The Authority reserves the right to investigate the validity of any certifications and/or opinions and reserves the right to request supplemental information. Also all allocations will be based upon the determination by the Authority of the least amount of credit which will render the development financially feasible. Should it be determined that the development is financially feasible without an allocation of the credit, then no LIHTC will be allocated to the development and the reservation certificate will be null, void and of no force or effect.

**Carryover Allocations are not transferable.** An Application, together with all supporting documentation must be received in the Authority's office on or before the date specified in the Reservation Certificate. No extension will be given.

If the Carryover Application is complete and deemed eligible, the Authority will mail a Carryover Agreement together with a Binding Agreement for signature. The Applicant must return the original documents by the due date indicated in the notification letter. In addition, the Applicant must enter into an Agreement as to Restrictive Covenants with the Authority and record the Covenants in the Office of the Register of Mesne Conveyance (or office of the Clerk of Court if there is no RMC) in the county in which the development is located. The Authority requires the recorded Restrictive Covenants to be submitted within twelve (12) months after the Reservation Date.

### **Verification of Ten Percent Expenditure:**

The Code allows the Verification of Ten Percent Expenditure (10% Test) to be met no later than twelve (12) months after the Carryover Allocation date. However, the Authority requires the Verification of Ten Percent Expenditure (10% Test) to be met no later than six (6) months after the Carryover Allocation date. Any extension of this date will be permitted only at the Authority's discretion and only under circumstances deemed to be beyond the Applicant's ability to control. In any event, the Authority will not grant any extension longer than ten (10) months after the Carryover Allocation date.

1. The 10% Expenditure Test Application is due and must be submitted in a three ring binder by the due date specified in the Carryover Allocation Agreement. Failure to submit by the due date will result in the cancellation of the LIHTC award.
2. This date will be three (3) weeks after the date that the development is required to have met the 10% Test.
3. In the event that the three (3) week period does not end on a business day, the due date will be extended until 5:00 p.m. (EST) on the next business day.
4. The 10% Test must be complete and correct as of the date on which it is submitted.
5. The 10% Test will be reviewed for completeness and accuracy to allow the Authority to compare the information with **Exhibit A - 10% Expenditure Information Checklist**. If any of the required documents are found to be missing/incomplete the following will apply:
  - a) Prior to the Application deadline – the missing/incomplete document(s) may be submitted without penalty.
  - b) After the Application deadline – the missing/incomplete document(s) may be submitted upon payment of a \$1,000 administrative fee for each business day after the deadline until the documents are submitted.
6. If the missing/incomplete documents are not corrected and resubmitted to the Authority within seven (7) business days following the notification, the development will forfeit its allocation of tax credits.
7. Costs incurred to meet the 10% Test must be certified by an independent (unrelated third party) CPA by the date that the Carryover Allocation Agreement requires the 10% Test information to be submitted to the Authority.

The following documents must be submitted with the 10% Test:

1. Certification of 10% Expenditure (**Exhibit H**); and
2. Accountant Certification of Costs and 10% Expenditure (**Exhibit I**) (all cost certifications must be issued by a CPA licensed by South Carolina Board of Accountancy); and
3. If land cost is being used to meet the 10% Test then a copy of the executed deed or executed land lease with a recorder's clock mark or a recorder's receipt must be provided. The grantee on the deed or the land lease must be same entity as the owner listed on the Reservation Certificate and Carryover Allocation application. The recordation date must reflect that the deed or land lease was recorded no later than six (6) months from the allocation date; and
4. Attorney Opinion Letter for 10% Expenditure (**Exhibit F**); and
5. All supporting documentation required by the application Checklist (**Exhibit A- 10% Expenditure Checklist**).

## **VI. DEVELOPMENT PROGRESS REPORT REQUIREMENTS**

### **Exhibit L Progress Reports- (For Developments/Buildings from Reservation through initial Rent-up period):**

1. The Authority will accept **Exhibit L** Progress Reports by fax (803) 551-4925 or email.
2. The Applicant must file quarterly Exhibit L Progress Reports. The first (1<sup>st</sup>) Report will be due on April 7 of the calendar year following Reservation/Carryover. Subsequent reports are due July 7, October 7, and January 7 thereafter until the development reaches a stabilized occupancy of at least ninety-three percent (93%). "Stabilized occupancy" is defined as sustaining at least ninety-three percent (93%) occupancy for six (6) consecutive months.

3. Exhibit L Progress Reports must accurately describe the status of the development and will be used to track the initial lease-up progress of the development.
4. All developments are subject to inspection by Authority staff at any time.
5. A fine of \$1,000 will be assessed against any development for which Exhibit L Progress Reports are not received by the due date. Report dates falling on Saturday, Sunday, or state holidays will be due the next business day.

Applicants are required to submit Exhibit L Progress Reports until the development reaches stabilized occupancy. Failure to submit the required Exhibit L Progress Report within seven (7) business days of the due date may result in a revocation of the reservation award or Carryover Allocation.

From the date of reservation, the applicant is expected to adhere to the time constraints as outlined below. The Authority may grant a forty-five (45) calendar day extension of certain items for a fee of \$1,000. The Authority will only accept and grant extensions for individual categories and will not accept or approve an overall blanket extension for all categories. All extension requests must be in writing and submitted not less than one (1) week prior to the deadline. Fees must be paid at the same time the extension request is submitted. After the first approved extension the fee for any additional extensions will be \$2,000 per request. Additional extensions will only be made for thirty (30) days at a time.

**Eight (8) Months after the Reservation Date:**

1. Final architect certified development plans and specifications for LIHTC developments are due to the Authority before 5:00 p.m. (EST) not later than eight (8) months after the reservation date. Plans and specifications must be in paper form, electronic form will not be accepted. Plans and specifications must incorporate all **Exhibit G** design and amenity items. The development architect must include a letter certifying that all design and amenity items are incorporated into the plans and specifications. All plans and specifications will undergo a third party consultant review. Any revisions or drawing review comments from the third party consultant must be incorporated into the plans and specifications and a revised final version of the documents submitted to the Authority. Following are the drawing plan submission criteria:
  - a) **Site Plan:** The following items must be shown.
    1. Scale: 1 inch = 40 feet or larger for typical units.
    2. North arrow.
    3. Locations of existing buildings, utilities, roadways, parking areas if applicable.
    4. Existing site/zoning restrictions including setbacks, rights of ways, boundary lines, wetlands and any flood plains.
    5. All proposed changes and proposed buildings, parking, utilities, and landscaping.
    6. Existing and proposed topography of site and any proposed changes including retaining walls.
    7. Finished floor height elevations and all new paving dimensions and elevations.
    8. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
    9. Provide an accessible route site plan with applicable details.
    10. Locations of site features such as playground(s), gazebos, walking trails, refuse collection areas, postal facilities, and site entrance signage.
    11. Landscaping and planting areas must be identified complete with landscaping plan listing all plant types.
  - b) **Floor Plans:**
    1. Scale: 1/4 inch = 1 foot or larger for typical units.
    2. Show room/space layout, identifying each room/space with name and indicate finished space size of all rooms on unit plans.
    3. Indicate the total gross square foot size, and the net heated square foot size for each typical unit.
    4. For projects involving removal of asbestos and/or lead paint, identify location and procedures for removal.
    5. Floor plans and elevations of all site amenities-gazebos, playgrounds, mail centers, dumpster/compactor areas, picnic shelters, etc.

**c) Elevations and Sections:**

1. Scale: 1/8 inch = 1'-0" or larger.
2. Front, rear and side elevations of ALL building types and identify all materials to be used on building exteriors.

**d) Title Sheet:** At a minimum the following information should be shown:

1. Indicate Building Codes that are applicable for the project.
  2. Total number of parking spaces provided- handicapped and regular.
  3. Total number of acres in site.
  4. Vicinity Map locating site.
  5. Square footages of all building types and units per building.
2. The land must be purchased by the ownership entity, and the deed and/or land lease recorded as evidenced by a copy of the recorded document. If the recorded deed and/or land lease was previously provided as part of the 10% Test, then another copy is not required.
  3. All building permits must be obtained and copies submitted to the Authority.

**Ten (10) Months after the Reservation Date:**

1. A certified copy of the executed, recorded, FINAL construction mortgage document for all LIHTC developments is due before 5:00 p.m. (EST) not later than ten (10) months after the reservation date. The construction mortgage document must have the recorder's clock mark date stamp showing the date, book, and page number of recording.
2. The executed and recorded Restrictive Covenants for all LIHTC developments are due before 5:00 p.m. (EST), not later than ten (10) months after the reservation date.
3. The executed binding commitment for syndication for all LIHTC developments is due before 5:00 p.m. (EST), not later than ten (10) months after the reservation date.
4. Applicants must list their development on the South Carolina Housing Search website, [www.SCHousingSearch.com](http://www.SCHousingSearch.com). The South Carolina Housing Search website is a database, sponsored by the Authority, that assists South Carolina residents in locating available affordable housing units. This is a free service with no fees charged for listing the development or maintaining development information throughout the compliance period. The applicant must provide evidence that the development has been listed on the website.

**Twelve (12) Months after the Reservation Date:**

1. All developments must be under construction.
  - a) New construction developments must have all footings in place not later than twelve (12) months after the reservation date, as evidenced by photographs submitted with a Progress Report that is certified by the development architect or development engineer. The Authority will allow the use of monolithic slabs as a substitute for the footings requirement.
  - b) Rehabilitation developments must have begun actual rehabilitation of the units no later than twelve (12) months after the reservation date, as evidenced by photographs submitted with a Progress Report certified by the development architect.
2. Rehabilitation and new construction must be continuous and progressive from this date to completion. If it is determined that an Applicant started the construction or rehabilitation only to technically meet this requirement, then the Authority will determine that these criteria have not been met.

**VII. PLACED-IN-SERVICE ALLOCATION**

Placed-In-Service allocations will be issued only in the name of the Applicant named on the initial application. Transfers subsequent to the issuance of the placed in service allocation are subject to provisions of Section 42 (j)

(6) of the Code. If the Placed-In-Service application is complete and deemed eligible, the Authority will execute and mail a Form 8609 to the owner following the final underwriting.

#### **Placed-in-Service Allocation Requirements:**

The Authority will issue a Form 8609 on a building-by-building basis; however, a Form 8609 will not be issued to a multi-building development until the last building in the development has been placed in service. In addition, **the Authority requires that all rental units in all buildings be complete and suitable for occupancy before a Form 8609 will be issued.** The owner must submit to the Authority a Placed-In-Service application on or before the second Monday in December not later than 5:00 p.m. (EST). The Placed-In-Service application must be submitted in a three ring binder and must include the following:

1. All unpaid fees or charges owed the Authority to include development monitoring or administrative fees; and
2. All applicable updated attorney opinion letters, (**Exhibits C, D, & E**), and final allocation CPA certification package (**Exhibits J-1, J-2, J-3 & J-4**); and
3. A final partnership agreement, if the owner entity on the application is a partnership, must be submitted. The final partnership agreement must reflect the annual LIHTC allocation and syndication proceeds. If the owner entity is a limited liability corporation, the operating agreement must also be submitted; and
4. All supporting documentation required by the application Checklist (**Exhibit A**).

This process is subject to change to comply with additional guidance, notices, or regulations issued by the IRS. All deadlines have been established to allow the Authority sufficient time for processing and underwriting. The owner must enter into any agreements that may be required by federal regulations to return unused credits.

#### **Placed-In-Service Application Submission:**

Placed-In-Service applications are due on or before the second Monday in December not later than 5:00 p.m. (EST). The development's compliance monitoring fees, for the first fifteen (15) years, payable in certified funds, must be included or the application will not be accepted. The fee is equal to **\$35.00** for each LIHTC unit in the development. Once the development begins year sixteen (16) of the extended compliance monitoring period, the Authority will collect the then current monitoring fee on an annual basis.

1. Placed-In-Service applications not received by the due date stated above may be submitted until 5:00 p.m. (EST) on the last business day in December, upon payment of an administrative fee equal to \$1,000 for each business day after the second Monday in December. All administrative fees must be paid to the Authority when the late application is submitted.
2. Placed-In-Service applications will be reviewed in the order received for completeness, allowing staff to review the submission against the application Checklist (**Exhibit A-Placed-In-Service Checklist**). If any of the required documents are found to be incomplete or missing, the following will apply:
  - a) Prior to the second Monday in December – the documents may be submitted without penalty.
  - b) After the second Monday in December – the documents may be submitted upon payment of a \$1,000 administrative fee for each business day after notification until the documents are submitted.
3. If the Authority does not receive the corrected or missing documents and administrative fee within ten (10) business days following December 31, the development will lose its allocation of tax credits.
4. **The Authority requires that all units in all buildings must be one hundred percent (100%) complete and available for immediate occupancy by the placed in service deadline.** This must be documented by the Certificates of Occupancy or the equivalent provided by the local government entity. Failure to meet this criterion will result in cancellation of the LIHTC allocation.
5. After a Placed-In-Service application is submitted, the Authority will review the Application and inspect the development to ensure it was constructed as described in the application and in accordance with the representations contained in **Exhibit G**. The development must comply with **Exhibit G** before any Form 8609 will be issued.
6. Should the Authority be required to amend a Form 8609 due to errors in the application submitted, the Applicant must submit an administrative fee of \$100 for each corrected Form 8609. This fee must be paid prior to the issuance of the corrected Form 8609.

7. In accordance with Revenue Procedure 94-57, the IRS will treat the gross rent floor defined in Section 42(g)(2)(a) for a building as taking effect on the date that an allocation of tax credits is made to the building unless the owner elects to have the gross rent floor take effect on the date that the building is placed in service. For buildings described in Section 42(h)(4)(B) (a bond financed building), with respect to the gross rent floor effective date for each building in the development, the building owner must submit an executed gross rent floor designation (**Exhibit N**) with the Placed-In-Service Application.

#### **Cost Certification Requirements:**

As part of the Application for final allocation of tax credits, the Applicant is required to submit a cost certification acceptable to the Authority. **The cost certification must be in the form outlined in Exhibit J-2 and must include line item costs and a building-by-building breakout of building designation, building identification number, address, applicable fraction, placed in service date, applicable federal rate, and eligible and qualified basis costs.** The cost certification must be prepared and certified as to accuracy by a CPA licensed by the South Carolina Board of Accountancy. It must also state that a significant portion of the CPA's practice relates to tax matters and the interpretation of the Code. It must include a statement that a final copy of all costs incurred has been reviewed and is in accordance with the requirements of the LIHTC Program. The certification must indicate that after careful review and investigation into the eligible basis, the costs that are not includable have been excluded from the eligible basis. The Authority considers ineligible costs to include, but not to be limited to, costs for land, reserves, syndication, and permanent loan origination fees. **The Authority reserves the right to require an attorney opinion for costs that are questionable as to their eligibility for tax credit purposes. The Authority assumes no responsibility for determining which costs are eligible and urges the Applicant and their tax attorney/CPA to perform an independent investigation into the eligibility of all cost items.**

#### **VIII. COMPLIANCE MONITORING PROCEDURES**

These procedures are applicable to all buildings receiving LIHTC to include tax-exempt bond financed developments. Section 1.42-5 (a) of U.S. Treasury Regulations (the "Regulations") requires that each QAP include a procedure that the housing credit agency will follow in monitoring for noncompliance with the provisions of the Code and in notifying the IRS of any noncompliance of which the Authority becomes aware. The procedure for monitoring contained in the QAP must contain procedures consistent with the Regulations that address the following areas: record keeping and record retention; certification and review; on-site inspection; and notification as to noncompliance. This section of the LIHTC Manual complies with the mandate of the Regulations. The Authority reserves the right to make such alteration or amendment to its monitoring procedures as may be required. Such alteration or amendment is expressly permitted without further public hearings. The specific procedures that owners must follow to remain in compliance with program requirements are outlined in the LIHTC Compliance Monitoring Manual. Changes and updates to the manual can be found on the Authority's web site. The web site address is [www.schousing.com](http://www.schousing.com).

#### **Rent Increases:**

~~All developments funded in the 2013 tax credit funding cycle and forward must have Authority approval to increase rents by more than 2% per year. Rents can **only** be increased on an annual basis. For those developments restricted to threshold market advantage criteria, the Authority will use its third party market analyst to determine whether the development's rent increase request meets the required QAP threshold. All rent increase requests must be uploaded to the Authority's Extranet webpage and placed in the applicable Tax Credit section at least 60 days prior to their effective date. Instructions for uploading files is included as an Addendum to this Manual.~~

~~Note: The HOME Final Rule requires approval of **all** rent increases on developments with HOME units. The approval process will be handled by the Compliance Monitoring Department. Notification of rent increases should be provided to the Compliance Manager for approval before the increases are enacted.~~

~~, not only those units increasing at 2% or above. Developments with one hundred percent (100%) Rural Housing Development or HUD Section 8 project based rental subsidy contracts are exempt from having to obtain Authority permission to increase rents; however, annual rent increase data for these developments must be uploaded annually to the Authority's Extranet webpage so that historical data can be tracked.~~

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### **Annual Audited Financial Statements:**

All developments, regardless of when funded, must submit not later than June 1<sup>st</sup> of each year the annual audited financial statements for developments. In addition, annual operating expense information for developments must also be submitted, on the Authority approved form. The form should be included with the annual audited financial statements and must be certified to by the CPA/Ownership Entity. All financial information is to be uploaded to the Authority's Extranet webpage and placed in the applicable Tax Credit section. Instructions for uploading files is included as an Addendum to this Manual.

### **Record Keeping:**

In the manner prescribed by the Authority, the owner of a LIHTC development must keep records for each building in the development to which an allocation has been made that show for each year of the compliance period:

1. The total number of residential rental units in the building (including the number of bedrooms and the size, in square feet, of each residential rental unit);
2. The percentage of residential rental units in the building which are LIHTC units;
3. The rent charged on each residential rental unit in the building (including utility allowances);
4. The number of occupants in each LIHTC unit;
5. The LIHTC vacancies in the building and information that shows when, and to whom, the next available units were rented;
6. The annual income certification of each low-income tenant per unit. The Tenant Income Certification Form (TIC) or other Authority approved income certification must be signed and dated by each adult member of the household and executed on or before the date of initial move-in. Thereafter, gross annual household income must be re-certified every twelve (12) months unless the owner has applied for and received the Waiver of Annual Income Re-certification as described in IRS Revenue Procedure 94-64;
7. Documentation to support each low-income tenant's income certification consisting of verifications of income from third parties such as employers or state agencies paying unemployment compensation. Such third party verifications may be supported by copies of the tenant's federal income tax returns or W-2 forms. All income verification documentation must be received before the TIC may be executed. Income verifications are valid for one hundred twenty (120) days from the date of the verifying party's signature or printout. Owners may not rely on verifications that are more than one hundred and twenty (120) days old to support an annual income certification. Tenant income must be calculated in a manner consistent with the determination of income under Section 8 and not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under the Section 8 program, the documentation requirement of this paragraph is satisfied if the public housing authority administering the Section 8 program provides the building owner with a statement that the tenants' income does not exceed the applicable income limit under Section 42(g);
8. The eligible basis and qualified basis of the building at the end of the first year of the credit period;
9. The character and use of the nonresidential portion of the building included in eligible basis under Section 42(d) (for example, (i) tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or (ii) facilities reasonably required by the development);
10. Copies of executed IRS Forms 8609, Schedules A, Forms 8586, or other applicable documentation filed with the IRS for the purposes of claiming the LIHTC must be retained and available for inspection for the entire compliance period.

### **Record Retention:**

Other than the records for the first year of the credit period, the owner of a LIHTC development must retain the records for at least six (6) years after the due date (with extensions) for filing the federal income tax returns for that year. The records for the first year of the credit period must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

### **Annual Owners Certification:**

The owner of a LIHTC development must provide to the Authority on or before the first day of February of each year after a development has been placed in service, an annual Owner's Certification for the preceding calendar year which certifies:

1. The development met the requirements of the twenty percent (20%) of the units at fifty percent (50%) of AMI requirement under Section 42(g)(1)(A), or the forty (40%) of the units at sixty (60%) of the AMI requirement under Section 42(g)(1)(B), whichever set-aside was applicable to the development;
2. If applicable, the development met the fifteen percent (15%) of the units at forty percent (40%) of AMI requirement under Sections 42(g)(4) and 142(d)(4)(B) for "deep rent skewed" developments;
3. There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the development, or that there was a change and a description of the changes;
4. The owner has received an annual income certification from each low-income tenant, and documentation which supports the accuracy of that certification, or, in the case of tenants receiving Section 8 housing assistance payments, a statement from the public housing authority, or the owner has a re-certification waiver letter from the IRS in good standing that waives the requirement to obtain third party verification at re-certification and has received an annual income certification from each low-income household and documentation to support the certification at their initial occupancy;
5. Each LIHTC unit in the development was rent-restricted under Section 42(g)(2);
6. All units in the development were for use by the general public and used on a non-transient basis (except for transitional housing for the homeless under Section 42(i)(3)(B)(iii));
7. Under the Fair Housing Act, 42 U.S.C. 3601-3619, no finding of discrimination to include any adverse final decision by HUD, an adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court;
8. Each building in the development was suitable for occupancy, taking into account local health, safety, and building codes, and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or LIHTC unit in the development;
9. There was no change in the eligible basis (as defined in Section 42(d)) of any building in the development, or if there was a change, the nature of the change (for example, a common area has become commercial space, or a fee is charged for a tenant facility formerly provided without charge);
10. All tenant facilities included in the eligible basis under Section 42(d) of any building in the development, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the building;
11. If a LIHTC unit in the building became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualified income before any units in the development were or will be rented to tenants not having a qualifying income;
12. If the income of tenants of a LIHTC unit in the development increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the development was or will be rented to tenants having a qualifying income;
13. The LIHTC extended commitment as described in Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Revenue Reconciliation Act of 1989), including the requirement that an owner cannot refuse to lease a unit in the development to a tenant because the tenant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f, and the owner has not refused to lease a unit to a tenant based solely on their status as a holder of a Section 8 voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C.1437f;
14. The development meets the provisions, including any special provisions, outlined in the LIHTC extended use commitment;

15. The owner received its credit allocation from the portion of the state ceiling for a development involving “qualified nonprofit organizations” under Section 42(h)(5) of the Code and its nonprofit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code;
16. There has been no change in the ownership or management of the development, or provide details of changes in ownership or management of the development.

#### **Document Review:**

~~Annually~~ At a minimum, once every three (3) years, the Authority will inspect ~~at least thirty three percent (33%)~~ of LIHTC developments to which it has made an allocation under the Code. In each development selected for review, the Authority will review the low-income certifications, the documentation the owner has received to support that certification, and the rent record for no fewer than twenty percent (20%) of the LIHTC units located in each such development. Records relating tenant income, supporting documentation and rent records will be selected at random by the Authority's monitoring officer at the time the review is held. In addition, the Authority's monitoring officer will conduct a physical inspection of each LIHTC unit that receives a record review. The purpose of the physical inspection is to determine whether the units meet Uniform Physical Condition Standards as defined by HUD. The owner will be notified prior to the arrival of the Authority's compliance monitoring officer conducting the management review.

The Authority will review all required certifications submitted to determine whether or not the requirements of the Code have been complied with by the owner. As necessary, the Authority will review documentation to support a nonprofit's continued participation in the development throughout the compliance period as described in the development agreement.

#### **Frequency of Certification Documents:**

Certifications are required annually each year of the credit period. The Certifications are a legally binding document to be made under oath and subject to the penalties of perjury as provided by law. The Authority reserves the right to require additional submissions of any Certifications for review more frequently than an annual basis.

#### **Physical Inspection of LIHTC Development:**

The Authority reserves the right to perform a physical inspection at its discretion of any LIHTC development. The Authority's right to perform such inspection shall be ongoing and shall continue at least through the end of the compliance period and any extended use period.

#### **Authority Retention of Records:**

The Authority will retain records of noncompliance or failure to certify for a period of six (6) years beyond the Authority's filing of the respective Form 8823. In all other cases the Authority shall retain certifications, inspection reports and other records for a period of three (3) years from the end of the calendar year in which the Authority has received or generated the certifications or reports.

#### **Notification of Noncompliance:**

The Authority will provide written notice to the owner of a LIHTC development if the Authority does not receive the required certifications, if it is not permitted to review tenant income certifications, supporting documentation and rent records, or if it discovers by inspection, review, or in some other manner, that the development is not in compliance with the provisions of the Code.

The Authority will file Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance" with the IRS no later than forty-five (45) days after the end of the Cure Period (including any permitted extensions), and no earlier than the end of the Cure Period, whether the noncompliance or failure to certify has been corrected.

The Authority shall explain on Form 8823 the nature of the noncompliance or failure to certify and shall indicate whether the owner has corrected the noncompliance or failure to certify. Any change in either the applicable fraction or the eligible basis that results in a decrease in the qualified basis of the development under Section 42(c)(1)(A) is noncompliance and must be reported to the IRS. Should the Authority report on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the Authority need not file additional Form 8823's in subsequent years to report that building's noncompliance.

#### **Cure Period:**

The owner will be given the opportunity to supply any missing documentation or correct physical deficiencies to bring the development into compliance with the Code requirements. The Cure Period will not exceed ninety (90) days and will begin on the date of the written notice given by the Authority. The Cure Period for violations that threaten the health and/or safety of tenants will not exceed forty-eight (48) hours. The Authority may grant an extension an additional period not to exceed six (6) months only in the event of judicially caused delays in the eviction of tenants.

#### **Compliance Monitoring Fees:**

The owner of each building to which an allocation of LIHTC has been made by the Authority, prior to the 2011 tax credit funding cycle, shall pay to the Authority an annual compliance monitoring fee of **\$35** for each LIHTC unit contained in each building. All compliance monitoring fees must be certified funds paid to the Authority within thirty (30) days of the date on which the building is PIS and on or before the first day of February of each succeeding year throughout the remainder of the fifteen (15) year compliance period and any extended use period. Checks should be made payable to the Authority. The Authority will assess a ten percent (10%) late fee of the total outstanding balance for payments received after thirty (30) days from the date due. The minimum late fee will be **\$50**. The Authority reserves the right to make adjustments in the amount of the annual compliance monitoring fee to defray the cost of compliance monitoring. Such an adjustment by the Authority shall not be treated as an amendment of the QAP.

Developments receiving non-competitive tax credits in conjunction with tax exempt bonds issued by the Authority shall pay monitoring fees according to the bond program. If the bond program's compliance period expires prior to the end of the tax credit compliance period, monitoring fees shall be assessed as described above. Developments receiving non-competitive tax credits in conjunction with tax exempt bonds not issued by the Authority shall pay monitoring fees as described above.

### **IX. DEVELOPMENTS UTILIZING NON-COMPETITIVE TAX CREDITS WITH TAX EXEMPT BOND FINANCING**

#### **Preliminary Opinion of Eligibility (QAP Requirements):**

Developments proposed for financing by private activity bonds may be eligible to receive an approximate four percent (4%) tax credit without competing for an allocation of tax credits. To be considered for a non-competitive allocation, a development must satisfy the requirements of Sections 42(h)(4), 42(m)(1)(D) and 42(m)(2)(D) of the Code. The development must also comply with the applicable procedures and requirements of the QAP and the LIHTC Manual. The LIHTC allocated to a development shall not exceed the amount the housing credit agency determines is necessary for its financial feasibility and viability as a qualified low-income housing development throughout the credit period.

To receive an allocation of tax credits, a bond-financed development must be eligible to receive a tax credit allocation under the QAP for the year in which the application for bond financing is filed with the Authority. If tax credits are sought as a funding source, the Applicant must notify the Authority of this at the time of the application for bond financing. Upon notification that a development intends to utilize non-competitive LIHTC,

the Authority will evaluate the proposal and will provide a preliminary, non-binding statement as to whether the development, as described to the Authority, is eligible to receive funding under the current QAP. This preliminary Authority evaluation of the proposal will consist of reviewing the site and market of the proposed development for conformity with the QAP. The site must meet all site threshold criteria for consideration for tax credits. If the project is to be financed by bonds offered for sale to the public, the market study must be ordered by the DUS lender and prepared by an independent third-party analyst. If the project is to be financed by bonds that are privately placed or sold as a limited offering to sophisticated investors, the Applicant will notify the Authority and the Authority will either order the market study at the Applicant's expense or require the bond purchaser to order a market study prepared by an independent third-party analyst. The Authority reserves the right to use its own judgment in making a final decision on the site and/or market.

For a development proposing rehabilitation, a Physical Needs Assessment Report (PNA) must be submitted with the Application. The PNA must follow the guidelines provided in the QAP and LIHTC Manual. Developments must meet the minimum rehabilitation standards and all mandatory construction design criteria identified in the QAP and LIHTC Manual to be eligible for low-income housing tax credits.

If the Authority review is favorable, the preliminary, non-binding statement provided by the Authority shall state: (i) that it is based upon information provided to the Authority regarding the development, the accuracy of which has not been finalized; (ii) that it assumes that the development as PIS will exactly match the development described to the Authority; and (iii) that the opinion is preliminary, non-binding, and may not be relied upon by any party. THE APPLICANT ASSUMES ALL RISK FOR REPRESENTATIONS MADE TO THE AUTHORITY IN THE APPLICATION FOR FINANCING.

#### **Application for an Allocation of Non-Competitive LIHTC:**

For bond-financed developments that are seeking LIHTC, an application for LIHTC must be submitted to the Authority only after the development is Placed-In-Service. A Final Cost Certification Package, prepared and certified as to accuracy by a third-party Certified Public Accountant licensed by the South Carolina Board of Accountancy, must accompany this application. This cost certification must follow the format and guidelines identified in the LIHTC Manual. In addition, the CPA must attest that the 50% aggregate basis test has been met to qualify the development for tax credits. This requirement shall be met with a signed opinion accompanied by the CPA's detailed calculation of the aggregate basis financed by the tax-exempt bonds.

The development must meet all financial underwriting standards identified in the QAP and LIHTC Manual except those that are superseded by the following requirements applying only to developments with tax-exempt bond financing:

**1. Operating Reserves:** Bond-financed developments are required to establish and maintain minimum operating reserves equal to three (3) months of projected operating expenses. These reserves must be funded at the time the development places-in-service.

**2. Developer Fees:** Developer fees are limited as a percentage of development costs adjusted for project size. For new construction and/or rehabilitation costs, the sum of Developer Fees + Developer Overhead + Consulting Fees is limited as follows:

|                   |  |
|-------------------|--|
| Up to 100 units   | 15% of <u>Adjusted Development Costs</u> * |
| 101 – 150 units   | 15% of <u>Adjusted Development Costs</u> * |
| 151 units or more | 15% of <u>Adjusted Development Costs</u> * |

For acquisition costs, the sum of Developer Fees + Developer Overhead + Consulting Fees is limited to a maximum of 5% of Adjusted Development Costs.\*

Adjusted Development Costs\* are defined below. Line numbers refer to page 10 of the LIHTC Application:

Total Development Cost (Line 51)  
Less Land (Line 1)  
Less Consulting Fees (Line 20)  
Less Developer Fees (Line 45)  
Less Developer Overhead (Line 46)  
Less Other Developer Costs (Line 47)  
Less Excess Reserves (Lines 48-50)

The Authority defines **Excess** Reserves as reserves, regardless of description, ~~greater than~~ and consisting of the sum of six (6) months of projected operating expenses plus six (6) months of must pay debt service plus six (6) months of the Authority's required replacement reserves.

If an identity of interest exists between the developer and any construction contractor, any payments rebated to the developer must be identified and itemized.

**3. Physical Needs Assessment Report (PNA):** The Authority requires a minimum of \$~~20,000~~ ~~15,000~~ per unit in hard construction costs with at least fifty percent (50%) of the hard construction costs attributed to interior unit costs. If the PNA report represents needed repairs in excess of \$~~20,000~~ ~~15,000~~ per unit, then the application must reflect the higher rehabilitation costs. Developments that do not reflect at least \$~~20,000~~ ~~15,000~~ per unit in hard construction costs will not be considered for funding consideration.

## Exhibit S

### 2014 2015 Market Study Guideline Procedures

\*All relevant tables should be placed with corresponding text.

#### **Market Study Process:**

The Applicant will be required to submit a cashier's check in the amount of \$600.00 at Application submission or the application will be disqualified.

1. Applicants must use an Authority approved market analysts to complete market studies. All market analysts **must adhere** to Market Study terminology as sanctioned by the National Council of Housing Market Analysts. The Market Study Terminology list is available at: [www.housingonline.com/Resources.aspx](http://www.housingonline.com/Resources.aspx). An electronic copy of the market study must be submitted with the Tax Credit Application in the form of a CD, DVD or Flash Drive.
2. Submitted market studies must conform to the requirements in these Guideline Procedures and Exhibit S – 2. The market study should reflect conclusions based on the proposed development. This includes capture rates, absorption periods, market advantage, etc. An Exhibit S – 2 form and S-2 Calculation sheet must be completed and included with the market study. The market study should also include the table provided in the S-2 Worksheet.
3. The Applicant's market analyst must indicate within the conclusion and recommendations section of the market study a conclusion regarding the ability of the market area to support the proposed development. This conclusion should further address the depth of the rental market and whether the proposed development will have a negative long-term impact on existing rental communities.
4. Upon receipt of the Tax Credit Applications, the Authority will forward a copy of the market study to the Authority's third party market analyst who will perform a review of each individual market study.
5. The Authority's third party market analyst will have six (6) weeks to complete the review of all market studies. Applicants and the market analyst that prepared the market study will be notified by the Authority's third party market analyst via email of any deficiencies found in the submitted market study. All issues must be resolved to the satisfaction of the Authority's market analyst and Authority staff in order for the study to be deemed acceptable.
6. In conjunction with the Authority's third party market analyst, the Authority will consider the market study, the market, marketability factors, and any additional information available to determine if an acceptable market exists for a development as proposed. The Authority is not bound by the conclusions or recommendations of the market study submitted by the applicant and reserves the right to disqualify any application in the competition if it determines an acceptable market does not exist.

#### **Market Study Requirements:**

##### **A. Project Description**

1. Give the following information for the proposed subject as provided by the LIHTC Applicant:
  - a. Development Location;
  - b. Construction Type: New Construction, Rehab, Acquisition and Rehab, Adaptive Reuse;
  - c. Occupancy Type: Family, Older Persons, etc.;
  - d. Target Income Group: 50% AMI, 60% AMI, Market Rate;
  - e. Special Needs Population (if applicable);
  - f. Number of units by bedroom/bathroom;
  - g. Number of buildings and stories and if there will be an elevator;
  - h. Unit Size(s);
  - i. Structure Type/Design: Townhouse, Garden Apartment, etc.;
  - j. Proposed Rents and Utility Allowances including energy source (Gas, Oil, Electric) and if utility is Tenant or Owner's responsibility;
  - k. Status of Project Based Rental Assistance: None, Existing, Proposed;
  - l. Proposed Development Amenities;
  - m. Proposed Unit Amenities;
  - n. For rehab proposals, please provide: current occupancy levels, current rents being charged (versus proposed rents), tenant incomes, as well as detailed information about the scope of work planned and how the rehabilitation will be carried out.

## **B. Site Description**

1. Give the date(s) the senior analyst/market study author made a site visit including surrounding market area developments.
2. Describe physical features of the site, adjacent parcels, surrounding structures and neighborhoods. Give a brief description of the surrounding land uses. Note any obvious environmental concerns or any other visible concerns.
3. Give the site's general physical location to surrounding roads, public transportation, community amenities, employment, and services. It is extremely important to identify the closest shopping areas, schools, and employment centers, medical facilities and other amenities that would be important to the targeted population.
4. Indicate if there are any road or infrastructure improvements planned or under construction in the proposed market area.
5. Provide information or statistics as well as local perceptions of crime in the neighborhood, if applicable.
6. Comment on access, ingress/egress, and visibility to site.
7. Describe overall positive and negative attributes about the site as they relate to marketability.

## **C. Market Area**

1. A map of the Primary Market Area (PMA);
2. A physical description of the PMA including the methodology used to define it;
3. Census tracts that encompass the PMA; and
4. The analyst may provide information about the secondary market area if desired; however, demand should be based solely on the PMA.

## **D. Market Area Economy**

1. A map of the site as compared to the locations of major employment concentrations.
2. Employment by industry--numbers and percentages (i.e. Manufacturing: 150,000 (20%)).
3. The major current employers and anticipated expansions, contractions in their workforces, as well as newly planned employers and their impact on employment in the market area.
4. Total workforce figures and employment and unemployment trends for the county and, where possible, the PMA. Provide numbers and percentages for both. Provide annualized figures for these trends (i.e. average annual increase of unemployment of 1.2%).
5. If relevant, comment on the availability of housing for low- to very low-income employees of businesses and industries that draw from the PMA.
6. Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA.

## **E. Community Demographic Data**

Provide the following demographic information for the market area, giving historical data as well as current data and estimates. Include data on population and household trends from 2000 to ~~2014 2013~~ and projected to ~~2017 2016~~. Projections must be prepared by a reputable source such as Nielsen, ESRI, or Ribbon Demographics. U.S. Census data prior to the 2000 Census is only acceptable as historical data. If the Market Analyst does not agree with these projections, s/he must provide the reasoning, along with substitute projections. Both numbers and percentages should be shown for the data below. Annualized growth figures should be included. Please include a brief narrative of overall conclusions.

1. Population Trends
  - a. Total Population
  - b. Population by age groups
  - c. Number of older persons (for older persons projects)
  - d. If a special population is proposed for the development (i.e. migrant workers, homeless), provide additional information on population growth patterns specifically related to this population.
2. Household Trends
  - a. Total number of households, average household size, and group quarter.
  - b. Households by tenure (If appropriate, breakout by older persons and non-older persons).
  - c. Households by income. (Older person(s) proposals should reflect the income distribution of those households only).

- d. Renter households by number of persons in the household.

## F. Project-Specific Demand Analysis

1. **Income Restrictions:** Use the applicable incomes and rents in the subject's application. Be aware of the specific income restrictions which apply to the tax credit program. Analysts must take the income restrictions designated in the application into account when estimating demand.
2. **Affordability:** Analysts must assume that no family households are able to pay more than 35% of gross income towards gross rent and no elderly households are able to pay more than 40% of their gross income toward gross rent. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
3. The demand analysis should clearly indicate the minimum and maximum income range for each targeted group.

In cases where the proposed rents for projects with Project Based Rental Assistance are higher than the maximum allowable LIHTC rents, two separate demand analyses must be shown: One with the rental assistance (thereby allowing \$0 for the minimum income) and one without the rental assistance. For the second demand calculation without rental assistance, analysts should use tax credit rents regardless of market conditions.

For projects with market rate units, the analyst must make some reasonable determination of a maximum income level beyond which a household would not likely be a participant in the rental market. The analyst should clearly state the assumptions used in making the aforementioned determination.

4. **Demand:** The demand should be derived from the following sources using data established from a reputable source:
  - a. **Demand from New Renter Households:** New rental units required in the market area due to projected renter household growth. Determinations must be made using the current base year of ~~2014~~ 2013 and projecting forward to the anticipated placed-in-service date of ~~2017~~ 2016. The ~~population-projected household projections~~ must be limited to the age and income cohort and the demand for each income group targeted (i.e. 50% of median income) must be shown separately.
    - In instances where a significant number (more than 20%) of proposed rental units are comprised of three-and four-bedroom units, analysts must refine the analysis for those units by factoring in the number of large households (generally 4+ persons). A demand analysis which does not take this into account may overestimate demand.
  - b. **Demand from Existing Households:** The second source of demand should be determined using 2010 census data or the most current American Community Survey (ACS) data and projected from:
    - 1) **Rent over-burdened households**, if any, within the age group, income cohort and tenure targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% or in the case of elderly 40% of their gross income toward gross rent rather than some greater percentage. If an analyst feels strongly that the rent-overburdened analysis should focus on a greater percentage, they must give an in-depth explanation why this assumption should be included. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
    - 2) **Households living in substandard housing.** Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand.
      - The Market Analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent-overburdened and/or living in substandard housing.
    - 3) **Elderly Homeowners likely to convert to rentership:** The Authority recognizes that this type of turnover is increasingly becoming a factor in the demand for elderly tax credit housing. A narrative of the steps taken to arrive at this demand figure should be included.

- 4) **Other:** Please note, the Authority does not, in general, consider household turnover rates other than those of elderly to be an accurate determination of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, s/he may be allowed to consider this information in their analysis. The analyst may also use other indicators to estimate demand if they can be fully justified (e.g. an analysis of an under-built or over-built market in the base year). Any such additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.
5. **Method:** Please note that the Authority’s stabilized level of occupancy is 93%.
- a. **Demand:** The two overall demand components added together 4a and 4b above represent demand for the project.
- b. **Supply:** Comparable/competitive units funded, under construction, or placed in service in ~~2014 2013~~ must be subtracted to calculate net demand. Vacancies in projects placed in service prior to ~~2015 2014~~ which have not reached stabilized occupancy must also be considered as part of the supply.
- c. **Capture rates:** Capture rates must be calculated for each targeted income group and each bedroom size proposed as well as for the project overall.
- d. **Absorption rates:** The absorption rate determination should consider such factors as the overall estimate of new renter household growth, the available supply of comparable/competitive units, observed trends in absorption of comparable/competitive units, and the availability of subsidies and rent specials.
6. **Example of Method:**
- a. **Demand**

|   | Households at 50% Median Income<br>(min. income to max. income) | Households at 60% of Median Income<br>(min. income to max. income) | Project Total<br>(min. income to max. income) |
|---|---|--|---|
| Demand from New Households<br>(age and income appropriate)        |   |  |   |
| +   | +   | +  |   |
| Demand from Existing Households<br>Rent-Overburdened              |   |  |   |
| +   | +   | +  |   |
| Demand from Existing Households<br>Renters in Substandard Housing |   |  |   |
| +   | +   | +  |   |
| Demand from Existing Households<br>Elderly Homeowner Turnover     |   |  |   |
| =   | =   | =  |   |
| Total Demand  |   |  |   |
| -   | -   | -  |   |
| Supply  |   |  |   |
| =   | =   | =  |   |
| <del>Excess Demand/Supply Net<br/>Demand</del>                    |   |  |   |

**b. Net Demand and Capture Rates**

| Bedrooms        | Total Demand | Supply | Net Demand | Units Proposed | Capture Rate |
|-----------------|--------------|--------|------------|----------------|--------------|
| 1 Bedroom % AMI |              |        |            |                |              |
| 2 Bedroom % AMI |              |        |            |                |              |
| 3 Bedroom % AMI |              |        |            |                |              |
| 4 Bedroom % AMI |              |        |            |                |              |

**G. Supply Analysis (Comparable/Competitive Rental Developments)**

The supply analysis will be given significant weight in the Authority’s review of the market study. The senior analyst/market study author must visit all comparable/competitive developments. **The analysis must include all existing LIHTC projects and other projects that would compete with or be affected by the proposed project such as Rural Development properties both subsidized and un-subsidized, HUD properties, etc.** The analyst must include and consider all developments under construction and/or in the pipeline in the analysis.

1. The following information should be included for each comparable/competitive development:

- a. Name, Address, and Phone Number
- b. Contact Person's Name and phone number ~~and staffing~~ of the comparable/competitive property development
- c. Photograph
- d. Monthly Rents and utilities included in the rent, if any
- e. Type of development (RHS, tax credit, conventional, bond, bond and tax credits, etc.)
- f. Breakdown of unit sizes by bedroom/bathroom count
- g. Square footage for each comparable/competitive unit type
- h. Project age and Condition
- i. Population Served
- j. Description of unit amenities (include kitchen equipment) and site amenities
- k. Concessions given, if any
- l. Current vacancy rates broken down by bedroom size. Vacancy rates are to be determined using the most current information provided by property management.
- m. Waiting list information, if any
- n. Number of units receiving rental assistance, description of assistance as project or tenant based.
- o. For developments in the planning or construction stages, provide the name, address/location, name of owner, number of units, unit configuration, rent structure, estimated date of market entry, and any other relevant market analysis information. If there are no developments in the planning stages or under construction, a statement to that effect must be provided.
- p. If the proposed project is an additional phase of an existing project, include a tenant profile as well as any information about a waiting list.

The above information should be provided in a comparative framework **including** the proposed project and those projects under construction and/or in the pipeline. For example, in addition to providing a page of information along with a picture for each comparable/competitive development, the analyst should also provide comparative charts that show such factors as the proposed project's rents, square footages, amenities, etc. as compared to the other projects.

2. A **map** showing the comparable/competitive developments in relation to the proposed site. The map should have an identifiable usable scale.
3. If applicable to the proposed development, provide data on three and four bedroom single-family rentals, OR provide information on rental trailer homes and single family homes in rural areas lacking sufficient three and four bedroom rental units in an attempt to identify where potential tenants are currently living.
4. Derive the market rent and compare them to the proposed development's rents. Quantify and discuss market advantage of the subject and impact on marketability. Market advantages should be provided for each unit type and the project overall.
5. Calculate the overall market vacancy rate, the overall comparable/competitive vacancy rate, and the overall vacancy rate for all LIHTC projects in the market area. (Do not include new projects in the process of "renting up" in vacancy rate.)
6. The cost and availability of homeownership and mobile home living, if applicable.
7. Conclusion as to the immediate and long term impact that the proposed project will have on the occupancy of comparable rental communities in the PMA, specifically other LIHTC communities.

## H. Interviews

The results of formal or informal interviews with property managers, town planning officials or anyone with relevant information relating to the overall demand for the proposed development should be summarized in this section. Include the name and phone number of the person you talked to.

## I. Recommendations

Market Analysts must provide a recommendation that clearly states whether a proposed project should be approved as proposed. The Market Analyst must provide a brief summary of all the major factors that led to their conclusion.

The completed market study must meet the minimum threshold requirements stated in the ~~2014~~ **2015 and 2016** QAP. If the development cannot meet the threshold requirements the development will be disqualified.

## J. Signed Statement Requirements

The signed statement must include the following language:

I affirm that I have made a physical inspection of the market and surrounding area and the information obtained in the field has been used to determine the need and demand for LIHTC units. I understand that any misrepresentation of this statement may result in the denial of further participation in the South Carolina State Housing Finance & Development Authority's programs. I also affirm that I have no financial interest in the project or current business relationship with the ownership entity and my compensation is not contingent on this project being funded. This report was written according to the SCSHFDA's market study requirements. The information included is accurate and can be relied upon by SCSHFDA to present a true assessment of the low-income housing rental market.

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Market Analyst Author

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Date

## ~~2014-2015~~ LIHTC Program Schedule

### ~~October 30, 2014~~ ~~November 1, 2013~~

A Public Hearing will be held at the Authority's Office, 300-C Outlet Pointe Blvd, Columbia, SC from 10:00 a.m. to 12:00 p.m. (EST).

### ~~By January 12, 2015~~ ~~13, 2014~~

Application packages will be posted on the Authority's web site: [www.schousing.com](http://www.schousing.com)

The Authority will provide fill in applications on CDs. The fill-in applications do not require any special system requirements or software to operate on a PC running Windows 95, Windows 98, Windows 2000, Windows NT, or Windows XP. A separate application package must be submitted for each development.

### ~~Date TBD in January 2015~~ ~~21, 2014~~

A workshop will be held ~~at the Embassy Suites~~ in Columbia, SC. Authority staff will provide information on the ~~2014-2015~~ tax credit program and review the ~~2014 2015~~ application procedures. Although attendance is not mandatory, it is strongly recommended. Additional information and an on-line registration for the workshop will be posted on the Authority's website at [www.schousing.com](http://www.schousing.com).

After the workshop, specific questions regarding the ~~2014 2015~~ tax credit program and/or application should be emailed to Laura Nicholson at [laura.nicholson@schousing.com](mailto:laura.nicholson@schousing.com) or faxed to (803) 551-4925. The Authority will respond in writing and will post any programmatic clarifications on the ~~tax credit~~ website.

### ~~March 2-6, 2015~~ ~~3-7, 2014~~

Tax Credit Applications are due along with the application fee and the market study review fee. No application will be accepted, under any circumstance, after 5:00 p.m. (EST), March ~~6, 2015.~~ ~~7, 2014~~.

### ~~June 2015~~ ~~2014~~

It is anticipated that Applicants will be notified of their Application point scores in June. Point scores will be posted on the Authority's website at [www.schousing.com](http://www.schousing.com)

### ~~July – August 2015~~ ~~2014~~

It is anticipated that notification of the Final Tax Credit Reservations will be made in ~~late July~~ ~~to early August~~ ~~2015~~.

### List of Code Numbers for South Carolina Counties:

|    |              |
|----|--------------|
| 1  | Abbeville    |
| 2  | Aiken        |
| 3  | Allendale    |
| 4  | Anderson     |
| 5  | Bamberg      |
| 6  | Barnwell     |
| 7  | Beaufort     |
| 8  | Berkeley     |
| 9  | Calhoun      |
| 10 | Charleston   |
| 11 | Cherokee     |
| 12 | Chester      |
| 13 | Chesterfield |
| 14 | Clarendon    |
| 15 | Colleton     |
| 16 | Darlington   |
| 17 | Dillon       |
| 18 | Dorchester   |
| 19 | Edgefield    |
| 20 | Fairfield    |
| 21 | Florence     |
| 22 | Georgetown   |
| 23 | Greenville   |
| 24 | Greenwood    |
| 25 | Hampton      |
| 26 | Horry        |
| 27 | Jasper       |
| 28 | Kershaw      |
| 29 | Lancaster    |
| 30 | Laurens      |
| 31 | Lee          |
| 32 | Lexington    |
| 33 | Marion       |
| 34 | Marlboro     |
| 35 | McCormick    |
| 36 | Newberry     |
| 37 | Oconee       |
| 38 | Orangeburg   |
| 39 | Pickens      |
| 40 | Richland     |
| 41 | Saluda       |
| 42 | Spartanburg  |
| 43 | Sumter       |
| 44 | Union        |
| 45 | Williamsburg |

|    |      |
|----|------|
| 46 | York |
|----|------|

# South Carolina State Housing Finance and Development Authority 2015 and 2016 Low-Income Housing Tax Credit Manual

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- 2015 Qualified Census Tracts (QCTs) and Difficult Development Areas (DDAs) are posted on the Authority's website at [www.schousing.com](http://www.schousing.com)
- Instructions for Extranet File Uploads on the Authority's Extranet
- 2014 Rent and Income Charts are posted on the Authority's website at [www.schousing.com](http://www.schousing.com)  
As soon as possible following publication by HUD, the 2015 Rent and Income Charts will be posted on the Authority's website. It is the responsibility of the Applicant to obtain the applicable rent and income information to use in completing the Application.

## **I. PROGRAM ADMINISTRATION and PROCEDURES**

The 2015 and 2016 Tax Credit Manual is intended to govern the 2015 and 2016 tax credit funding cycles. The Authority will make technical amendments and funding amount changes to this document for the 2016 tax credit funding cycle in the fall of 2015.

### **General Guidelines:**

1. **Fees** - Payment of **all** fees must be in the form of a cashier's check made payable to the South Carolina State Housing Finance and Development Authority. All fees are nonrefundable. Following is a list of the Authority's fee schedule:
  - a) Tax Credit Application Fee: \$5,500.00 due at time of application submission.
  - b) Market Study Review Fee: \$600.00 due at time of application submission.
  - c) Missing Documents Fee: \$2,000.00 assessed for applications determined by Authority to have missing documents as part of the tax credit application submission.
  - d) Reconsideration Fee: \$250.00 due at the time a request for reconsideration is submitted.
  - e) Tax Credit Reservation Fee: 10% of the tax award amount due 14 calendar days after the notification of the tax credit award.
  - f) Plan Review and Construction Inspections Fee: \$4,750.00 due 14 calendar days after the notification of the tax credit award.
  - g) Compliance Monitoring Fees:
    - i. 2011- 2015 Awarded Developments- the first fifteen (15) years payable at placed in service and calculated at \$35.00 per LIHTC unit.
    - ii. 2009-2010 Awarded Developments- the first two (2) years payable at placed in service and calculated at \$35.00 per LIHTC unit and thereafter on an annual basis. Fee is due annually not later than February 1<sup>st</sup>.
    - iii. 2008 and prior Awarded Developments- \$35.00 per LIHTC unit paid annually, not later than February 1<sup>st</sup> of each calendar year.
  - h) Reprocessing of Form 8609 Fee: \$100.00 per Form 8609 will be charged if errors in the final cost certification were made by either the developer or CPA resulting in Authority staff re-underwriting a development.
  - i) Re-underwriting Fee: \$2,000.00 will be charged if an awarded development has to be re-underwritten due to a change in the number of buildings, units, design of the development, sources and uses of funds, etc. This fee will also be charged for developments requesting a restructuring review any time during the 30 year compliance period.
  - j) Extension Request Fee: \$1,000.00 for the first extension request and \$2,000.00 for additional extension requests. Extension requests relate to the submission of Exhibit L Quarterly Progress Report and Tax Credit Program Awarded Development Timelines.
2. **Deadlines** – All applications must be submitted by the required due dates as specified in the LIHTC Program Schedule. Additional information requested by the Authority will be due not later than seven (7) business days from the date the information was requested.
3. **Document Timeliness**- All supporting documentation required for the 2015 Tax Credit Application must not be dated prior to September 1, 2014. The only exception will be for Site Control Documents, community revitalization plans and the Railroad Noise Study.
4. **Material Changes Prohibited**
  - a) If, upon the submission of the Carryover Allocation Documents, the Verification of Ten Percent Expenditure (10% Test) Application or the Placed-in-Service (PIS) Application, it is determined that the development is not substantially the same as the development described in the original Tax Credit Application, the development will not receive an allocation of Low Income Housing Tax Credits (LIHTC). The following changes are deemed to be material and are not permitted:
    - i. General or Managing Partners (GP);
    - ii. Total number of LIHTC units;
    - iii. Total number of units;

- iv. Number of bedrooms and bathrooms per unit mix;
  - v. Specific tenant population targeted;
  - vi. Tenant mix (low-income/market rate);
  - vii. An increase in the total number of units after initial application submission;
  - viii. Site; or
  - ix. Decreases in square footage.
- b) Changes in the number of buildings and units contained in each building will be allowed only to comply with changes required by local regulatory codes made after the Application submittal deadline. Required changes must be received in writing from the City/County/Regulatory Agency requiring such.
- 5. Transfers**
- a) Neither reservations nor carryovers are transferable without the prior written consent of the Authority. Examples of situations in which such consent may be given include, but are not limited to:
    - i. Death;
    - ii. Bankruptcy;
    - iii. Receivership; or
    - iv. Cessation of business operations of a GP;
  - b) No change in the makeup or identity of a GP in a partnership or its equivalent in a limited liability company is permitted without the prior written consent of the Authority. Without limitation, this prohibition includes indirect transfers through the admission of any “special limited partner(s)” under any scheme that leads to the eventual exit of a GP or its equivalent in a limited liability company;
  - c) LIHTCs allocated to developments whose ownership is altered in violation of this provision shall be subject to revocation by the Authority.
- 6. Fractional Rounding** - Fractional units must be increased to the next whole unit.
- 7. ADA Requirements and Certification**
- a) The Authority will not offer an allocation to any development unless the Applicant submits, with its Application, a certification, signed by an architect or professional engineer licensed to practice in SC, which states that the architect or engineer will review the plans and specifications of the proposed development to ensure that such plans and specifications will comply with the accessibility and other requirements of Section 504 of the Rehabilitation Act, the Fair Housing Amendments to the Civil Rights Act of 1968, the Americans With Disabilities Act, and any other applicable state or federal legislation;
  - b) As part of its PIS Application, a certification must be included which is signed by an architect or professional engineer licensed to practice in SC which contains a statement that the development has been constructed in accordance with the accessibility and other requirements of Section 504 of the Rehabilitation Act, the Fair Housing Amendments to the Civil Rights Act of 1968, the Americans With Disabilities Act, and any other applicable state or federal legislation, and that the development, as built, complies with the U.S. Department of Housing and Urban Development (HUD) “*Fair Housing Act Design Manual.*”
- 8.** By submitting an application to the Authority, the applicant waives, hold harmless, and releases any claim or cause of action against the Authority or its staff related to or arising under the processing or scoring of any application or for the award of any tax credits under this program, and further the applicant covenants not to sue the Authority or its staff related to or arising under the processing or scoring of any application or for the award of any tax credits under this program. The applicant further agrees to indemnify the Authority for any claim or cause of action brought against the Authority related to or arising under the applicant’s Tax Credit Application.
- 9.** The applicant acknowledges and understands that the tax credits awarded through this program are not entitlements or rights, but rather are privileges conferred at the sole discretion of the Authority to encourage the development of low income housing for citizens of the State.

**Program Suspension/Debarment:**

- 1. Any of the following actions may result in suspension from participating for funding from any of the Authority administered programs for a period of three (3) years:

- a) Developments that receive a carryover allocation under the program are expected to meet the Ten Percent (10%) Test by the date specified in the carryover document, and to be placed-in-service by the Code deadline. Failure of a development to achieve either of these goals will disqualify the Applicant.
  - b) All GPs of a limited partnership and the equivalent in a limited liability corporation that receive a carryover allocation are required to remain in the partnership until the development places-in-service. Exceptions due to death, bankruptcy, or cessation of business operations will be allowed. All other removals whether voluntary or involuntary will result in disqualification for all GPs in a limited partnership and the equivalent in a limited liability corporation. Any person or entity, including Syndicators, that attempts to circumvent this provision will be subject to disqualification.
  - c) Failure to provide the Exhibit G certification, or providing a false or inaccurate certification that a development meets the above standards when, in fact, it does not, will result in the disqualification of the developer and the architect. The Authority will also file a complaint against the architect with the S.C. Department of Labor, Licensing and Regulation.
  - d) Developments that receive Tax Credit Assistance Program (TCAP) funds or Exchange Program funds are expected to remain in compliance with all rules and regulations imposed by these programs. Failure of a development to remain in compliance will result in all GPs of a limited partnership and the equivalent in a limited liability corporation being suspended.
  - e) Applicant(s) may not interfere with a tax credit application, for which it is not an owner or principal, at any public hearing or other official meeting. This type of action could undermine the tax credit program in general and could create on-going consequences that can create a negative connotation of the tax credit program.
2. Any of the following actions will result in the permanent debarment from participating for funding from any of the Authority administered programs:
- a) Any Applicant who provides false or misleading information to the Authority with regard to a development seeking LIHTC will be permanently debarred from further participation in the Authority's programs, in any capacity whatsoever, regardless of when such false or misleading information is discovered. Any reservation or carryover allocation obtained on the basis of such false or misleading information shall be void. Each Applicant shall be given written notice by the Program Director stating the reason for which the sanction of debarment was imposed.
  - b) Any partnership formation and/or developer agreement, whether written or otherwise, that attempts to circumvent Authority requirements will result in the permanent debarment of all parties involved from further participation in the Authority programs, regardless of when the violation is discovered.
  - c) For nonprofit sponsored developments, if the requirement for continuous and ongoing material participation is breached, the nonprofit and all of its officers and directors shall be permanently debarred from future participation. In the event that the requirement for continuous and ongoing control over the development is breached, such breach will be reported to the IRS as noncompliance, and the nonprofit and all of its officers and directors shall be permanently debarred.
3. Member(s) of the development team or person(s) on behalf of a development team member(s) contacting Board members from the Tax Credit Application submission date through the date of the award of the tax credits regarding (i) the scoring or evaluation of any applications, (ii) interpretations of the QAP, this Manual, or the implementation of the LIHTC program, or (iii) the award of tax credits will be suspended from the tax credit program until the next competitive funding cycle. In addition, all application(s) associated with any such member(s) of the development team will be disqualified from funding consideration.
4. The Authority, in its sole discretion, may determine other acts to be infractions of the program that require suspension or debarment. Suspensions or debarments based on such acts not defined shall be conducted as outlined in the South Carolina State Housing Finance and Development Authority's Debarment and Program Suspension Policy.

### Definitions:

1. **Applicant** - includes each person, corporation, developer, partnership, joint venture, association, or other entity that has an ownership interest in the development for which the LIHTC application is submitted.

2. **Developer** - any individual or entity responsible for initiating and controlling the development process and ensuring that a material portion of the development process is accomplished.
3. **Material Participation** - the regular, continuous and substantial involvement in the operation of the development throughout the compliance period, as defined by the Code.
4. **Participants** - the Applicant, owner, developer, property management entity, consultants, Syndicators, etc., proposed to be involved with the development for which an application is submitted.
5. **Principal** – any Applicant, owner, developer, guarantor, financial guarantor, or any other person, corporation, partnership, joint venture, or other entity, including any affiliate thereof, or any other person, firm, corporation, or entity of any kind whatsoever that either directly or indirectly receives a portion of the development fee (whether or not deferred) for development services and/or receives any compensation with respect to such development. Note: Consultants are not considered Principals.
6. **Related Parties** - Notwithstanding anything to the contrary contained herein, the Authority will not reserve credits in an amount in excess of \$1.5 million to any GP or Principal(s) of such GP, directly or indirectly. Applicants will be deemed to be related if any Principal of an Applicant is also a Principal in any other Applicant.

An “**Identity of Interest**” is considered to exist if any of the following conditions exist:

- When there is any financial interest of the Applicant, Principal, owner and any other member of the development team;
- When one or more of the officers, directors, stockholders, members, or partners of the Applicant, Principal, or owner is also an officer, director, stockholder, member, or partner of any other member of the development team;
- When any officer, director, stockholder, member or partner of the Applicant, Principal, or owner has any financial interest whatsoever in any other member of the development team;
- When any other member of the development team advances any funds to the Applicant, Principal, or owner;
- When any other member of the development team provides and pays, on behalf of the Applicant, Principal, or owner, the cost of any architectural services or engineering services other than those of a surveyor, general superintendent, or engineer employed by any other member of the development team in connection with its obligations under its contract with the Applicant, Principal, or owner;
- When any other member of the development team takes stock or any interest in the Applicant, Principal, or owner entity as part of the consideration to be paid him/her;
- When any relationship exists which would give the Applicant, Principal, or owner or any other member of the development team control or influence over the price of the contract or the price paid to any other member of the development team or to a subcontractor, material supplier or lessor of equipment;
- When there exist (or come into being) any side deals, agreements, contracts, or undertakings entered into or contemplated, thereby altering, amending, or canceling any of the required application or closing (should there be a closing) documents.

## **II. LIHTC ALLOCATION CEILING: LIMITS and CATEGORIES**

### **LIHTC Allocation Ceiling:**

The amount of LIHTC available in SC in each calendar year reflects the sum of the amounts allowed under IRC Section 42(h)(3)(C). This amount may be increased by returned tax credits from prior years, tax credits allocated from the National Pool or by new legislation increasing the amount of LIHTC distributed to each state. The Authority reserves the right to withhold such credits from allocation as it deems advisable.

**Return of Credits and Returned Credit Allocation Procedures** - Allocations of credit may be returned only in accordance with applicable U.S. Treasury Regulations on a date agreed upon by the Authority and the Applicant. Amounts that are not accepted or are returned will be made available as follows:

- a) Amounts awarded in the competition and returned prior to November 1<sup>st</sup> may be offered to qualified developments submitted in the annual tax credit funding cycle that are capable of meeting carryover requirements. Reservations of returned amounts will be offered to developments in the order in which they appear on the waiting list if the amount offered is at least ninety percent (90%) of the credit amount for which the development is qualified. If no development can be funded to at least ninety percent (90%) of its qualified amount, such amounts shall be carried forward to the following tax credit year. LIHTC developments receiving a reservation of credits prior to November 1<sup>st</sup> will be required to meet all carryover qualifications.
- b) Any amounts returned after November 1<sup>st</sup> will be carried forward into the next tax credit year.

#### **Cap for Single Applicant/ Related Parties/ Principal/ Owner:**

1. The Authority will not allocate more than \$1.5 million in LIHTCs to a Principal involved with multiple developments (see “Definitions” on page 5).
2. The maximum tax credit awarded per project will not exceed \$750,000, inclusive of the basis boost.
3. In the event a Principal exceeds the limitation, the tax credit award to that Principal’s development with the lowest point score will be reduced so that the limitation is not exceeded. That development will be awarded a reservation only if the LIHTC amount, as calculated by the Authority, is at least ninety percent (90%) of the unreduced amount that the development would have otherwise received.
4. Regardless of the percentage of participation a Principal has in the development, one hundred percent (100%) of the development’s LIHTC reservation will count toward the limitation per Principal.
5. A Principal may not be associated with or submit more than three (3) applications/developments.
6. A Principal may not be awarded more than two (2) developments.
7. Fees paid to third party development consultants, evidenced by the cost certification, must not exceed \$35,000 total. The consultant fee must be for legitimate and necessary consulting services.

#### **Special Allocation of Noncompetitive Tax Credits:**

In its sole and absolute discretion, and where warranted by extenuating circumstances, the Authority reserves the right to allocate additional credits to previously awarded developments.

Any additional credits from the 2015 credit ceiling supplementing awards from prior years will not count against the 2015 cap limits for single applicant, related parties, principal or owner.

#### **Geographic Distribution of Tax Credits:**

In order to ensure that tax credits are geographically distributed to all areas of the State, the Authority will limit tax credit awards to a maximum of two (2) new construction developments per county. The Authority may rely on data or opinions provided by its third party market analyst firm before or after application submissions to further restrict new construction throughout the State based on market data.

#### **Set-Asides:**

The Authority has five (5) Set-Asides in which applicants may compete for credits: General, Underserved Counties, Rehabilitation, Rural Housing Service (RHS), and Nonprofit Set-Asides. Proposals in the General Set-Aside will be considered for funding after awards in the other Set-Asides have been made. Developments, regardless of Set-Aside, competing in the same county for an award of credits will be funded based on the highest scoring application. Unused funds in the Underserved Counties, Rehabilitation, Nonprofit (after the minimum 10% IRS requirement is met) or RHS Set-Asides will roll up to the General Set-Aside. After awards have been made in the General Set-Aside, any unused funds remaining in this Set-Aside will be allocated to the development, irrespective of the development’s Set-Aside, having the highest funding percentage. The maximum funding percentage is determined by dividing the amount of credit remaining in that Set-Aside by the amount of credit calculated by the Authority for a development that is partially funded. These unused funds will be allocated if they increase the development’s funding percentage to at least ninety percent (90%). A development can compete for funding consideration only in the Set-Aside in which it applies.

**1. General Set-Aside:**

- a) Up to \$4,900,000 of the state LIHTC ceiling is initially reserved for developments participating in this Set-Aside.
- b) Developments eligible to participate in this Set-Aside can be new construction, adaptive reuse or rehabilitation developments having a current vacancy rate of 30% or greater only.

**2. Underserved Counties Set-Aside:**

- a) Up to \$1,500,000 of the state LIHTC ceiling is initially reserved for developments participating in the Underserved Counties Set-Aside.
- b) To compete in this Set-Aside, development sites must be located in one of the following counties which has not received a new construction LIHTC award in the past four (4) years: Abbeville, Allendale, Barnwell, Calhoun, Cherokee, Chester, Chesterfield, Colleton, Dillon, Edgefield, Fairfield, Hampton, Jasper, Lee, Marion, Marlboro, McCormick, and Union.
- c) Developments eligible to participate in this Set-Aside can be new construction, adaptive reuse or rehabilitation developments having a current vacancy rate of 30% or greater only.

**3. Rehabilitation Set-Aside:**

- a) Up to \$2,100,000 of the state LIHTC ceiling is initially reserved for developments participating in the Rehabilitation Set-Aside.
- b) This Set-Aside is for one hundred percent (100%) rehabilitation developments only. Adaptive Reuse developments will not be allowed in this Set-Aside.
- c) Rehabilitation developments having a current vacancy rate of 30% or greater will not be allowed to participate in the Rehabilitation Set-Aside. These developments must compete in the General or Underserved Counties Set-Aside.

**4. Rural Housing Service (RHS) Set-Aside:**

- a) Up to \$900,000 of the state LIHTC ceiling is initially reserved for the use of eligible RHS developments;
- b) In order to compete within the RHS Set-Aside:
  - i. The development must have been selected for RHS 514, 515, or 516 funding as evidenced by a letter from the RHS State Multifamily Housing Director.
  - ii. The applicant must be qualified to do business in the State of South Carolina, as evidenced by having a status of “Good Standing” with the South Carolina Secretary of State’s Office.

**5. Nonprofit Set-Aside:**

- a) As per Section 42 of the Code, a minimum of ten percent (10%) of the state LIHTC ceiling is reserved for the exclusive use of eligible nonprofit organizations. The Authority will initially reserve up to \$1,600,000 of the state LIHTC ceiling for use in the Nonprofit Set-Aside. Credits awarded to eligible nonprofit organizations from the designated Set-Aside will count toward meeting the minimum ten percent (10%) state ceiling. Should the Authority not award the minimum ten percent (10%) state ceiling then those credits will be carried forward to the next funding cycle.
- b) Eligible nonprofit organizations must meet the following criteria:
  - i. The nonprofit organization(s) must be a tax-exempt organization under Section 501(c)(3) or 501(c)(4) of the Code. A tax-exempt organization is defined as:
    - 1. An entity that has full-time staff whose responsibilities include the development of housing.
    - 2. An entity qualified to do business in the State of South Carolina, as evidenced by having a status of “Good Standing” with the South Carolina Secretary of State’s Office.
  - ii. The nonprofit organization(s) must have among its exempt purposes the development of low-income housing;
  - iii. The nonprofit organization(s) must also meet the requirements for material participation contained in Section 469 of the Code:

1. Each nonprofit must submit a narrative statement, certified by a resolution of the nonprofit's Board of Directors, describing the nonprofit's plan for material participation during the development and compliance period;
  2. The Authority will review the narrative statement to determine whether the participation of the nonprofit in the ongoing operation of the development will be deemed material. Such determination shall be made in the sole discretion of the Authority;
  3. For participation to be deemed material, it must be continuous and ongoing throughout the compliance period;
  4. In the event that the requirement for continuous and ongoing material participation is breached, such breach will be reported to the IRS as noncompliance and the nonprofit and all of its officers and directors shall be permanently debarred;
- iv. If the ownership entity of the development is a limited partnership, the nonprofit organization or the wholly owned single-asset entity subsidiary must own (directly or through the partnership) at least 51% interest in the general partner of the partnership entity in accordance with current laws and IRS regulations throughout the development's compliance period. If the ownership entity of the development is a limited liability company, the nonprofit organization or the wholly owned single-asset entity subsidiary must be the managing member (having similar powers to a GP in a limited partnership) throughout the development's compliance period.
  - v. The nonprofit GP of the limited partnership or its equivalent in a limited liability company may be an association or alliance of eligible nonprofit organization(s) and a for profit organization(s).
  - vi. Fees paid to third party development consultants, evidenced by the cost certification, must not exceed \$35,000. The consultant fee must be for legitimate and necessary consulting services;
  - vii. Only the nonprofit organization(s) that is the GP, or the functional equivalent(s) in an LLC, shall be permitted to exercise substantial and ongoing continuous control over the application submission process and over the subsequently produced development. All functions and responsibilities normally performed or undertaken by a GP must be performed by the nonprofit GP. No LP or other investor shall be permitted to exercise control, either directly or indirectly, over the nonprofit GP or to participate in matters relating to the ownership or operation of the development beyond the degree of participation that is usual and customary for an LP.

### **Combination with Other Authority-Administered Programs:**

**Applicants may apply for HOME funds only when applying for tax credits.**

#### **State HOME Funds**

- a) State HOME funds up to \$7 million will be available in the LIHTC competition;
- b) The maximum state HOME award any one (1) development can request is \$600,000. The award will be available as a deferred loan with a one half percent (1/2%) interest rate and an even term and amortization period of not less than twenty (20) and not more than thirty (30) years. Payment of both principal and interest will be deferred for the term of the loan.
- c) HOME funds will be provided to the set-asides as follows: General- \$3,150,000; Underserved Counties- \$980,000; Rehabilitation- \$1,330,000; RHS- \$490,000 and Nonprofit- \$1,050,000. HOME funds will be awarded in descending point score order by set-aside until the HOME funds are exhausted. A development will be awarded HOME funds only if the HOME amount, as calculated by the Authority, is at least ninety percent (90%) of the unreduced amount that the development would have otherwise received. HOME funds not initially awarded in a Set-Aside will roll to the General Set-Aside. If HOME funds remain after all General Set-Aside awards are made then remaining funds may be applied to developments in the other Set-Asides. The Authority reserves the right to reduce HOME funds requested based on underwriting analysis.
- d) HOME funds are not available to developments that have contracts to receive project based rental assistance from Rural Housing Services (RHS) or the Department of Housing and Urban Development (HUD) for 50% or more of the units.
- e) State HOME funds are a permanent financing source and therefore may not be used during the course of project construction. HOME funds may only be requested once the following criteria has been met:

- i. The project is 100% complete and a certificate of occupancy has been issued by the local City/County officials; and
  - ii. The HOME final inspection has been requested, completed and approved; and
  - iii. The HOME loan has closed and, at a minimum, Authority staff in receipt of a copy of the recorded or clock marked date stamped HOME Mortgage and HOME Restrictive Covenant.
- f) State HOME funds can be applied for and combined with LIHTC proposals only in conjunction with the LIHTC competition. If a HOME award has previously been awarded for the proposed LIHTC development and has not been closed out then the development is not eligible for LIHTC funding. Previously awarded HOME developments that have been closed out can apply only if written approval is given by the Authority's Awards Management Manager and if the development meets the 10-year rule criteria as outlined in Section 42 of the Code;
- g) State HOME funds may be awarded to any LIHTC development if, and only if, at least twenty percent (20%) of the development's total units are rent and income restricted and HOME restricted, based on the fifty percent (50%) Area Median Income. The maximum HOME subsidy per unit cannot exceed the per unit HUD 221(d) limits by bedroom size;
- h) Only one state HOME award will be allocated per development;
- i) LIHTC will not be allocated to any development that applies for state HOME funds but does not receive a state HOME award; and
- j) The Applicant must provide at the Tax Credit Application submission a Phase I Environmental Site Assessment Report prepared by a third party independent licensed environmental professional and addressed to the SC State Housing Finance & Development Authority. For developments with existing buildings, a report must also be included that contains the results from lead-based paint testing. The Phase I ESA must be prepared in accordance with the American Society for Testing and Materials Practice Standards E-1527-05, or as may be amended. If the Phase I indicates that there are environmental issues at the site which will require a Phase II ESA then the applicant must submit not only a Phase I ESA but also a Phase II ESA with the Application submission. The report must be accompanied by a certification from the Applicant stating that any issues raised in the environmental report(s) have been reviewed. HOME funds will not be awarded to developments which require mitigation for hazardous materials, other than lead-based paint and/or asbestos, found on, within, or adjacent to the proposed site.
- k) For the purposes of this section, Applicant(s) means any person associated with the 2015 LIHTC Application and any prior HOME awards. In order to receive a reservation of LIHTC in conjunction with state HOME funds, each of the following provisions are applicable and must be met by the Applicant by February 3, 2015:
  - i. All 2012 and previous state HOME awards must be officially closed out; and
  - ii. All 2013 HOME awards must have a minimum of seventy-five percent (75%) of the funds drawn or seventy-five percent (75%) of the development completed; and
  - iii. The completion percentage for previous HOME awards must be met by February 3, 2015. Written confirmation regarding HOME award completion percentages must be provided with the Tax Credit Application submission from the Awards Management Manager (Form M-47).

### **III. APPLICATION SUBMISSION PROCESS**

#### **Application Submission Procedures:**

**It is required that the Tax Credit Application submission be organized using the Tabs corresponding to Exhibit A-Application Checklist. All documents listed on the Application Checklist, if applicable, are to be submitted.**

1. **Completed Tax Credit Application** – All pages of the Application must be completed and the application certification page executed by the Applicant and a notary public. All required application signatures must be originals. Faxes will not be accepted. The Authority reserves the right to determine whether any omission in the Application or required documentation is material or non-material for purposes of the satisfaction of the criteria. Each Applicant must submit an original in a three ring binder **and** two (2) binder clipped or rubber banded copies of the entire Application package, including all attachments. All pictures/photos submitted as part of the Application package must be in color, including Application

copies. In addition, the Application and all attachments, exhibits, certifications, opinions, etc. must also be submitted on a Flash Drive or CD in PDF format.

2. **Application Submission Fee** - A **\$5,500** fee is due at the time of the Application submittal.
3. **Market Study Review Fee** – A market study review fee of **\$600** is due at the time of the Application submittal. This fee and the Application fee may be submitted as a single check.
4. **Certification for Development Rejection Form** - The Applicant consents to the Authority’s review of its Application to determine whether or not it meets requirements, and agrees that a determination made that an Application fails to meet requirements is final and is not subject to further appeal (**Form 1**).
5. **Rent Roll**- A current rent roll certified by the on-site property manager or a representative of the property management company for all rehabilitation developments must be submitted with the Application.
6. **Utility Allowance**- The applicable utility allowance from the RHS office, the HUD office, the Authority’s statewide utility allowance sheet or other approved utility provider are the only allowances permitted at application submission and must be submitted with the initial tax credit Application. The allowance must be dated within 12 months of the tax credit application submission date. It is understood that once a development places in service and there are tenants residing in the development that have a housing choice voucher, then the applicable utility allowance for use with that tenant would be the local PHA utility allowance.
7. **Relocation Certification and Tenant Profile Form** - Developments must minimize the displacement of low income households.
  - a) Should permanent or temporary displacement occur, a detailed, step by step relocation plan must be furnished with the Application describing how displaced persons will be relocated, including a description of the costs of relocation. The Applicant is responsible for all relocation expenses, which must be included in the project’s development budget. All Applicants applying for acquisition/rehabilitation developments must complete **FORM 3**, Developer Relocation Certification and Tenant Profile Form. Applicants applying for HOME funds must comply with the uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as revised in 49 CFR Part 24;
  - b) Developments involving permanent relocation of tenants are discouraged and will be considered for LIHTC only application submittals. No more than ten percent (10%) of the existing tenants may be permanently displaced. A detailed, step by step relocation plan must be furnished with the Application describing how permanently displaced persons will be relocated, including a description of the costs of relocation. The Applicant is responsible for all relocation expenses, which must be included in the project’s development budget.
8. **Development Narrative** - The Authority requires a description of:
  - a) The current use of the site;
  - b) All development and unit amenities;
  - c) Older person amenities, if applicable;
  - d) Number of units to receive project based rental assistance and the type of assistance;
  - e) Utilities to be used and if tenant or owner will be responsible;
  - f) Proposed supportive services, if applicable;
  - g) Furnishings, if applicable; and
  - h) Identity and proximity of services, including transportation, available to the proposed site and appropriate to its tenant population. Each application must include:
    1. A map identifying the development site and the location of services. Pictures of services must be in color;
    2. Written directions from the site to each service;
    3. The services must be identified by name on the map and in the written directions;
    4. Mileage must be provided from the site to the identified service. Distance should be measured using a computer based mapping system such as Google Maps, or other similar distance calculating systems. All directions must be printed from the mapping system and included in the application for points to be awarded. Distances are subject to Authority verification and GPS verification.

- 9. Site Control Documents** - At the time of Application submission, the Applicant must have site control. The Applicant must show evidence of site control by having one of the following executed documents:
- a) The Applicant holds title to the site on which the development will be constructed by a properly executed and recorded deed. A seller's deed or other proof of ownership is also required for any Quitclaim deeds. The Authority may require a quiet title action be completed prior to placing in service.; or
  - b) The Applicant has an executed purchase option (the Authority will not accept options on other options) with date certain performance; or
  - c) The Applicant has an executed purchase contract with date certain performance; or
  - d) The Applicant has an executed land lease or an executed option on a land lease either of which must be for a term of not less than fifty (50) years in term. Long term leases are not allowed for developments electing to convert to homeownership after fifteen (15) years.
  - e) With the exception of **a)** above, the Applicant must also submit a copy of the current recorded deed or other proof of ownership for the site in order to verify the seller. The Authority may require a quiet title action be completed prior to placing in service.
  - f) For all developments requesting HOME funds the following language **must be** included in any purchase option, purchase contract, or long term lease or included as an executed addendum attached to one of these documents and dated on or before March 1, 2015 , "Notwithstanding any provision of this Agreement, if U.S. Department of Housing and Urban Development (HUD) funds are used, including, but not limited to HOME funds, the parties agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of an environmental review and receipt of a release of funds notice from the U.S. Department of HUD under 24 CFR Part 58. The parties further agree that the provision of any federal funds to the project is conditioned on the determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review. If no HUD funds are utilized in regard to this property, this provision shall be considered null and void."
- 10. Zoning** – The Applicant must provide and have in place at the time of Application submission proper zoning for the proposed site:
- a) For new construction or adaptive reuse developments, evidence that the land use requirements for each site on which the development will be located is currently zoned for or allows for multifamily residential use. All special/conditional uses specific to zoning approval must be approved and completed. A letter provided from the City/County official should verify that the proposed development site currently meets the local zoning or land use restrictions.
  - b) For rehabilitation developments, a letter provided from the City/County official should verify that this type of development, as existing, is allowed by local zoning or land use restrictions.
- 11. Site Suitability Determination and General Site Information** - The Applicant must provide:
- a) **Labeled color photographs** (or color copies) of the proposed development site and all adjacent properties;
  - b) A **map clearly identifying the exact location** of the development site. The site must be marked with survey tape and/or some other identifying material. All corners of the property's boundaries must be marked and the site entrance noted in some distinctive way. In addition, a sign or number marker that clearly identifies the proposed site must be placed on the site and a photograph of the sign or number marker included with the color photographs submitted as part of the Application;
  - c) A **map with directions** to the development site from 300-C Outlet Point Blvd., Columbia, SC, 29210;
  - d) A **site plan/ schematic site plan** that shows how the development is to be built. The plan must show the site boundaries and setbacks, indicate the placement of buildings on the site, parking areas, sidewalks, planned landscaping, amenities (i.e. gazebo/picnic/playground areas), easements for power lines/sewer and water lines/ cable and phone lines/etc, utility locations for water/ sewer/ gas/ electric/ phone and cable, trash dumpsters, buffers, retaining walls, etc.;
  - e) **Preliminary Development Plans** - Plans must include the front, rear and side elevations of the buildings as well as detailed unit floor plans for each bedroom size. Plans must include square footages of each room in the unit as well as the total square footage of the unit itself. Acquisition with

rehabilitation development must provide preliminary plans showing all proposed changes to existing buildings, parking areas, utilities, etc.;

- f) **A Schematic Site Plan/Topography Map Overlay.** A map using the criteria from item (d) above must be provided. The map must clearly identify the site contour lines at twenty (20) foot intervals or less. A bar graph indicating the scale for distance must also be included on the map. The map must also show any existing wetland areas.
- g) The most current **Aerial Photograph**, preferably a Google Earth map, with the location of the site clearly marked. The site location must be in the center of the aerial photograph. The map must also show a ¼, ½, and 1 mile radius circle beyond the development site.
- h) **Water and Sewer Letter-** Written verification by City/County official or the utility service provider indicating that the water and sewer utility tie-ins are accessible and within the specified 350 feet or 351- 500 feet of the proposed site, if claiming points. For existing developments only, a current water/sewer bill may be submitted in lieu of the City/County letter.

NOTE: All required plans and maps must be no larger than 11x17, utilize a scale in which one inch (1”) equals one hundred feet (100’) or less, and fit, neatly folded if necessary, in a 3-ring binder.

- 12. **Phase I Environmental Assessment Report** – The Applicant must provide at Application submission a Phase I Environmental Site Assessment Report prepared by a third party independent licensed environmental professional and addressed to the SC State Housing Finance & Development Authority. For developments with existing buildings, a report must also be included that contains the results from lead-based paint testing. The Phase I ESA must be prepared in accordance with the American Society for Testing and Materials Practice Standards E-1527-05, or as may be amended. If the Phase I indicates that there are environmental issues at the site which will require a Phase II ESA then the applicant must submit not only a Phase I ESA but also a Phase II ESA with the Application submission. The report must be accompanied by a certification from the Applicant stating that any issues raised in the environmental report(s) have been reviewed. HOME funds will not be awarded to developments which require mitigation for hazardous materials found on, within, or adjacent to the proposed site.
- 13. **Market Study** – A third party independent market study, prepared by an Authority approved market analyst, must be submitted with the Application. The market study must adhere to the Authority’s 2015 Market Study Guideline Procedures.
- 14. **Affirmative Fair Housing Marketing Plan-** All properties are required to have an Affirmative Fair Housing Marketing Plan. Applicants that have properties with project based Section 8, HUD Section 236 or USDA rental assistance contracts may submit the current approved Affirmative Fair Housing Marketing Plan. If the current plan is within six (6) months of expiration, you must submit the current plan along with supporting documentation that demonstrates that an updated plan has been submitted to HUD or USDA for renewal. All Applicants must submit an executed Fair Housing Certification form.
- 15. **Appraisals** - The Authority requires appraisals at Application submission for all development proposals.
  - a) Appraisers must be licensed by the South Carolina Real Estate Appraisers Board on a permanent, non-temporary basis.
  - b) Appraisers must identify the Authority as an authorized user of the appraisal, noting that the Authority may rely on the representations made therein. Additionally, the Authority reserves the right to convey a copy of the appraisal to third parties, assigns and pertinent parties involved in the contemplated allocation of tax credits.
  - c) Appraisals must be prepared in conformance with the Uniform Standards of professional Appraisal Practice (USPAP) published by the Appraisal Foundation and with title XI of the Federal Finance Reform, Recovery and Enforcement Act of 1989 (FIRREA).
  - d) Comparable properties must be located in the proposal’s sub-market. If an appraiser chooses comparable properties outside of the sub-market, the appraiser must also include a detailed description of every comparable located closer to the proposal and a list detailing why each was not chosen as a comparable. Regardless, comparable must be located in the proposal’s home county or in extreme instances, an adjacent county.
  - e) If the appraisal does not substantiate the purchase price submitted in the tax credit application the Authority may decrease the amount proposed in the application to match the appraised value.

Developments not meeting minimum underwriting requirements or found to be financially infeasible as a result of this reduction will be disqualified.

- f) The land value and building(s) value will be appraised “as is” and reported separately. No valuations can be less than the tax assessor’s valuation. **NOTE:** The appraiser should defend or dismiss the assessor’s split (in value) between the land and building(s).
- g) “Land Only” Value - land should be valued without regard to any improvements/restrictions. This value should be based on similar land sales in the sub-market or the value of the “land only” of improved sales in the sub-market.
- h) As-Is Building Value -
  - i. **Market:** as if market rents are in place; the appraiser will not consider the unique aspects of below-market financing, federal subsidies and/or low-income tax credits in this value estimate.
  - ii. **Restricted:** based on current restricted rents (not post rehab); the appraiser will consider the unique aspects of below-market financing, federal subsidies and/or low-income tax credits in this value estimate.
- i) For Rural Development funded developments only, the values for “As-Is, Restricted Rents” and “Interest Credit Subsidy” will be added together to arrive at the appraised value. If a property’s acquisition price exceeds the appraised value using this method, the purchase price will be written down to the appraised value. If the purchase price includes acquired reserves (cash), the reserves should be deducted from the purchase price before the comparison to appraised value.
- j) If the Authority deems the appraised value of a proposal to be unusual or excessive, a separate appraiser will be hired by the Authority, at the applicant’s expense, to prepare a second appraisal.

**16. Physical Needs Assessment Report (PNA)** - A PNA report prepared and certified by a third party independent licensed engineer or architect is required for rehabilitation developments. The PNA report must not be dated prior to September 1, 2014.

- a) The Authority requires a minimum of \$20,000 per unit in hard construction costs with at least fifty percent (50%) of the hard construction costs attributed to interior unit costs. If the PNA report represents needed repairs in excess of \$20,000 per unit, then the application must reflect the higher rehabilitation costs. Developments that do not reflect at least \$20,000 per unit in hard construction costs will be disqualified for LIHTC funding consideration.
- b) The PNA report must state that one hundred percent (100%) of the units were inspected and provide information unit by unit. **If the PNA report does not reflect that one hundred percent (100%) of the units were inspected then the proposed development will be eliminated from further funding consideration.**
- c) All rehabilitation developments must adhere to mandatory design criteria as outlined in the QAP. Any mandatory items replaced on or after January 1, 2008 are not required to be replaced as part of the rehabilitation. The PNA report must include a unit by unit listing of all mandatory items replaced on or after January 1, 2008.
- d) The report must include a comprehensive list of the immediate necessary repairs and their costs. Additionally, the remaining “useful life” of major systems including the HVAC and roofing must be estimated. Major systems that have been replaced within the past seven (7) years are not allowable rehabilitation expenditure items for meeting the \$20,000 in hard construction costs per unit requirement.
- e) All appliances seven (7) years and older, to include range, refrigerator, dishwasher, and hot water heater, must be replaced.
- f) The PNA report must also address the overall structural integrity of each existing building(s).
- g) Developments applying in the RHS set-aside may submit the rehabilitation assessment utilized by RHS. The assessment must not be dated prior to September 1, 2014.
- h) **Exhibit R** must be submitted with the PNA report. The hard construction costs per unit indicated on page 11 of the Tax Credit Application must be greater than or equal to the hard construction costs indicated on **Exhibit R**.
- i) Adaptive reuse developments are not required to submit a PNA report.

17. **Parking Space Criteria** – Parking areas must be located on the development site. In localities that do not have their own parking space regulatory code/requirement, the Authority requires that the development provide adequate parking spaces. If tenants are required to pay for parking, those charges must be included in the rental fees and are subject to the LIHTC allowable rent limitations. The minimum number of parking spaces is as follows (again, only in those localities that **DO NOT** have their own regulatory code/requirements):
  - a) For older persons developments – a minimum of one-half (.5) parking space per unit is required;
  - b) For a homeless/transitional development – a minimum of one (1) parking space per every ten (10) beds is required in addition to sufficient parking for all development staff;
  - c) For all other developments, for each unit of three (3) or more bedrooms – a minimum of two (2) parking spaces per unit is required; for each unit of two (2) or fewer bedrooms – a minimum of one and one-half (1.5) parking spaces per unit is required;
  - d) Existing properties being submitted for acquisition or rehabilitation are not required to increase existing parking as stated in (a), (b) or (c) above.
18. **Community Revitalization Plan Areas (CRP)** – Required for tie break purposes only. Refer to Section IV Tie Breaker Criteria in the 2015 and 2016 QAP.
19. **Qualified Census Tract (QCT) Verification** – Applicants must provide written verification from the City/County official that the proposed site is located within a federally designated QCT.
20. **Opinions, Certifications and Exhibits** – All opinions, certifications and exhibits submitted by attorneys, the Applicant, or other professionals must be based on an independent investigation into the facts and circumstances surrounding the proposed development. All opinions, certifications, and exhibits must be in the form specified by the Authority. **Applications will be disqualified if an opinion, certification, or exhibit has been materially altered, amended, or changed.** All opinions and certifications submitted by attorneys, architects and/or engineers, and certified public accountants (CPAs) must be on letterhead with original signatures. Changes in professionals hired by the Applicant, i.e. attorneys, architects, and certified public accountants, are permissible; however, the new professionals must adhere to the original certifications made by previous professionals.
21. **Third Party Professionals** -Architects, engineers and certified public accountants must be independent third-party professionals and be licensed to practice their professions in South Carolina. Attorneys must be independent third-party professionals and be licensed to practice law by any state. Matters of South Carolina law must be opined on by South Carolina licensed attorneys.

## Application Review:

### 1. **Internal Completeness Review**

- a) Applications will be reviewed for completeness after the submittal deadline. It is the Applicant's responsibility to submit all required documentation. Applicants will be notified in writing of any documents that are missing and/or incomplete and given seven (7) business days to submit those documents. The Authority will make the final determination if applications are complete. The Authority has the right to request clarification or additional information if it deems necessary;
- b) Applications may not have missing **threshold** documents at the time of application submission. Applications with missing **threshold** documents will be disqualified.
- c) Applications with three (3) or fewer missing and/or incomplete documents will be assessed a \$2,000 administrative fee. If any missing and/or incomplete documents to be resubmitted are not received by the seven (7) business day deadline, the Application will be disqualified;
- d) If an Application has four (4) or more missing and/or incomplete documents the Application will be disqualified;
- e) Any document(s) determined to be missing and/or incomplete and are identified as document(s) needed for points consideration may be accepted but the Applicant will not receive points;
- f) Authority staff will review and point score all Applications. Final point scores will be posted to the Authority's website.

- g) If there is a tie between developments when final point scores are determined, the Authority will utilize the Tie Breaker Criteria outlined in Section IV of the 2015 and 2016 QAP to determine the development(s) to be awarded tax credits.
- h) Applications that do not score high enough to receive an award will be placed on a waiting list for consideration should additional tax credits become available.

## **2. Site Review**

- a) Authority staff or contract consultant(s) will conduct evaluations for each Application site. A review will determine if there are (1) detrimental site characteristics on or near the proposed development and (2) positive site characteristics. If the Authority determines detrimental site characteristics exist on, adjacent to, or within unallowable distances from the site, the Authority may reject the application.
- b) All sites will receive a point score based on positive and detrimental site characteristics.

It is the objective of the Authority to select the best available sites for those developments best satisfying the general purpose and guidelines of this LIHTC Manual and the QAP. The determination of detrimental site characteristics should not be construed as a finding that a site is not a buildable site under any circumstances.

## **3. Market Study Review**

Submitted market studies must conform to the requirements in the Authority's 2015 Market Study Guideline Procedures, contain an Exhibit S-2 form, and a 2015 S-2 Rent Calculation Worksheet. Market analysts must adhere to Market Study Terminology as sanctioned by the National Council of Affordable Housing Market Analysts. The Market Study terminology list is available at: [www.housingonline.com](http://www.housingonline.com). The Authority will engage a third party market analyst to review all market studies submitted with a Tax Credit Application. The Authority's third party market analyst will review each study to ensure that Authority procedures were followed. The Authority's third party market analyst will have at least six (6) weeks to review all submitted market studies. A report for each submitted market study will be prepared noting any deficiencies found in the market study. The report will be provided to both the analyst that prepared the market study, the Applicant, and the Authority. All deficiencies noted in the market study report must be addressed to the satisfaction of the Authority's third party market analyst and Authority staff. The Authority will consider the market study, the market, marketability factors, and any additional information available to determine if an acceptable market exists for a development as proposed. The Authority is not bound by the conclusions or recommendations of the market study submitted with an Application and reserves the right to disqualify any Application in the competition if it determines an acceptable market does not exist.

## **IV. FINANCIAL UNDERWRITING STANDARDS**

### **Memorandum of Understanding:**

On March 1, 2012, a Memorandum of Understanding (MOU) between the South Carolina State Housing Finance and Development Authority (SCSHFDA) and the United States Department of Housing and Urban Development-Regional Administrator's Office (HUD Regional) and the United States Department of Agriculture, Rural Housing Service (RHS) was executed. The MOU outlines the respective roles and responsibilities for Subsidy Layering Reviews (SLRs) related to affordable housing proposals to be developed and financed within the State of South Carolina. The MOU describes the work, conditions, circumstances, and procedures under which all parties will conduct SLRs when involved in the development process for reviewing proposals requesting low income housing tax credits. Information provided by Applicants in their application submission for tax credits and seeking funding through HUD or RHS will be reviewed and information shared with the other funding partners, as outlined in the MOU.

## **Basic Financial Feasibility Review:**

1. Section 42(m)(2)(A) of the Code provides that “The housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing development throughout the credit period.” **In determining financial feasibility, the Authority will disregard all personal or other guarantees that are required to supply deficiencies in income necessary to pay debt service and operating expenses of the development. Developments that are not financially feasible without such guarantees will not be offered a LIHTC award.**
2. Developments determined not to be financially feasible or determined not to need the LIHTC will be disqualified.
3. To receive an allocation, a development must be underwritten to determine the least amount of credit necessary to be financially feasible at the following times:
  - a) When the initial Application is made; and
  - b) When the Carryover Allocation is requested; and
  - c) When the last building is Placed-In-Service.
4. All financial underwriting standards will be applied to all developments from the initial application submission through the issuance of 8609s.

## **Financial Characteristics:**

Development income information on any market rate and low income units must be provided. Market rate units are units that are not income or rent restricted and are available without regard to tenant income. The low-income units are units subject to the income and rent restrictions of the Code. The Applicant must indicate all federal, state, or local subsidies that will be providing any type of assistance for the low-income tenants.

In determining maximum allowable gross rent and utility allowances for LIHTC units, the use of an imputed income based on the number of bedrooms in a unit is required by the provisions of the Code. Units with no separate bedroom are treated as being occupied by one (1) person and larger units are treated as being occupied by one and one-half (1.5) persons per separate bedroom.

0 Bedroom Unit = 1.0 person income  
1 Bedroom Unit = 1.5 person income  
2 Bedroom Unit = 3.0 person income  
3 Bedroom Unit = 4.5 person income  
4 Bedroom Unit = 6.0 person income

Maximum annual gross rents cannot exceed thirty percent (30%) of the imputed income. Gross rent does not include any payment under Section 8 of the U. S. Housing Act of 1937, or any comparable rental assistance program with respect to such unit or the occupants. Gross rent must include an allowance for any utilities paid by the tenant.

The Revenue Reconciliation Act of 1993 requires the housing credit agency to consider the reasonableness and appropriateness of development costs and operating expenses. In making this determination, the housing credit agency must consider: (1) the sources and uses of funds and the total financial structure of the development; (2) any proceeds expected to be generated by the syndication of the tax credit; and (3) the percentage of the housing credit dollar amount to be used for development costs other than intermediary costs.

Certain fees are considered to be intermediary costs. The term "intermediary" has not been defined in the Code, and the IRS has not issued regulations concerning this provision. Until such regulations are promulgated, the Authority has defined intermediary costs as all costs other than "land, sticks, and bricks." For evaluating the reasonableness of certain fees and overhead items represented for tax credit basis purposes, additional documentation as to the nature and amount of intermediary costs may be required. The Authority reserves the

right to question any fees which are unidentified, unusual or excessive and to limit these fees and overhead items, based on the development size and other associated risk factors. A tax attorney or consultant is recommended to aid in determining which development costs are included in eligible basis under the Code.

The development costs are evaluated for reasonableness, necessity, and eligibility. Cost comparisons with previous development cost certifications and other third party data may be performed for comparability and reasonableness. Acquisition and/or rehabilitation development costs will be evaluated to assess whether the proposed rehabilitation is required and satisfies the PNA. The Authority reserves the right to inspect proposed rehabilitation developments before a reservation is offered.

Applicants are cautioned to be accurate in providing development cost information. Underestimating could result in insufficient tax credits being available to successfully complete the development while overestimating could result in a development being considered infeasible. **Increases in development costs due to cost overruns will not result in an increase in the allocated tax credit.**

### **Utility Allowances:**

Any utility services paid for by the tenant must be considered in the calculation of tenant-paid rent. An allowance for tenant-paid utilities is deducted from the maximum allowable monthly gross rent to determine the maximum allowable monthly net rent; the proposed tenant rent may not exceed the maximum allowable monthly net rent. Any services paid for by the owner should not be included in the utility allowance.

1. **Sources:** Applicants may submit utility allowances only from those sources approved by the Authority. The Authority will accept utility allowances at the initial application submission provided by the following:
  - a) Rural Housing Service (RHS) but only for those developments financed by and receiving rental assistance from RHS. A copy of the RHS approved utility allowance must be provided;
  - b) HUD Regulated Buildings with 100% project based rental subsidies where the rents and utility allowances are reviewed by HUD each year. A copy of the current approved HUD allowance for the development must be provided;
  - c) HUD Utility Schedule Model. All utility allowance calculations on the Excel Spreadsheets as part of the HUD Utility Schedule Model must be provided. The Authority reserves the right to review all backup data used for calculations;
  - d) Third party certified utility company estimates **only if** that utility company will be directly providing services to the development; **or**
  - e) The S.C. State Housing Finance and Development Authority's statewide utility allowance calculation.

The Authority will not accept utility allowances determined by any other sources, including engineers, consultants, and applicants/developers at the initial application submission.

Once a development places in service and there are tenants residing in the development that have a housing choice voucher, it is understood that the applicable utility allowance for use with that tenant would be the local PHA utility allowance.

2. **Mandatory Services:** Utility services which must be provided to all tenants are heating, air conditioning, cooking, lighting and/or other electric, hot water, water and sewer, and trash collection. Air conditioning must be separately identified in the allowance calculation.
3. **Other Charges:** The utility allowance must include an amount for the cost of any service paid for by the tenant. In addition the allowance must include any charges imposed by the utility provider for access or connection, such as electric or natural gas facilities fees. Charges for services must accurately reflect any surcharges based on the location of the development, such as higher water and sewer fees for sites outside the city limits. Charges for specific appliances, such as ranges and refrigerators, should be included in the allowance only if the tenant must supply the appliance(s).

- 4. Calculation:** The utility allowance is computed by first adding the exact amount of each individual utility service (e.g., heating, cooking) for each bedroom size, without rounding. The resulting total utility allowance for each bedroom size is then rounded upward to the next whole dollar if it contains any fraction of a dollar (i.e., .01-.99). See Exhibit U for an example of a completed utility allowance schedule.

#### **Authority Designated Difficult Development Areas (DDAs):**

As outlined in H.R. 3221, the Housing and Economic Recovery Act of 2008, the Authority must establish criteria for determining which areas will be treated as Difficult Development Areas (DDAs) and which projects will be eligible to receive additional tax credits up to 130%. Developments utilizing tax exempt bonds are not eligible for this basis boost. The DDA criteria established by the Authority are separate from the federally designated DDA areas. Developments meeting any of the following criteria are eligible to receive a basis boost of up to 130%.

- a) If any part of the proposed site is in a federally designated Qualified Census Tract (QCT), the Authority will treat the entire site as a DDA area and allow the basis boost to all building(s) in the development; or
- b) Developments that are 100% elderly (62 years and older); or
- c) Developments that are 100% special needs; or
- d) Development that are targeted for older persons or families.

#### **Underwriting Standards:**

1. **Operating Reserves** - Developments receiving loan funds from RHS may satisfy the operating reserve requirement of the LIHTC program by establishing and maintaining the operating and maintenance capital reserve account and by maintaining this account as required by RHS. Developments not subject to the RHS reserve requirements must establish and maintain minimum operating reserves equal to six (6) months of projected operating expenses, six (6) months of the Authority's required replacement reserves, six (6) months of must-pay debt service and any additional reserves required by the syndicator and verified in writing. The reserve must be funded at the time the development places in service and prior to issuance of 8609s and must be maintained throughout the compliance period at the required level as required by the syndicator.
2. **Replacement Reserves** – Applicants are required to establish and maintain minimum replacement reserves throughout the compliance period. Minimum replacement reserves are \$250 per unit annually for all new construction and for rehabilitation developments serving older persons (aged 55 and up), and \$300 per unit annually for all other rehabilitation developments. Any additional reserves must be required by the syndicator and verified in writing, and are limited to 50% of the Authority's requirement. The reserves must be funded at the time the development places in service and must be reflected in the development's annual audited financial statements. The Authority must grant prior approval to any use of Replacement Reserves. Applicants must submit satisfactory documentation to justify the expenditure(s) to the Authority's Development Director. Approvals will be completed within five (5) business days of receipt. If Authority approval is not received within the specified timeframe, the Replacement Reserve request is automatically granted.

Replacement reserves must be funded with annual deposits from operational cash flow, as shown on the Authority's development pro forma expense statement, during the initial fifteen (15) years. No pre-funded reserves may be used to satisfy the initial fifteen (15) year operational cash flow requirement.

3. **Developer Fees, Developer Overhead, and Consultant Fees (the "Fees")** - In evaluating the reasonableness of Fees the Authority has established limits as follows:
  - a) **New Construction** – The sum of **Fees** may not exceed fifteen percent (**15 %**) of Adjusted Development Costs\*.
  - b) **Rehabilitation without a change in ownership** – The sum of **Fees** may not exceed fifteen percent (**15%**) of Adjusted Development Costs\*.
  - c) **Acquisition with rehabilitation**

- i. Acquisition** - For acquisition with rehabilitation developments, **Fees** allowed on the acquisition costs are limited as follows:
  - 1. Acquisition costs up to \$500,000** – Fees may not exceed eight percent (8%) of Adjusted Development Costs\*.
  - 2. Acquisition costs from \$500,001 to \$1,000,000** – Fees may not exceed the **greater of \$40,000** or seven percent (7%) of Adjusted Development Costs\*.
  - 3. Acquisition costs from \$1,000,001 to \$1,500,000** - Fees may not exceed the **greater of \$70,000** or six percent (6%) of Adjusted Development Costs\*.
  - 4. Acquisition costs greater than \$1,500,000** – Fees may not exceed the **greater of \$90,000** or five percent (5%) of Adjusted Development Costs\*.
  - 5. Acquisition cost limit** - Fees on acquisition costs are capped at a **maximum of \$150,000**.
- ii. Rehabilitation** – Fees on rehabilitation costs may not exceed fifteen percent (15%) of Adjusted Development Costs\*.

|                                    |   |                                      |         |
|------------------------------------|---|--------------------------------------|---------|
| <b>*Adjusted Development Costs</b> | = | Total Development Costs (Line 51)    | _____   |
|                                    |   | Less Land (Line 1)                   | - _____ |
|                                    |   | Less Consulting Fees (Line 20)       | - _____ |
|                                    |   | Less Developer Fees (Line 45)        | - _____ |
|                                    |   | Less Developer Overhead (Line 46)    | - _____ |
|                                    |   | Less Other Developer Costs (Line 47) | - _____ |
|                                    |   | Less Excess Reserves (Lines 48-50)   | - _____ |

The Authority defines Excess Reserves as reserves, regardless of description, greater than the sum of six (6) months of projected operating expenses plus six (6) months of must pay debt service plus six (6) months of the Authority’s required replacement reserves.

Line numbers refer to page 10 in the Tax Credit Application, the 10% Expenditure Test Application, and Placed In Service Application.

- 4. Deferred Developer Fees** - Developer fees can be deferred to cover a gap in funding sources when:
  - a) The entire amount will be paid pursuant to the standards required by the Code to stay in basis.
  - b) The deferred portion does not exceed fifty percent (50%), at initial tax credit application submission, of the total amount in the application.
  - c) Payment projections do not jeopardize the operation of the development.
  - d) Nonprofit organizations must include a resolution from the Board of Directors authorizing a deferred payment obligation from the development.
  - e) Applicants must include with the application a statement describing the terms of the deferred repayment obligation, including any interest rate charged and the source of repayment.
  - f) The Authority will require a Note evidencing the principal amount and terms of repayment of any deferred repayment obligation to be submitted at the time of the PIS cost certification.
- 5. Contractor Cost Limits** - The combined total of Contractor Profit, Overhead, and General Requirements (the “Contractor Fees”) shall be limited to fourteen percent (14%) of Hard Construction Costs. The restrictions on Contractor Fees are the following:

|                                 |  |
|---------------------------------|--|
| Contractor Profit and Overhead: | may not exceed <b>8%</b> of Hard Construction Costs  |
| <u>General Requirements:</u>    | may not exceed <b>6%</b> of Hard Construction Costs  |
| Total Contractor Fees:          | may not exceed <b>14%</b> of Hard Construction Costs |

If there is an identity of interest between the Applicant and contractor, as defined in the LIHTC Manual, the Authority, at its sole discretion, may require an additional cost certification with the PIS application of the construction costs. The Applicant will select the CPA and be responsible for any associated accounting fees.

**\*\*\*Hard Construction Costs** are limited to the following line items from the development cost budget in the Application:

- Line 3 – Demolition
- Line 5 – On Site Improvement
- Line 6 – Off Site Improvement
- Line 7 – Other (Site Work)
- Line 8 – New Building
- Line 9 – Rehabilitation
- Line 10 – Accessory Building
- Line 15 – Contractor Contingency

For new construction developments, the contractor contingency may not exceed five percent (5%) of hard construction costs. For rehabilitation and adaptive reuse developments, the contractor contingency may not exceed ten percent (10%) of hard construction costs.

**6. Annual Operating Expenses (AOE)**

- a) Amounts submitted must be in whole dollars. Cents will be rounded by standard convention.
- b) Applicants must provide a detailed explanation of the methodology used in determining AOE.
- c) AOE must be projected in a range from a minimum of \$3,200 to a maximum of \$4,200 per unit.
- d) AOE per unit are to be calculated excluding reserves.
- e) The Authority may, in its sole discretion, consider and approve AOE outside of this range. The Applicant must present support for those expenses and provide evidence supporting the higher amount (e.g., insurance for coastal properties). Owner-paid utilities, other than water, sewer, and trash, will also be considered.

- 7. Development Cost Review** – The Authority will utilize a construction cost consultant to render an opinion on the development cost projections for proposals considered for funding. Applicants will be required to provide detailed cost information to substantiate the projected costs. Should the construction cost consultant require additional information to render an opinion, applicants will be given seven (7) business days to provide the additional information. If the additional information is not received within seven (7) business day, the application will be disqualified. If the construction cost consultant determines that the projected costs cannot be substantiated or determines that the project's costs are not reasonable for an affordable housing development, then the development will be eliminated from the tax credit competition. See the 2015 and 2016 QAP for maximum Total Development costs per unit and maximum tax credits per unit.

**8. Debt Coverage Ratio (DCR)**

- a) LIHTC dollars will not be reserved or allocated to developments that are not made financially feasible by the credit or which are financially feasible without the credit. The development's first year DCR must be within the range of **1.20 to 1.45**. The development must maintain not less than a 1.0 DCR throughout the 15 year compliance period.
- b) The DCR is calculated as Net Operating Income (NOI) divided by the annual debt service. For this purpose, NOI is the income remaining after subtracting Operating Expenses and Replacement Reserves from the Effective Gross Income (EGI).
- c) For the purpose of determining the appropriate amount of tax credits to be allocated to a development, the Authority assumes that each development will bear the maximum level of permanent debt. **When calculating the tax credit amount, the Authority will limit the maximum DCR to 1.45. A proposed development may exceed the 1.45 maximum DCR for financial feasibility purposes, but when calculating the credit to be allocated, the Authority will limit the DCR to 1.45. In the event that the development DCR, as submitted, is greater than 1.45, the Authority will increase debt based on the terms submitted in the application in order to reduce the DCR to 1.45 for the calculation of the credit amount. This increase in debt will be included in the equity gap calculation.**

- d) The maximum DCR of 1.45 restriction will be waived if the initial projected annual Cash Flow/Unit (CFU) does not exceed nine hundred dollars (\$900). CFU is calculated by subtracting annual debt service from the NOI and dividing this result by the number of units that will be rented to tenants. In the event that the development DCR, as submitted, is greater than 1.45 and the development CFU, as submitted, is greater than \$900, the Authority will increase debt based upon the terms submitted in the application in order to reduce the DCR to 1.45 or the CFU to \$900, whichever is met first, for calculation of the credit amount. This increase in debt will be included in the equity gap calculation.

**9. Expense Coverage Ratio (ECR)**

- a) For developments whose funding sources do not include repayable debt, financial feasibility will be measured by the Expense Coverage Ratio (ECR). The development's initial ECR must be a minimum of **1.20**. Development utilizing the ECR may not have an initial projected annual cash flow per unit in excess of \$900.
- b) The ECR is calculated as Effective Gross Income (EGI) divided by the sum of Annual Operating Expenses (AOE) plus Replacement Reserves.
- c) For the purpose of determining the appropriate amount of tax credits to be allocated to a development, the Authority assumes that each development will bear a reasonable level of permanent debt if it is feasible for the development to do so. If it is determined in the Authority's underwriting analysis that a proposed development can bear a level of permanent debt, then debt will be imputed at current rates and the debt coverage ratio (DCR) rules identified in 8 a) through 8 d) above will apply.

**10. Funding Sources**

- a) Applicants receiving "soft loans" (e.g., AHP, Deferred Developer Fees, etc.) must adequately explain in their applications the repayment terms of these loans.
- b) Income that is projected to be generated by a property during the construction or rent up period may not be used as a funding source in the proposal for low-income housing tax credits. Examples of this are "rent-up cash flow" and interest earnings.
- c) As per HUD guidelines for the HOME program, those Applicants requesting HOME funds as part of the development's financial structure must have executed commitments for all funding sources represented in the tax credit application or the development will not be eligible for HOME funding.

**11. Permanent Financing**

A letter of intent is required for all permanent financing sources. The Authority will underwrite the first mortgage debt at the lesser of six and a half percent (6½%) or the rate provided in the lender letter.. The letter must clearly state the term of the permanent loan, the amortization period, how the interest rate will be indexed, the current rate at the time of the letter, the anticipated principal amount of the loan, and the lien position. All permanent loans must have a term of at least eighteen (18) years. No balloon payment may be due prior to eighteen (18) years after conversion to permanent loan. All permanent loans are required to amortize so that debt service on such loans is paid in equal installments over a period of twenty (20) years or longer. Any permanent loan represented as having an amortization period less than twenty (20) years will be underwritten by Authority staff with a minimum twenty (20) year amortization with 240 equal monthly debt service payments. Should a proposal fail to meet other underwriting guidelines resulting from projecting a minimum twenty (20) year amortization, the proposal may be disqualified. All cash flow loans will be considered additional deferred developer fee and will be included for purposes of the 50% deferral limit.

**12. Annual Rent, Expense Trends and Vacancy Rates**

- a) Development rents will be trended upward at a two percent (2%) annual increase.
- b) Operating expenses will be trended upward at a three percent (3%) annual increase.
- c) For the vacancy rate, the Authority will utilize the greater of seven percent (7%) or the vacancy rate represented in the market study for the primary market area.

- d) The pro-forma financial statements must substantiate that the development will maintain a positive cash flow after paying annual expenses and replacement reserve from operations for the initial fifteen (15) year period. A fifteen (15) year pro-forma must be submitted with the application.
- 13. Other Income**  
Projected income from services or charges other than monthly rental of dwelling units must be clearly specified with type and amount of income identified in detail in the application for tax credits. Other Income projections may not exceed three percent (3%) of the total potential annual rent. For this purpose, total potential annual rent will be defined as the sum of all rents to be collected assuming one hundred percent (100%) occupancy at the proposed tenant rents as represented in the application for tax credits.
- 14. Brokering / Reselling of Services to Tenants**  
Revenue and expenses resulting from acting as a broker or reseller of services to tenants **may not be included** in a proposal for low-income housing tax credits. Examples include, but are not limited to, the brokering or purchase and resale of cable, satellite, and/or internet service to tenants. These activities are not prohibited as long as they are in compliance with IRC Section 42, but income projected to be generated from such endeavors will be excluded when performing the Authority's underwriting analysis.
- 15. Minimum Hard Cost Requirement** - The Authority requires a minimum hard cost ratio of not less than sixty-five percent (**65%**) of total development costs.

*Hard Costs* are the following line items on the development cost budget in the Application:

- Line 1 – Land
- Line 2 – Existing Structure
- Line 3 – Demolition
- Line 4 – Other (Land & Buildings)
- Line 5 – On Site Improvement
- Line 6 – Off Site Improvement
- Line 7 – Other (Site Work)
- Line 8 – New Building
- Line 9 – Rehabilitation
- Line 10 – Accessory Building
- Line 15 – Contractor Contingency

Although the total of soft costs can be up to thirty-five percent (35%) of total developments costs, the Authority and its third party cost consultant will review soft cost budget items to ensure that these costs are within reasonable and acceptable ranges based on current industry standards. If costs are determined to be too high or too low, an explanation of how the costs were determined will be requested. Depending on further review of the explanation, costs may be adjusted as deemed necessary.

**16. Rent Allowance Increases for Project Based Rental Developments**

Developments with HUD approved HAP contracts or RHS approved RA contracts will be allowed to increase the current HAP and RA contract rents by up to ten percent (10%) over the current approved HAP and RA contract rents in effect at the time of the tax credit application submission. The market study submitted with the application must support the increased rents. At the submission of a placed in service application, a new HAP or RA contract must be submitted or an approval letter from the Columbia HUD or Columbia RHS Office approving the placed in service rents.

**Syndication Information:**

If the information as to the syndication value is unusual, the Authority in its sole discretion may assign a value based on existing market information. If any elements of the syndication proposal are unusual, the Applicant must provide an explanation. The Authority will underwrite using a LOI syndication floor rate of not less than 85 cents.

**Determination of Credit Award:**

**1. Equity Gap Calculation:**

Equity gap is defined as total development costs minus the total of all non-LIHTC sources of funds (i.e., the development costs not covered by debt financing, grants, etc.). The Authority will impute debt for owner financed developments. **When calculating the tax credit amount to be awarded/allocated, the Authority will limit the maximum DCR to 1.45. In the event that the DCR for the proposal submitted is greater than 1.45, the Authority will increase debt based on the terms stated in the application in order to reduce the DCR to 1.45 for the purpose of calculating the tax credit. This increase in the debt amount will be utilized in the equity gap calculation.** The tax credit amount is calculated so that, over ten years, the allocation equals the excess development costs, thereby "closing" the equity gap. If credits are syndicated, only a portion of the ten (10) year allocation amount is returned to the developer as equity. The rest is used to cover the Syndicator's expenses and reserve requirements. The equity factor is the percentage of the ten (10) year credit returned to the development owner in the form of equity.

A certified statement from the Syndicator or private placement entity identifying the syndication factor per tax credit dollar and the amount of syndication proceeds is required when available, but not later than the PIS date. The equity gap is calculated as follows:

|                                 |            |
|---------------------------------|------------|
| Total Development Cost          | _____      |
| Less:                           |            |
| Total Sources of Funds*         | (_____)    |
| Equity Gap                      | _____      |
| Divide by 10 Year Credit Period | ÷ 10 _____ |
| Annual Tax Credit Required      | _____      |
| Divide by Syndication Value     | _____      |
| Returned Per Tax Credit Dollar  | ÷ _____    |
| Annual Credit Amount            | _____      |

\* For the purpose of the equity gap calculation, a developer fee note will not be considered as a source of funding.

**2. Maximum Credit Allowable:**

The amount of the tax credit awarded will be limited to the amount necessary to fill the equity gap but cannot exceed the amount determined using the applicable percentage set monthly by the Secretary of the Treasury.

|                                     |           |
|-------------------------------------|-----------|
| Total Qualified Basis               | _____     |
| Multiplied by Applicable Percentage | _x_____ % |
| Maximum Annual Credit Amount        | _____     |

The actual amount of the credit for the development is determined by the Authority.

If the development is eligible for historic tax credits, include a detailed narrative description of the calculation of eligible basis for the historic credit and other information critical to the successful combination of the two (2) tax credit programs.

## **V. RESERVATION/CARRY-OVER ALLOCATION PROCEDURES**

### **Notification of Reservation Award:**

**Reservation Certificate** – Reservation Certificates will be sent to Applicants for those developments in order of highest to lowest point score until tax credits have been exhausted. To acknowledge acceptance of the reservation of tax credits, Applicants must execute and return the Reservation Certificates. Once all Reservation Certificates have been executed and returned, the LIHTC Awards List will be released and posted on the Authority’s website: [www.schousing.com](http://www.schousing.com) . The date of the Reservation Certificate is the “Reservation Date.”

Under Section 42(b)(2)(A), only developments receiving an allocation of credits by December 31, 2013 are eligible for the flat 9% credit rate.

The amount of tax credits reserved for the 2015 tax credit funding cycle will be calculated based on the **greater of** the tax credit applicable percentage (%) in effect for the month of credit reservation or the applicable percentage (%) in effect for the month of the initial Tax Credit Application submission.

Applicants who receive a reservation of tax credits will be notified of the dollar amount of tax credits preliminarily reserved and the Reservation Fee which must be submitted to the Authority. Applicants have ten (10) business days from the date of the notification letter to submit fees and the executed original Reservation Certificate. Upon receipt of the Reservation Fee, Construction Inspection Fees, and the executed Reservation Certificate, the Authority will execute the Reservation Certificate and forward a copy to the Applicant.

### **Reservation Certificate Conditions:**

**Reservations of LIHTCs are not transferable.** Any changes in GP, partnership, or individual, etc., listed as the "owner" entity on the initial Application will result in cancellation of the reservation of tax credits. A non-refundable Reservation Fee will be charged in an amount equal to ten percent (10%) of the annual LIHTC amount reserved for the development. Applicants must strictly comply with the following reservation conditions:

1. Developments may, because of the limited supply of credit dollars, be offered reservations in an amount less than the maximum amount for which it would otherwise qualify. Additional LIHTC amounts that may become available for reallocation will be reserved only upon payment of a Reservation Fee equal to ten percent (10%) of the additional amount awarded.
2. Developments will be subject to four (4) construction inspections by an independent third party consultant during the course of construction. This includes three inspections during the construction phase and a final inspection. In addition, all development plans and specifications will be reviewed for compliance with Exhibit G criteria, for which points were taken, as well as ADA compliance. The Authority’s fee schedule for these reviews are as follows:
  - a) Construction inspection fee \$750.00 per inspection; and
  - b) Plan and specification review \$1,750.00.

A total of \$4,750.00 to cover these reviews is due at the time the executed Reservation Certificate is returned.

3. Developments seeking a Placed-In-Service (PIS) allocation the year in which the reservation was made must submit a PIS application on or before the second Monday in December not later than 5:00 p.m. (EST).
4. Developments with a reservation of LIHTC that will PIS after December 31 of the year in which the reservation was issued must submit an Application for a Carryover Allocation to the Authority no later than the date specified in the Reservation Certificate.
5. Issuance of additional regulations by the IRS may change the amounts and terms of the Reservation Certificate, or may cause it to be revoked in order to comply with such regulations.
6. Failure to meet any of the above conditions will render the Reservation Certificate null and void.
7. Any untimely submission of documentation referenced in the Reservation Certificate will result in its cancellation.

### **Carryover Allocation Procedure:**

Applicants receiving a Reservation Certificate will be notified of the requirements to apply for an **allocation** of tax credits at the time of the reservation.

Issuance of a Reservation Certificate does not guarantee that the development will be the recipient of an allocation of LIHTC, nor does it guarantee that, if the development becomes the recipient of an allocation of LIHTC, such credit will be in the amount stated in the Reservation Certificate. All allocations will be determined by the Authority. The Authority reserves the right to investigate the validity of any certifications and/or opinions and reserves the right to request supplemental information. Also all allocations will be based upon the determination by the Authority of the least amount of credit which will render the development financially feasible. Should it be determined that the development is financially feasible without an allocation of the credit, then no LIHTC will be allocated to the development and the reservation certificate will be null, void and of no force or effect.

**Carryover Allocations are not transferable.** An Application, together with all supporting documentation must be received in the Authority's office on or before the date specified in the Reservation Certificate. No extension will be given.

If the Carryover Application is complete and deemed eligible, the Authority will mail a Carryover Agreement together with a Binding Agreement for signature. The Applicant must return the original documents by the due date indicated in the notification letter. In addition, the Applicant must enter into an Agreement as to Restrictive Covenants with the Authority and record the Covenants in the Office of the Register of Mesne Conveyance (or office of the Clerk of Court if there is no RMC) in the county in which the development is located. The Authority requires the recorded Restrictive Covenants to be submitted within twelve (12) months after the Reservation Date.

### **Verification of Ten Percent Expenditure:**

The Code allows the Verification of Ten Percent Expenditure (10% Test) to be met no later than twelve (12) months after the Carryover Allocation date. However, the Authority requires the Verification of Ten Percent Expenditure (10% Test) to be met no later than six (6) months after the Carryover Allocation date. Any extension of this date will be permitted only at the Authority's discretion and only under circumstances deemed to be beyond the Applicant's ability to control. In any event, the Authority will not grant any extension longer than ten (10) months after the Carryover Allocation date.

1. The 10% Expenditure Test Application is due and must be submitted in a three ring binder by the due date specified in the Carryover Allocation Agreement. Failure to submit by the due date will result in the cancellation of the LIHTC award.
2. This date will be three (3) weeks after the date that the development is required to have met the 10% Test.
3. In the event that the three (3) week period does not end on a business day, the due date will be extended until 5:00 p.m. (EST) on the next business day.
4. The 10% Test must be complete and correct as of the date on which it is submitted.
5. The 10% Test will be reviewed for completeness and accuracy to allow the Authority to compare the information with **Exhibit A - 10% Expenditure Information Checklist**. If any of the required documents are found to be missing/incomplete the following will apply:
  - a) Prior to the Application deadline – the missing/incomplete document(s) may be submitted without penalty.
  - b) After the Application deadline – the missing/incomplete document(s) may be submitted upon payment of a \$1,000 administrative fee for each business day after the deadline until the documents are submitted.
6. If the missing/incomplete documents are not corrected and resubmitted to the Authority within seven (7) business days following the notification, the development will forfeit its allocation of tax credits.

7. Costs incurred to meet the 10% Test must be certified by an independent (unrelated third party) CPA by the date that the Carryover Allocation Agreement requires the 10% Test information to be submitted to the Authority.

The following documents must be submitted with the 10% Test:

1. Certification of 10% Expenditure (**Exhibit H**); and
2. Accountant Certification of Costs and 10% Expenditure (**Exhibit I**) (all cost certifications must be issued by a CPA licensed by South Carolina Board of Accountancy); and
3. If land cost is being used to meet the 10% Test then a copy of the executed deed or executed land lease with a recorder's clock mark or a recorder's receipt must be provided. The grantee on the deed or the land lease must be same entity as the owner listed on the Reservation Certificate and Carryover Allocation application. The recordation date must reflect that the deed or land lease was recorded no later than six (6) months from the allocation date; and
4. Attorney Opinion Letter for 10% Expenditure (**Exhibit F**); and
5. All supporting documentation required by the application Checklist (**Exhibit A- 10% Expenditure Checklist**).

## **VI. DEVELOPMENT PROGRESS REPORT REQUIREMENTS**

### **Exhibit L Progress Reports- (For Developments/Buildings from Reservation through initial Rent-up period):**

1. The Authority will accept **Exhibit L** Progress Reports by fax (803) 551-4925 or email.
2. The Applicant must file quarterly Exhibit L Progress Reports. The first (1<sup>st</sup>) Report will be due on April 7 of the calendar year following Reservation/Carryover. Subsequent reports are due July 7, October 7, and January 7 thereafter until the development reaches a stabilized occupancy of at least ninety-three percent (93%). "Stabilized occupancy" is defined as sustaining at least ninety-three percent (93%) occupancy for six (6) consecutive months.
3. Exhibit L Progress Reports must accurately describe the status of the development and will be used to track the initial lease-up progress of the development.
4. All developments are subject to inspection by Authority staff at any time.
5. A fine of \$1,000 will be assessed against any development for which Exhibit L Progress Reports are not received by the due date. Report dates falling on Saturday, Sunday, or state holidays will be due the next business day.

Applicants are required to submit Exhibit L Progress Reports until the development reaches stabilized occupancy. Failure to submit the required Exhibit L Progress Report within seven (7) business days of the due date may result in a revocation of the reservation award or Carryover Allocation.

From the date of reservation, the applicant is expected to adhere to the time constraints as outlined below. The Authority may grant a forty-five (45) calendar day extension of certain items for a fee of \$1,000. The Authority will only accept and grant extensions for individual categories and will not accept or approve an overall blanket extension for all categories. All extension requests must be in writing and submitted not less than one (1) week prior to the deadline. Fees must be paid at the same time the extension request is submitted. After the first approved extension the fee for any additional extensions will be \$2,000 per request. Additional extensions will only be made for thirty (30) days at a time.

### **Eight (8) Months after the Reservation Date:**

1. Final architect certified development plans and specifications for LIHTC developments are due to the Authority before 5:00 p.m. (EST) not later than eight (8) months after the reservation date. Plans and specifications must be in paper form, electronic form will not be accepted. Plans and specifications must incorporate all **Exhibit G** design and amenity items. The development architect must include a letter certifying that all design and amenity items are incorporated into the plans and specifications. All plans and specifications will undergo a third party consultant review. Any revisions or drawing review

comments from the third party consultant must be incorporated into the plans and specifications and a revised final version of the documents submitted to the Authority. Following are the drawing plan submission criteria:

**a) Site Plan:** The following items must be shown.

1. Scale: 1 inch = 40 feet or larger for typical units.
2. North arrow.
3. Locations of existing buildings, utilities, roadways, parking areas if applicable.
4. Existing site/zoning restrictions including setbacks, rights of ways, boundary lines, wetlands and any flood plains.
5. All proposed changes and proposed buildings, parking, utilities, and landscaping.
6. Existing and proposed topography of site and any proposed changes including retaining walls.
7. Finished floor height elevations and all new paving dimensions and elevations.
8. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
9. Provide an accessible route site plan with applicable details.
10. Locations of site features such as playground(s), gazebos, walking trails, refuse collection areas, postal facilities, and site entrance signage.
11. Landscaping and planting areas must be identified complete with landscaping plan listing all plant types.

**b) Floor Plans:**

1. Scale: 1/4 inch = 1 foot or larger for typical units.
2. Show room/space layout, identifying each room/space with name and indicate finished space size of all rooms on unit plans.
3. Indicate the total gross square foot size, and the net heated square foot size for each typical unit.
4. For projects involving removal of asbestos and/or lead paint, identify location and procedures for removal.
5. Floor plans and elevations of all site amenities-gazebos, playgrounds, mail centers, dumpster/compactor areas, picnic shelters, etc.

**c) Elevations and Sections:**

1. Scale: 1/8 inch = 1 '-0"' or larger.
2. Front, rear and side elevations of ALL building types and identify all materials to be used on building exteriors.

**d) Title Sheet:** At a minimum the following information should be shown:

1. Indicate Building Codes that are applicable for the project.
  2. Total number of parking spaces provided- handicapped and regular.
  3. Total number of acres in site.
  4. Vicinity Map locating site.
  5. Square footages of all building types and units per building.
2. The land must be purchased by the ownership entity, and the deed and/or land lease recorded as evidenced by a copy of the recorded document. If the recorded deed and/or land lease was previously provided as part of the 10% Test, then another copy is not required.
  3. All building permits must be obtained and copies submitted to the Authority.

**Ten (10) Months after the Reservation Date:**

1. A certified copy of the executed, recorded, FINAL construction mortgage document for all LIHTC developments is due before 5:00 p.m. (EST) not later than ten (10) months after the reservation date. The construction mortgage document must have the recorder's clock mark date stamp showing the date, book, and page number of recording.
2. The executed and recorded Restrictive Covenants for all LIHTC developments are due before 5:00 p.m. (EST), not later than ten (10) months after the reservation date.
3. The executed binding commitment for syndication for all LIHTC developments is due before 5:00 p.m. (EST), not later than ten (10) months after the reservation date.

4. Applicants must list their development on the South Carolina Housing Search website, [www.SCHousingSearch.com](http://www.SCHousingSearch.com). The South Carolina Housing Search website is a database, sponsored by the Authority, that assists South Carolina residents in locating available affordable housing units. This is a free service with no fees charged for listing the development or maintaining development information throughout the compliance period. The applicant must provide evidence that the development has been listed on the website.

#### **Twelve (12) Months after the Reservation Date:**

1. All developments must be under construction.
  - a) New construction developments must have all footings in place not later than twelve (12) months after the reservation date, as evidenced by photographs submitted with a Progress Report that is certified by the development architect or development engineer. The Authority will allow the use of monolithic slabs as a substitute for the footings requirement.
  - b) Rehabilitation developments must have begun actual rehabilitation of the units no later than twelve (12) months after the reservation date, as evidenced by photographs submitted with a Progress Report certified by the development architect.
2. Rehabilitation and new construction must be continuous and progressive from this date to completion. If it is determined that an Applicant started the construction or rehabilitation only to technically meet this requirement, then the Authority will determine that these criteria have not been met.

#### **VII. PLACED-IN-SERVICE ALLOCATION**

Placed-In-Service allocations will be issued only in the name of the Applicant named on the initial application. Transfers subsequent to the issuance of the placed in service allocation are subject to provisions of Section 42 (j) (6) of the Code. If the Placed-In-Service application is complete and deemed eligible, the Authority will execute and mail a Form 8609 to the owner following the final underwriting.

#### **Placed-in-Service Allocation Requirements:**

The Authority will issue a Form 8609 on a building-by-building basis; however, a Form 8609 will not be issued to a multi-building development until the last building in the development has been placed in service. In addition, **the Authority requires that all rental units in all buildings be complete and suitable for occupancy before a Form 8609 will be issued.** The owner must submit to the Authority a Placed-In-Service application on or before the second Monday in December not later than 5:00 p.m. (EST). The Placed-In-Service application must be submitted in a three ring binder and must include the following:

1. All unpaid fees or charges owed the Authority to include development monitoring or administrative fees; and
2. All applicable updated attorney opinion letters, (**Exhibits C, D, & E**), and final allocation CPA certification package (**Exhibits J-1, J-2, J-3 & J-4**); and
3. A final partnership agreement, if the owner entity on the application is a partnership, must be submitted. The final partnership agreement must reflect the annual LIHTC allocation and syndication proceeds. If the owner entity is a limited liability corporation, the operating agreement must also be submitted; and
4. All supporting documentation required by the application Checklist (**Exhibit A**).

This process is subject to change to comply with additional guidance, notices, or regulations issued by the IRS. All deadlines have been established to allow the Authority sufficient time for processing and underwriting. The owner must enter into any agreements that may be required by federal regulations to return unused credits.

#### **Placed-In-Service Application Submission:**

Placed-In-Service applications are due on or before the second Monday in December not later than 5:00 p.m. (EST). The development's compliance monitoring fees, for the first fifteen (15) years, payable in certified funds,

must be included or the application will not be accepted. The fee is equal to **\$35.00** for each LIHTC unit in the development. Once the development begins year sixteen (16) of the extended compliance monitoring period, the Authority will collect the then current monitoring fee on an annual basis.

1. Placed-In-Service applications not received by the due date stated above may be submitted until 5:00 p.m. (EST) on the last business day in December, upon payment of an administrative fee equal to \$1,000 for each business day after the second Monday in December. All administrative fees must be paid to the Authority when the late application is submitted.
2. Placed-In-Service applications will be reviewed in the order received for completeness, allowing staff to review the submission against the application Checklist (**Exhibit A-Placed-In-Service Checklist**). If any of the required documents are found to be incomplete or missing, the following will apply:
  - a) Prior to the second Monday in December – the documents may be submitted without penalty.
  - b) After the second Monday in December – the documents may be submitted upon payment of a \$1,000 administrative fee for each business day after notification until the documents are submitted.
3. If the Authority does not receive the corrected or missing documents and administrative fee within ten (10) business days following December 31, the development will lose its allocation of tax credits.
4. **The Authority requires that all units in all buildings must be one hundred percent (100%) complete and available for immediate occupancy by the placed in service deadline.** This must be documented by the Certificates of Occupancy or the equivalent provided by the local government entity. Failure to meet this criterion will result in cancellation of the LIHTC allocation.
5. After a Placed-In-Service application is submitted, the Authority will review the Application and inspect the development to ensure it was constructed as described in the application and in accordance with the representations contained in **Exhibit G**. The development must comply with **Exhibit G** before any Form 8609 will be issued.
6. Should the Authority be required to amend a Form 8609 due to errors in the application submitted, the Applicant must submit an administrative fee of \$100 for each corrected Form 8609. This fee must be paid prior to the issuance of the corrected Form 8609.
7. In accordance with Revenue Procedure 94-57, the IRS will treat the gross rent floor defined in Section 42(g)(2)(a) for a building as taking effect on the date that an allocation of tax credits is made to the building unless the owner elects to have the gross rent floor take effect on the date that the building is placed in service. For buildings described in Section 42(h)(4)(B) (a bond financed building), with respect to the gross rent floor effective date for each building in the development, the building owner must submit an executed gross rent floor designation (**Exhibit N**) with the Placed-In-Service Application.

### Cost Certification Requirements:

As part of the Application for final allocation of tax credits, the Applicant is required to submit a cost certification acceptable to the Authority. **The cost certification must be in the form outlined in Exhibit J-2 and must include line item costs and a building-by-building breakout of building designation, building identification number, address, applicable fraction, placed in service date, applicable federal rate, and eligible and qualified basis costs.** The cost certification must be prepared and certified as to accuracy by a CPA licensed by the South Carolina Board of Accountancy. It must also state that a significant portion of the CPA's practice relates to tax matters and the interpretation of the Code. It must include a statement that a final copy of all costs incurred has been reviewed and is in accordance with the requirements of the LIHTC Program. The certification must indicate that after careful review and investigation into the eligible basis, the costs that are not includable have been excluded from the eligible basis. The Authority considers ineligible costs to include, but not to be limited to, costs for land, reserves, syndication, and permanent loan origination fees. **The Authority reserves the right to require an attorney opinion for costs that are questionable as to their eligibility for tax credit purposes. The Authority assumes no responsibility for determining which costs are eligible and urges the Applicant and their tax attorney/CPA to perform an independent investigation into the eligibility of all cost items.**

## **VIII. COMPLIANCE MONITORING PROCEDURES**

These procedures are applicable to all buildings receiving LIHTC to include tax-exempt bond financed developments. Section 1.42-5 (a) of U.S. Treasury Regulations (the "Regulations") requires that each QAP include a procedure that the housing credit agency will follow in monitoring for noncompliance with the provisions of the Code and in notifying the IRS of any noncompliance of which the Authority becomes aware. The procedure for monitoring contained in the QAP must contain procedures consistent with the Regulations that address the following areas: record keeping and record retention; certification and review; on-site inspection; and notification as to noncompliance. This section of the LIHTC Manual complies with the mandate of the Regulations. The Authority reserves the right to make such alteration or amendment to its monitoring procedures as may be required. Such alteration or amendment is expressly permitted without further public hearings. The specific procedures that owners must follow to remain in compliance with program requirements are outlined in the LIHTC Compliance Monitoring Manual. Changes and updates to the manual can be found on the Authority's web site. The web site address is [www.schousing.com](http://www.schousing.com).

### **Rent Increases:**

The HOME Final Rule requires approval of **all** rent increases on developments with HOME units. The approval process will be handled by the Compliance Monitoring Department. Notification of rent increases should be provided to the Compliance Manager for approval before the increases are enacted.

### **Annual Audited Financial Statements:**

All developments, regardless of when funded, must submit not later than June 1<sup>st</sup> of each year the annual audited financial statements for developments. In addition, annual operating expense information for developments must also be submitted, on the Authority approved form. The form should be included with the annual audited financial statements and must be certified to by the CPA/Ownership Entity. All financial information is to be uploaded to the Authority's Extranet webpage and placed in the applicable Tax Credit section. Instructions for uploading files is included as an Addendum to this Manual.

### **Record Keeping:**

In the manner prescribed by the Authority, the owner of a LIHTC development must keep records for each building in the development to which an allocation has been made that show for each year of the compliance period:

1. The total number of residential rental units in the building (including the number of bedrooms and the size, in square feet, of each residential rental unit);
2. The percentage of residential rental units in the building which are LIHTC units;
3. The rent charged on each residential rental unit in the building (including utility allowances);
4. The number of occupants in each LIHTC unit;
5. The LIHTC vacancies in the building and information that shows when, and to whom, the next available units were rented;
6. The annual income certification of each low-income tenant per unit. The Tenant Income Certification Form (TIC) or other Authority approved income certification must be signed and dated by each adult member of the household and executed on or before the date of initial move-in. Thereafter, gross annual household income must be re-certified every twelve (12) months unless the owner has applied for and received the Waiver of Annual Income Re-certification as described in IRS Revenue Procedure 94-64;
7. Documentation to support each low-income tenant's income certification consisting of verifications of income from third parties such as employers or state agencies paying unemployment compensation. Such third party verifications may be supported by copies of the tenant's federal income tax returns or W-2 forms. All income verification documentation must be received before the TIC may be executed. Income verifications are valid for one hundred twenty (120) days from the date of the verifying party's signature or printout. Owners may not rely on verifications that are more than one hundred and twenty (120) days old to support an annual income certification. Tenant income must be calculated in a manner consistent with

the determination of income under Section 8 and not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under the Section 8 program, the documentation requirement of this paragraph is satisfied if the public housing authority administering the Section 8 program provides the building owner with a statement that the tenants' income does not exceed the applicable income limit under Section 42(g);

8. The eligible basis and qualified basis of the building at the end of the first year of the credit period;
9. The character and use of the nonresidential portion of the building included in eligible basis under Section 42(d) (for example, (i) tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or (ii) facilities reasonably required by the development);
10. Copies of executed IRS Forms 8609, Schedules A, Forms 8586, or other applicable documentation filed with the IRS for the purposes of claiming the LIHTC must be retained and available for inspection for the entire compliance period.

### **Record Retention:**

Other than the records for the first year of the credit period, the owner of a LIHTC development must retain the records for at least six (6) years after the due date (with extensions) for filing the federal income tax returns for that year. The records for the first year of the credit period must be retained for at least six (6) years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building.

### **Annual Owners Certification:**

The owner of a LIHTC development must provide to the Authority on or before the first day of February of each year after a development has been placed in service, an annual Owner's Certification for the preceding calendar year which certifies:

1. The development met the requirements of the twenty percent (20%) of the units at fifty percent (50%) of AMI requirement under Section 42(g)(1)(A), or the forty (40%) of the units at sixty (60%) of the AMI requirement under Section 42(g)(1)(B), whichever set-aside was applicable to the development;
2. If applicable, the development met the fifteen percent (15%) of the units at forty percent (40%) of AMI requirement under Sections 42(g)(4) and 142(d)(4)(B) for "deep rent skewed" developments;
3. There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the development, or that there was a change and a description of the changes;
4. The owner has received an annual income certification from each low-income tenant, and documentation which supports the accuracy of that certification, or, in the case of tenants receiving Section 8 housing assistance payments, a statement from the public housing authority, or the owner has a re-certification waiver letter from the IRS in good standing that waives the requirement to obtain third party verification at re-certification and has received an annual income certification from each low-income household and documentation to support the certification at their initial occupancy;
5. Each LIHTC unit in the development was rent-restricted under Section 42(g)(2);
6. All units in the development were for use by the general public and used on a non-transient basis (except for transitional housing for the homeless under Section 42(i)(3)(B)(iii));
7. Under the Fair Housing Act, 42 U.S.C. 3601-3619, no finding of discrimination to include any adverse final decision by HUD, an adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court;
8. Each building in the development was suitable for occupancy, taking into account local health, safety, and building codes, and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or LIHTC unit in the development;
9. There was no change in the eligible basis (as defined in Section 42(d)) of any building in the development, or if there was a change, the nature of the change (for example, a common area has become commercial space, or a fee is charged for a tenant facility formerly provided without charge);
10. All tenant facilities included in the eligible basis under Section 42(d) of any building in the development, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the building;

11. If a LIHTC unit in the building became vacant during the year, that reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualified income before any units in the development were or will be rented to tenants not having a qualifying income;
12. If the income of tenants of a LIHTC unit in the development increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the development was or will be rented to tenants having a qualifying income;
13. The LIHTC extended commitment as described in Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Revenue Reconciliation Act of 1989), including the requirement that an owner cannot refuse to lease a unit in the development to a tenant because the tenant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f, and the owner has not refused to lease a unit to a tenant based solely on their status as a holder of a Section 8 voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C.1437f;
14. The development meets the provisions, including any special provisions, outlined in the LIHTC extended use commitment;
15. The owner received its credit allocation from the portion of the state ceiling for a development involving “qualified nonprofit organizations” under Section 42(h)(5) of the Code and its nonprofit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code;
16. There has been no change in the ownership or management of the development, or provide details of changes in ownership or management of the development.

### **Document Review:**

At a minimum, once every three (3) years, the Authority will inspect LIHTC developments to which it has made an allocation under the Code. In each development selected for review, the Authority will review the low-income certifications, the documentation the owner has received to support that certification, and the rent record for no fewer than twenty percent (20%) of the LIHTC units located in each such development. Records relating tenant income, supporting documentation and rent records will be selected at random by the Authority's monitoring officer at the time the review is held. In addition, the Authority's monitoring officer will conduct a physical inspection of each LIHTC unit that receives a record review. The purpose of the physical inspection is to determine whether the units meet Uniform Physical Condition Standards as defined by HUD. The owner will be notified prior to the arrival of the Authority's compliance monitoring officer conducting the management review.

The Authority will review all required certifications submitted to determine whether or not the requirements of the Code have been complied with by the owner. As necessary, the Authority will review documentation to support a nonprofit's continued participation in the development throughout the compliance period as described in the development agreement.

### **Frequency of Certification Documents:**

Certifications are required annually each year of the credit period. The Certifications are a legally binding document to be made under oath and subject to the penalties of perjury as provided by law. The Authority reserves the right to require additional submissions of any Certifications for review more frequently than an annual basis.

### **Physical Inspection of LIHTC Development:**

The Authority reserves the right to perform a physical inspection at its discretion of any LIHTC development. The Authority's right to perform such inspection shall be ongoing and shall continue at least through the end of the compliance period and any extended use period.

### **Authority Retention of Records:**

The Authority will retain records of noncompliance or failure to certify for a period of six (6) years beyond the Authority's filing of the respective Form 8823. In all other cases the Authority shall retain certifications,

inspection reports and other records for a period of three (3) years from the end of the calendar year in which the Authority has received or generated the certifications or reports.

### **Notification of Noncompliance:**

The Authority will provide written notice to the owner of a LIHTC development if the Authority does not receive the required certifications, if it is not permitted to review tenant income certifications, supporting documentation and rent records, or if it discovers by inspection, review, or in some other manner, that the development is not in compliance with the provisions of the Code.

The Authority will file Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance" with the IRS no later than forty-five (45) days after the end of the Cure Period (including any permitted extensions), and no earlier than the end of the Cure Period, whether the noncompliance or failure to certify has been corrected. The Authority shall explain on Form 8823 the nature of the noncompliance or failure to certify and shall indicate whether the owner has corrected the noncompliance or failure to certify. Any change in either the applicable fraction or the eligible basis that results in a decrease in the qualified basis of the development under Section 42(c)(1)(A) is noncompliance and must be reported to the IRS. Should the Authority report on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the Authority need not file additional Form 8823's in subsequent years to report that building's noncompliance.

### **Cure Period:**

The owner will be given the opportunity to supply any missing documentation or correct physical deficiencies to bring the development into compliance with the Code requirements. The Cure Period will not exceed ninety (90) days and will begin on the date of the written notice given by the Authority. The Cure Period for violations that threaten the health and/or safety of tenants will not exceed forty-eight (48) hours. The Authority may grant an extension an additional period not to exceed six (6) months only in the event of judicially caused delays in the eviction of tenants.

### **Compliance Monitoring Fees:**

The owner of each building to which an allocation of LIHTC has been made by the Authority, prior to the 2011 tax credit funding cycle, shall pay to the Authority an annual compliance monitoring fee of **\$35** for each LIHTC unit contained in each building. All compliance monitoring fees must be certified funds paid to the Authority within thirty (30) days of the date on which the building is PIS and on or before the first day of February of each succeeding year throughout the remainder of the fifteen (15) year compliance period and any extended use period. Checks should be made payable to the Authority. The Authority will assess a ten percent (10%) late fee of the total outstanding balance for payments received after thirty (30) days from the date due. The minimum late fee will be **\$50**. The Authority reserves the right to make adjustments in the amount of the annual compliance monitoring fee to defray the cost of compliance monitoring. Such an adjustment by the Authority shall not be treated as an amendment of the QAP.

Developments receiving non-competitive tax credits in conjunction with tax exempt bonds issued by the Authority shall pay monitoring fees according to the bond program. If the bond program's compliance period expires prior to the end of the tax credit compliance period, monitoring fees shall be assessed as described above. Developments receiving non-competitive tax credits in conjunction with tax exempt bonds not issued by the Authority shall pay monitoring fees as described above.

## **IX. DEVELOPMENTS UTILIZING NON-COMPETITIVE TAX CREDITS WITH TAX EXEMPT BOND FINANCING**

### **Preliminary Opinion of Eligibility (QAP Requirements):**

Developments proposed for financing by private activity bonds may be eligible to receive an approximate four percent (4%) tax credit without competing for an allocation of tax credits. To be considered for a non-competitive allocation, a development must satisfy the requirements of Sections 42(h)(4), 42(m)(1)(D) and 42(m)(2)(D) of the Code. The development must also comply with the applicable procedures and requirements of the QAP and the LIHTC Manual. The LIHTC allocated to a development shall not exceed the amount the housing credit agency determines is necessary for its financial feasibility and viability as a qualified low-income housing development throughout the credit period.

To receive an allocation of tax credits, a bond-financed development must be eligible to receive a tax credit allocation under the QAP for the year in which the application for bond financing is filed with the Authority. If tax credits are sought as a funding source, the Applicant must notify the Authority of this at the time of the application for bond financing. Upon notification that a development intends to utilize non-competitive LIHTC, the Authority will evaluate the proposal and will provide a preliminary, non-binding statement as to whether the development, as described to the Authority, is eligible to receive funding under the current QAP. This preliminary Authority evaluation of the proposal will consist of reviewing the site and market of the proposed development for conformity with the QAP. The site must meet all site threshold criteria for consideration for tax credits. If the project is to be financed by bonds offered for sale to the public, the market study must be ordered by the DUS lender and prepared by an independent third-party analyst. If the project is to be financed by bonds that are privately placed or sold as a limited offering to sophisticated investors, the Applicant will notify the Authority and the Authority will either order the market study at the Applicant's expense or require the bond purchaser to order a market study prepared by an independent third-party analyst. The Authority reserves the right to use its own judgment in making a final decision on the site and/or market.

For a development proposing rehabilitation, a Physical Needs Assessment Report (PNA) must be submitted with the Application. The PNA must follow the guidelines provided in the QAP and LIHTC Manual. Developments must meet the minimum rehabilitation standards and all mandatory construction design criteria identified in the QAP and LIHTC Manual to be eligible for low-income housing tax credits.

If the Authority review is favorable, the preliminary, non-binding statement provided by the Authority shall state: (i) that it is based upon information provided to the Authority regarding the development, the accuracy of which has not been finalized; (ii) that it assumes that the development as PIS will exactly match the development described to the Authority; and (iii) that the opinion is preliminary, non-binding, and may not be relied upon by any party. **THE APPLICANT ASSUMES ALL RISK FOR REPRESENTATIONS MADE TO THE AUTHORITY IN THE APPLICATION FOR FINANCING.**

### **Application for an Allocation of Non-Competitive LIHTC:**

For bond-financed developments that are seeking LIHTC, an application for LIHTC must be submitted to the Authority only after the development is Placed-In-Service. A Final Cost Certification Package, prepared and certified as to accuracy by a third-party Certified Public Accountant licensed by the South Carolina Board of Accountancy, must accompany this application. This cost certification must follow the format and guidelines identified in the LIHTC Manual. In addition, the CPA must attest that the 50% aggregate basis test has been met to qualify the development for tax credits. This requirement shall be met with a signed opinion accompanied by the CPA's detailed calculation of the aggregate basis financed by the tax-exempt bonds.

The development must meet all financial underwriting standards identified in the QAP and LIHTC Manual except those that are superceded by the following requirements applying only to developments with tax-exempt bond financing:

**1. Operating Reserves:** Bond-financed developments are required to establish and maintain minimum operating reserves equal to three (3) months of projected operating expenses. These reserves must be funded at the time the development places-in-service.

**2. Developer Fees:** Developer fees are limited as a percentage of development costs adjusted for project size. For new construction and/or rehabilitation costs, the sum of Developer Fees + Developer Overhead + Consulting Fees is limited as follows:

|                   |   |
|-------------------|---|
| Up to 100 units   | 15% of <u>Adjusted Development Costs*</u> |
| 101 – 150 units   | 15% of <u>Adjusted Development Costs*</u> |
| 151 units or more | 15% of <u>Adjusted Development Costs*</u> |

For acquisition costs, the sum of Developer Fees + Developer Overhead + Consulting Fees is limited to a maximum of 5% of Adjusted Development Costs.\*

Adjusted Development Costs\* are defined below. Line numbers refer to page 10 of the LIHTC Application:

|                                      |
|--------------------------------------|
| Total Development Cost (Line 51)     |
| Less Land (Line 1)                   |
| Less Consulting Fees (Line 20)       |
| Less Developer Fees (Line 45)        |
| Less Developer Overhead (Line 46)    |
| Less Other Developer Costs (Line 47) |
| Less Excess Reserves (Lines 48-50)   |

The Authority defines Reserves as reserves, regardless of description, and consisting of the sum of six (6) months of projected operating expenses plus six (6) months of must pay debt service plus six (6) months of the Authority's required replacement reserves.

If an identity of interest exists between the developer and any construction contractor, any payments rebated to the developer must be identified and itemized.

**3. Physical Needs Assessment Report (PNA):** The Authority requires a minimum of \$20,000 per unit in hard construction costs with at least fifty percent (50%) of the hard construction costs attributed to interior unit costs. If the PNA report represents needed repairs in excess of \$20,000 per unit, then the application must reflect the higher rehabilitation costs. Developments that do not reflect at least \$20,000 per unit in hard construction costs will not be considered for funding consideration.

## Exhibit S

### 2015 Market Study Guideline Procedures

\*All relevant tables should be placed with corresponding text.

#### **Market Study Process:**

The Applicant will be required to submit a cashier's check in the amount of \$600.00 at Application submission or the application will be disqualified.

1. Applicants must use an Authority approved market analysts to complete market studies. All market analysts **must adhere** to Market Study terminology as sanctioned by the National Council of Housing Market Analysts. The Market Study Terminology list is available at: [www.housingonline.com/Resources.aspx](http://www.housingonline.com/Resources.aspx). An electronic copy of the market study must be submitted with the Tax Credit Application in the form of a CD, DVD or Flash Drive.
2. Submitted market studies must conform to the requirements in these Guideline Procedures and Exhibit S – 2. The market study should reflect conclusions based on the proposed development. This includes capture rates, absorption periods, market advantage, etc. An Exhibit S – 2 form and S-2 Calculation sheet must be completed and included with the market study. The market study should also include the table provided in the S-2 Worksheet.
3. The Applicant's market analyst must indicate within the conclusion and recommendations section of the market study a conclusion regarding the ability of the market area to support the proposed development. This conclusion should further address the depth of the rental market and whether the proposed development will have a negative long-term impact on existing rental communities.
4. Upon receipt of the Tax Credit Applications, the Authority will forward a copy of the market study to the Authority's third party market analyst who will perform a review of each individual market study.
5. The Authority's third party market analyst will have six (6) weeks to complete the review of all market studies. Applicants and the market analyst that prepared the market study will be notified by the Authority's third party market analyst via email of any deficiencies found in the submitted market study. All issues must be resolved to the satisfaction of the Authority's market analyst and Authority staff in order for the study to be deemed acceptable.
6. In conjunction with the Authority's third party market analyst, the Authority will consider the market study, the market, marketability factors, and any additional information available to determine if an acceptable market exists for a development as proposed. The Authority is not bound by the conclusions or recommendations of the market study submitted by the applicant and reserves the right to disqualify any application in the competition if it determines an acceptable market does not exist.

#### **Market Study Requirements:**

##### **A. Project Description**

1. Give the following information for the proposed subject as provided by the LIHTC Applicant:
  - a. Development Location;
  - b. Construction Type: New Construction, Rehab, Acquisition and Rehab, Adaptive Reuse;
  - c. Occupancy Type: Family, Older Persons, etc.;
  - d. Target Income Group: 50% AMI, 60% AMI, Market Rate;
  - e. Special Needs Population (if applicable);
  - f. Number of units by bedroom/bathroom;
  - g. Number of buildings and stories and if there will be an elevator;
  - h. Unit Size(s);
  - i. Structure Type/Design: Townhouse, Garden Apartment, etc.;
  - j. Proposed Rents and Utility Allowances including energy source (Gas, Oil, Electric) and if utility is Tenant or Owner's responsibility;
  - k. Status of Project Based Rental Assistance: None, Existing, Proposed;
  - l. Proposed Development Amenities;
  - m. Proposed Unit Amenities;
  - n. For rehab proposals, please provide: current occupancy levels, current rents being charged (versus proposed rents), tenant incomes, as well as detailed information about the scope of work planned and how the rehabilitation will be carried out.

## **B. Site Description**

1. Give the date(s) the senior analyst/market study author made a site visit including surrounding market area developments.
2. Describe physical features of the site, adjacent parcels, surrounding structures and neighborhoods. Give a brief description of the surrounding land uses. Note any obvious environmental concerns or any other visible concerns.
3. Give the site's general physical location to surrounding roads, public transportation, community amenities, employment, and services. It is extremely important to identify the closest shopping areas, schools, and employment centers, medical facilities and other amenities that would be important to the targeted population.
4. Indicate if there are any road or infrastructure improvements planned or under construction in the proposed market area.
5. Provide information or statistics as well as local perceptions of crime in the neighborhood, if applicable.
6. Comment on access, ingress/egress, and visibility to site.
7. Describe overall positive and negative attributes about the site as they relate to marketability.

## **C. Market Area**

1. A map of the Primary Market Area (PMA);
2. A physical description of the PMA including the methodology used to define it;
3. Census tracts that encompass the PMA; and
4. The analyst may provide information about the secondary market area if desired; however, demand should be based solely on the PMA.

## **D. Market Area Economy**

1. A **map** of the site as compared to the locations of major employment concentrations.
2. Employment by industry--numbers and percentages (i.e. Manufacturing: 150,000 (20%)).
3. The major current employers and anticipated expansions, contractions in their workforces, as well as newly planned employers and their impact on employment in the market area.
4. Total workforce figures and employment and unemployment trends for the county and, where possible, the PMA. Provide numbers and percentages for both. Provide annualized figures for these trends (i.e. average annual increase of unemployment of 1.2%).
5. If relevant, comment on the availability of housing for low- to very low-income employees of businesses and industries that draw from the PMA.
6. Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA.

## **E. Community Demographic Data**

Provide the following demographic information for the market area, giving historical data as well as current data and estimates. Include data on population and household trends from 2000 to 2014 and projected to 2017. Projections must be prepared by a reputable source such as Nielsen, ESRI, or Ribbon Demographics. U.S. Census data prior to the 2000 Census is only acceptable as historical data. If the Market Analyst does not agree with these projections, s/he must provide the reasoning, along with substitute projections. Both numbers and percentages should be shown for the data below. Annualized growth figures should be included. Please include a brief narrative of overall conclusions.

1. Population Trends
  - a. Total Population
  - b. Population by age groups
  - c. Number of older persons (for older persons projects)
  - d. If a special population is proposed for the development (i.e. migrant workers, homeless), provide additional information on population growth patterns specifically related to this population.
2. Household Trends
  - a. Total number of households, average household size, and group quarter.
  - b. Households by tenure (If appropriate, breakout by older persons and non-older persons).
  - c. Households by income. (Older person(s) proposals should reflect the income distribution of those households only).
  - d. Renter households by number of persons in the household.

## F. Project-Specific Demand Analysis

1. **Income Restrictions:** Use the applicable incomes and rents in the subject's application. Be aware of the specific income restrictions which apply to the tax credit program. Analysts must take the income restrictions designated in the application into account when estimating demand.
2. **Affordability:** Analysts must assume that no family households are able to pay more than 35% of gross income towards gross rent and no elderly households are able to pay more than 40% of their gross income toward gross rent. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
3. The demand analysis should clearly indicate the minimum and maximum income range for each targeted group.

In cases where the proposed rents for projects with Project Based Rental Assistance are higher than the maximum allowable LIHTC rents, two separate demand analyses must be shown: One with the rental assistance (thereby allowing \$0 for the minimum income) and one without the rental assistance. For the second demand calculation without rental assistance, analysts should use tax credit rents regardless of market conditions.

For projects with market rate units, the analyst must make some reasonable determination of a maximum income level beyond which a household would not likely be a participant in the rental market. The analyst should clearly state the assumptions used in making the aforementioned determination.

4. **Demand:** The demand should be derived from the following sources using data established from a reputable source:
  - a. **Demand from New Renter Households:** New rental units required in the market area due to projected renter household growth. Determinations must be made using the current base year of 2014 and projecting forward to the anticipated placed-in-service date of 2017. The household projections must be limited to the age and income cohort and the demand for each income group targeted (i.e. 50% of median income) must be shown separately.
    - In instances where a significant number (more than 20%) of proposed rental units are comprised of three-and four-bedroom units, analysts must refine the analysis for those units by factoring in the number of large households (generally 4+ persons). A demand analysis which does not take this into account may overestimate demand.
  - b. **Demand from Existing Households:** The second source of demand should be determined using 2010 census data or the most current American Community Survey (ACS) data and projected from:
    - 1) **Rent over-burdened households**, if any, within the age group, income cohort and tenure targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% or in the case of elderly 40% of their gross income toward gross rent rather than some greater percentage. If an analyst feels strongly that the rent-overburdened analysis should focus on a greater percentage, they must give an in-depth explanation why this assumption should be included. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
    - 2) **Households living in substandard housing.** Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand.
      - The Market Analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent-overburdened and/or living in substandard housing.
    - 3) **Elderly Homeowners likely to convert to rentership:** The Authority recognizes that this type of turnover is increasingly becoming a factor in the demand for elderly tax credit housing. A narrative of the steps taken to arrive at this demand figure should be included.
    - 4) **Other:** Please note, the Authority does not, in general, consider household turnover rates other than those of elderly to be an accurate determination of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, s/he may be allowed to consider this information in their analysis. The analyst may also use other indicators to estimate demand if they can be fully justified (e.g. an

analysis of an under-built or over-built market in the base year). Any such additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.

5. **Method:** Please note that the Authority’s stabilized level of occupancy is 93%.

- a. **Demand:** The two overall demand components added together 4a and 4b above represent demand for the project.
- b. **Supply:** Comparable/competitive units funded, under construction, or placed in service in 2014 must be subtracted to calculate net demand. Vacancies in projects placed in service prior to 2015 which have not reached stabilized occupancy must also be considered as part of the supply.
- c. **Capture rates:** Capture rates must be calculated for each targeted income group and each bedroom size proposed as well as for the project overall.
- d. **Absorption rates:** The absorption rate determination should consider such factors as the overall estimate of new renter household growth, the available supply of comparable/competitive units, observed trends in absorption of comparable/competitive units, and the availability of subsidies and rent specials.

6. **Example of Method:**

a. **Demand**

|   | Households at 50% Median Income<br>(min. income to max. income) | Households at 60% of Median Income<br>(min. income to max. income) | Project Total<br>(min. income to max. income) |
|---|---|--|---|
| Demand from New Households<br>(age and income appropriate)        |   |  |   |
| +   | +   | +  |   |
| Demand from Existing Households<br>Rent-Overburdened              |   |  |   |
| +   | +   | +  |   |
| Demand from Existing Households<br>Renters in Substandard Housing |   |  |   |
| +   | +   | +  |   |
| Demand from Existing Households<br>Elderly Homeowner Turnover     |   |  |   |
| =   | =   | =  |   |
| Total Demand  |   |  |   |
| -   | -   | -  |   |
| Supply  |   |  |   |
| =   | =   | =  |   |
| Net Demand  |   |  |   |

b. **Net Demand and Capture Rates**

| Bedrooms        | Total Demand | Supply | Net Demand | Units Proposed | Capture Rate |
|-----------------|--------------|--------|------------|----------------|--------------|
| 1 Bedroom % AMI |              |        |            |                |              |
| 2 Bedroom % AMI |              |        |            |                |              |
| 3 Bedroom % AMI |              |        |            |                |              |
| 4 Bedroom % AMI |              |        |            |                |              |

G. **Supply Analysis (Comparable/Competitive Rental Developments)**

The supply analysis will be given significant weight in the Authority’s review of the market study. The senior analyst/market study author must visit all comparable/competitive developments. **The analysis must include all existing LIHTC projects and other projects that would compete with or be affected by the proposed project such as Rural Development properties both subsidized and un-subsidized, HUD properties, etc.** The analyst must include and consider all developments under construction and/or in the pipeline in the analysis.

1. The following information should be included for each comparable/competitive development:

- a. Name, Address, and Phone Number
- b. Contact Person’s Name and phone number of the comparable/competitive property development
- c. Photograph
- d. Monthly Rents and utilities included in the rent, if any

- e. Type of development (RHS, tax credit, conventional, bond, bond and tax credits, etc.)
- f. Breakdown of unit sizes by bedroom/bathroom count
- g. Square footage for each comparable/competitive unit type
- h. Project age and Condition
- i. Population Served
- j. Description of unit amenities (include kitchen equipment) and site amenities
- k. Concessions given, if any
- l. Current vacancy rates broken down by bedroom size. Vacancy rates are to be determined using the most current information provided by property management.
- m. Waiting list information, if any
- n. Number of units receiving rental assistance, description of assistance as project or tenant based.
- o. For developments in the planning or construction stages, provide the name, address/location, name of owner, number of units, unit configuration, rent structure, estimated date of market entry, and any other relevant market analysis information. If there are no developments in the planning stages or under construction, a statement to that effect must be provided.
- p. If the proposed project is an additional phase of an existing project, include a tenant profile as well as any information about a waiting list.

The above information should be provided in a comparative framework **including** the proposed project and those projects under construction and/or in the pipeline. For example, in addition to providing a page of information along with a picture for each comparable/competitive development, the analyst should also provide comparative charts that show such factors as the proposed project's rents, square footages, amenities, etc. as compared to the other projects.

2. A **map** showing the comparable/competitive developments in relation to the proposed site. The map should have an identifiable usable scale.
3. If applicable to the proposed development, provide data on three and four bedroom single-family rentals, OR provide information on rental trailer homes and single family homes in rural areas lacking sufficient three and four bedroom rental units in an attempt to identify where potential tenants are currently living.
4. Derive the market rent and compare them to the proposed development's rents. Quantify and discuss market advantage of the subject and impact on marketability. Market advantages should be provided for each unit type and the project overall.
5. Calculate the overall market vacancy rate, the overall comparable/competitive vacancy rate, and the overall vacancy rate for all LIHTC projects in the market area. (Do not include new projects in the process of "renting up" in vacancy rate.)
6. The cost and availability of homeownership and mobile home living, if applicable.
7. Conclusion as to the immediate and long term impact that the proposed project will have on the occupancy of comparable rental communities in the PMA, specifically other LIHTC communities.

## **H. Interviews**

The results of formal or informal interviews with property managers, town planning officials or anyone with relevant information relating to the overall demand for the proposed development should be summarized in this section. Include the name and phone number of the person you talked to.

## **I. Recommendations**

Market Analysts must provide a recommendation that clearly states whether a proposed project should be approved as proposed. The Market Analyst must provide a brief summary of all the major factors that led to their conclusion.

The completed market study must meet the minimum threshold requirements stated in the 2015 and 2016 QAP. If the development cannot meet the threshold requirements the development will be disqualified.

## **J. Signed Statement Requirements**

The signed statement must include the following language:

I affirm that I have made a physical inspection of the market and surrounding area and the information obtained in the field has been used to determine the need and demand for LIHTC units. I understand that any misrepresentation of this statement may result in the denial of further participation in the South Carolina State Housing Finance & Development Authority's programs. I also affirm that I have no financial interest in the project or current business relationship with the ownership entity

and my compensation is not contingent on this project being funded. This report was written according to the SCSHFDA's market study requirements. The information included is accurate and can be relied upon by SCSHFDA to present a true assessment of the low-income housing rental market.

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Market Analyst Author

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Date

## **2015 LIHTC Program Schedule**

### **October 30, 2014**

A Public Hearing will be held at the Authority's Office, 300-C Outlet Pointe Blvd, Columbia, SC from 10:00 a.m. to 12:00 p.m. (EST).

### **By January 12, 2015**

Application packages will be posted on the Authority's web site: [www.schousing.com](http://www.schousing.com)

The Authority will provide fill in applications on CDs. The fill-in applications do not require any special system requirements or software to operate on a PC running Windows 95, Windows 98, Windows 2000, Windows NT, or Windows XP. A separate application package must be submitted for each development.

### **Date TBD in January 2015**

A workshop will be held in Columbia, SC. Authority staff will provide information on the 2015 tax credit program and review the 2015 application procedures. Although attendance is not mandatory, it is strongly recommended. Additional information and an on-line registration for the workshop will be posted on the Authority's website at [www.schousing.com](http://www.schousing.com).

After the workshop, specific questions regarding the 2015 tax credit program and/or application should be emailed to Laura Nicholson at [laura.nicholson@schousing.com](mailto:laura.nicholson@schousing.com) or faxed to (803) 551-4925. The Authority will respond in writing and will post any programmatic clarifications on the tax credit website.

### **March 2-6, 2015**

Tax Credit Applications are due along with the application fee and the market study review fee. No application will be accepted, under any circumstance, after 5:00 p.m. (EST), March 6, 2015.

### **June 2015**

It is anticipated that Applicants will be notified of their Application point scores in June. Point scores will be posted on the Authority's website at [www.schousing.com](http://www.schousing.com)

### **July – August 2015**

It is anticipated that notification of the Final Tax Credit Reservations will be made in late July to early August 2015.

## List of Code Numbers for South Carolina Counties:

|    |              |
|----|--------------|
| 1  | Abbeville    |
| 2  | Aiken        |
| 3  | Allendale    |
| 4  | Anderson     |
| 5  | Bamberg      |
| 6  | Barnwell     |
| 7  | Beaufort     |
| 8  | Berkeley     |
| 9  | Calhoun      |
| 10 | Charleston   |
| 11 | Cherokee     |
| 12 | Chester      |
| 13 | Chesterfield |
| 14 | Clarendon    |
| 15 | Colleton     |
| 16 | Darlington   |
| 17 | Dillon       |
| 18 | Dorchester   |
| 19 | Edgefield    |
| 20 | Fairfield    |
| 21 | Florence     |
| 22 | Georgetown   |
| 23 | Greenville   |
| 24 | Greenwood    |
| 25 | Hampton      |
| 26 | Horry        |
| 27 | Jasper       |
| 28 | Kershaw      |
| 29 | Lancaster    |
| 30 | Laurens      |
| 31 | Lee          |
| 32 | Lexington    |
| 33 | Marion       |
| 34 | Marlboro     |
| 35 | McCormick    |
| 36 | Newberry     |
| 37 | Oconee       |
| 38 | Orangeburg   |
| 39 | Pickens      |
| 40 | Richland     |
| 41 | Saluda       |
| 42 | Spartanburg  |
| 43 | Sumter       |
| 44 | Union        |
| 45 | Williamsburg |
| 46 | York         |

**DIVISION:** Procurement and Marketing

**SUBJECT:** Submission of the 2014 Accountability Report and a discussion of changes to the report requirement in 2014.

The accountability Report is one of three major reports we compile each year.

In year's past, this report was a 50-page document based largely on Malcom Baldrige criteria for best practices and organizational excellence.

On July 18<sup>th</sup>, the state's Executive Budget Office released new requirements for all state entities to follow when developing the FY2013/14 Accountability Report. The new requirements are a significant shift from those of prior years. Despite this shift in content, the intent of the report being an annual assessment of an agency's progress toward meeting its strategic and operational goals is unchanged.

In short; the Accountability Report now bears little resemblance to its predecessor:

- The report is now an annual assessment of the agency's progress towards its strategic goals;
- Malcom Baldrige criteria are no longer required or applicable;
- Multi-year trending is no longer a part of the format; and
- Charts, graphs and tables have been replaced by three cross referenced tables which depict the deployment of our strategy to operational objectives, programs and metrics containing performance targets.

The narrative driven prior report has been reduced to four standard templates:

- Submission form;
- Strategic planning goals, strategies and objectives;
- List of measurements; and
- "Program Template" linking all of these aspects to the agency budget.

The deadline for completion was September 15, which the agency met.

Since this is the first year for this exercise, revisions, refinements and improvements will be made throughout the year. In fact, you will see that primary strategies in our final Strategic Goal are to modify the Strategic Plan; Revise Performance Measures; and Evaluate Processes.

These are exercises we were undertaking anyway. The revised Accountability Report, however, has now given us a framework, with which we can utilize in our strategic planning.



**November 19, 2014**

## **Division: SC HELP**

### SC HELP Update

Monthly volumes of new customer registrations, approvals and program disbursements continue to be stable. We have continued to make onsite visits to local lenders/servicers to promote the Modification Assistance Program and existing SC HELP programs. We have also met with our marketing firm to discuss improving our online and TV marketing campaign along with implementing new strategies. We anticipate rolling out these new marketing strategies in 2015.

### New Program

We announced the Neighborhood Initiative Program (NIP) on Friday, October 17, 2014 and have received positive feedback. We will be accepting applications until January 12, 2015 and plan to announce the awards on February 27, 2015.

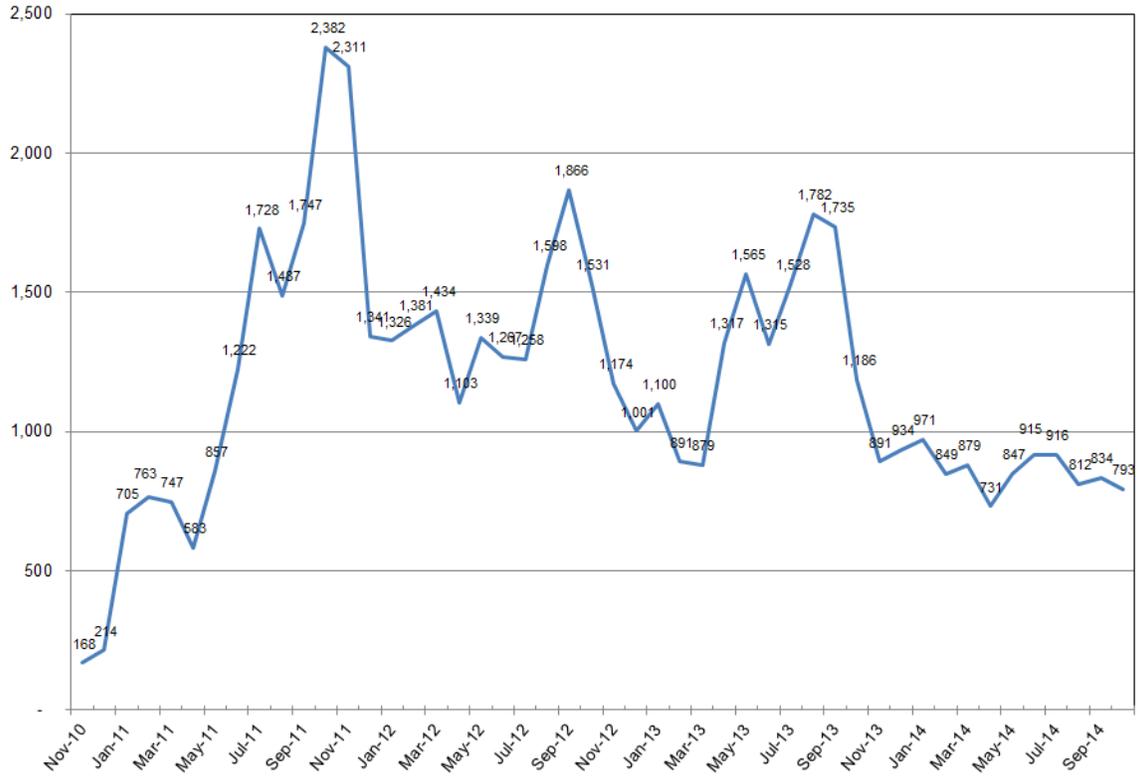
### SC HELP Program Performance Data

Production as of October 31, 2014:

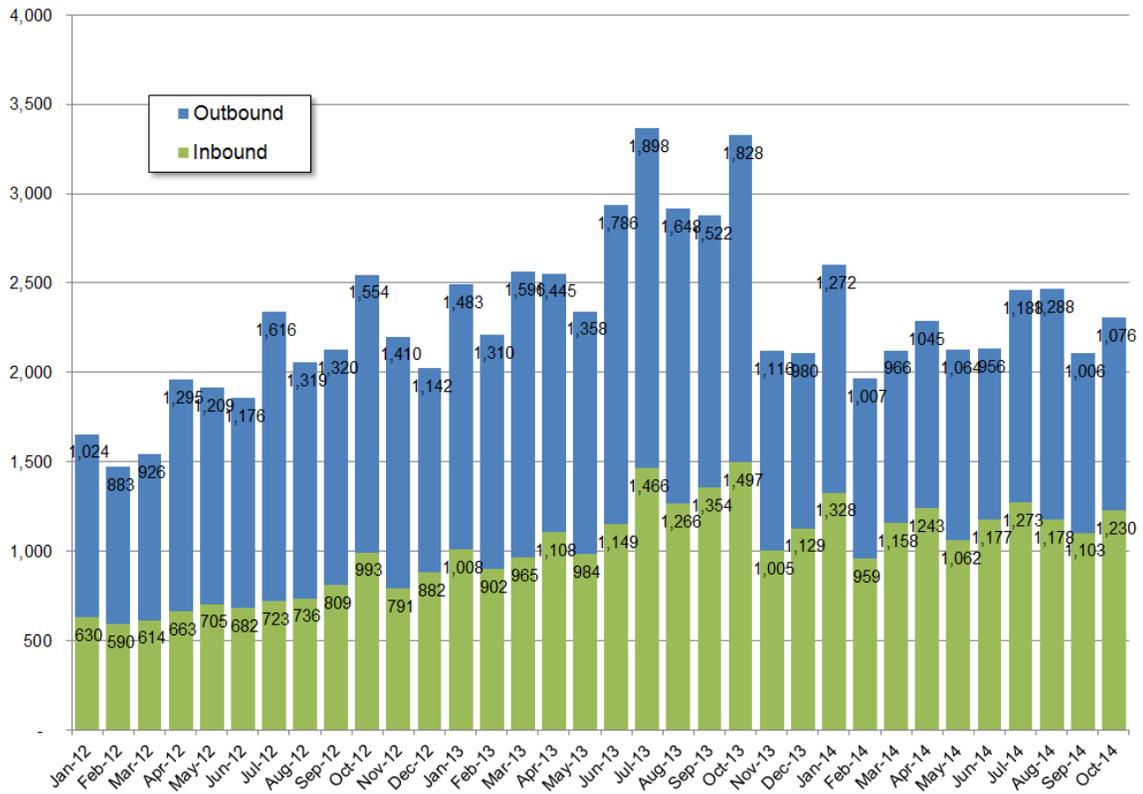
|                               |               |
|-------------------------------|---------------|
| Homeowners Approved & Funded  | 8,608         |
| Homeowners Approved – Pending | 193           |
| Program Funds Disbursed       | \$121,866,407 |
| Additional Funds Committed    | \$29,708,974  |

*NOTE: Production (applicant and disbursement) numbers are NOT reconciled as of the date of this report. Final reconciled production numbers are provided on the Quarterly Production and Quarterly Financial Reports.*

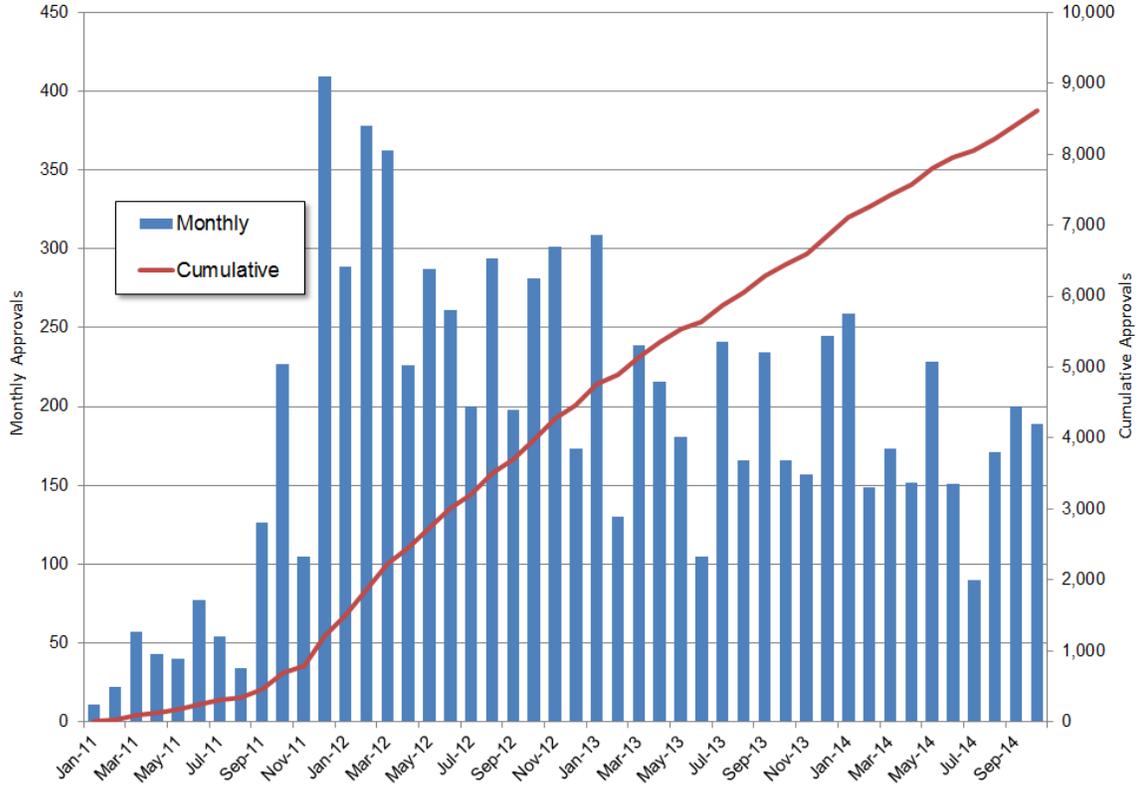
### SC HELP New Account Registrations



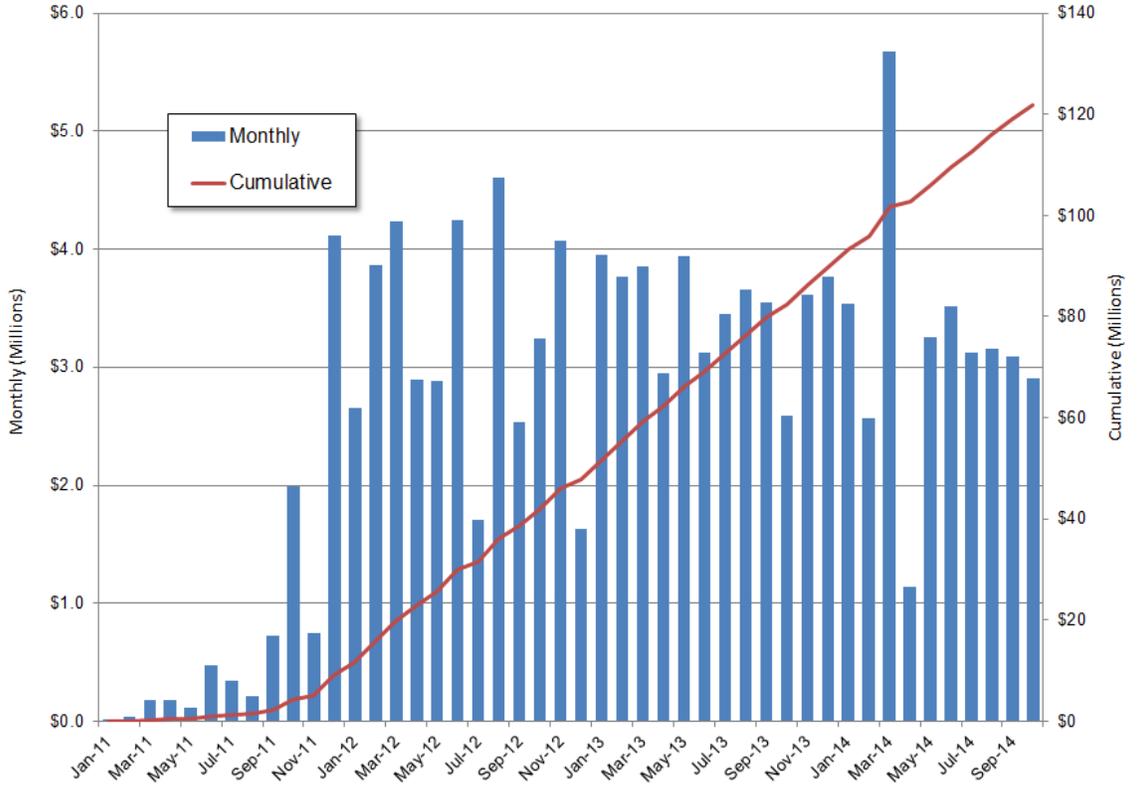
### SC HELP Client Relations Call Volume



### SC HELP Homeowner Approvals



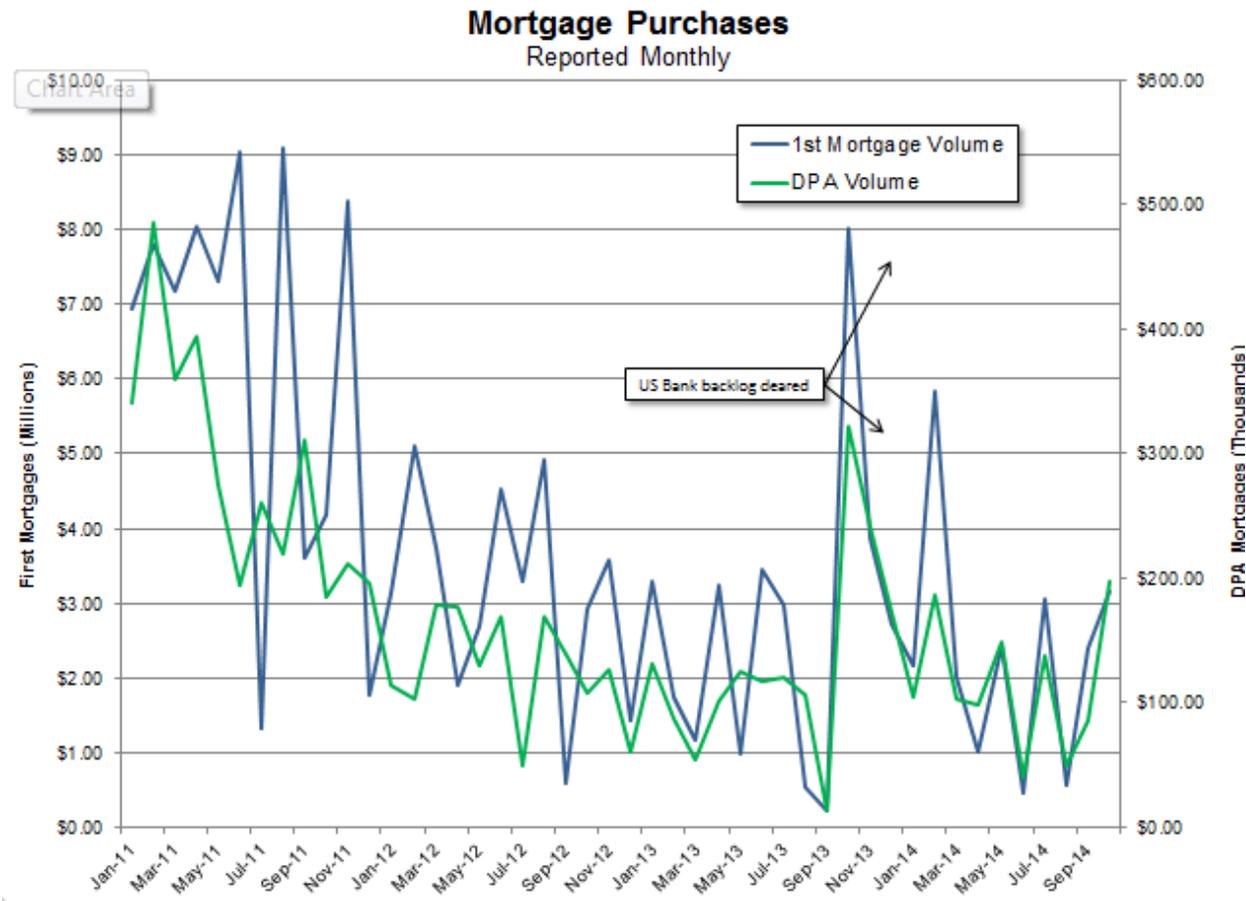
### SC HELP Program Disbursements



# Mortgage Production Update

For the month of October 2014 production has been steady at approximately \$3 million in new loan reservations and \$3.1 million in loan purchases. The increase in loans purchased was due to the Palmetto Heroes program. MCC reservations for the month were \$1.5 million with \$1.4 Million in MCC closings for the month.

On November 4<sup>th</sup> SC Housing rolled out our new Bond program the “SC Housing Homebuyer Program” including both FHA and Conventional loan options for eligible borrowers. The initial interest rate for FHA loans is 3.750% and 4.250% for Conventional loans. Current market rates are similar at 3.750% for FHA loans and 4.250% for Conventional loans.





**SC Housing Programs  
Rate Sheet**

**Effective Date: November 10, 2014 10:00 AM**

The SC Housing Homebuyer Program helps make home ownership affordable for homebuyers in South Carolina. In addition, SC Housing waives the first time homebuyer requirement in 32 South Carolina counties. The requirement is also waived for eligible Veterans, Single Parents and Families with Disabilities, some restrictions do apply.

|                               | FHA Rate | Conv Rate | Max Term | SRP   | Down Payment Assistance (DPA)* |                       |
|-------------------------------|----------|-----------|----------|-------|--------------------------------|-----------------------|
|                               |          |           |          |       | Existing Homes                 | New Construction      |
| SC Housing Homebuyer Program* | 3.75%    | 4.25%     | 30       | 1.00% |                                |                       |
|                               |          |           |          |       | Repayable (Category I)         | \$5,000 up to \$8,000 |
|                               |          |           |          |       | Forgivable (Category II)       | \$5,000 up to \$8,000 |

Rate Locks are for sixty (60) days. Extensions are available upon request and may be subject to a fee. SC Housing also offers a 120 day "Extended Rate Lock with Float Down Option" (free) for new construction properties.

*\*Refer to Program Guide and Manual for Homebuyer and Down Payment Assistance (DPA) Requirements*

All, rates, fees and terms are subject to change without notice. All rates, fees and terms herein are for informational purposes and intended for use by participating lenders ONLY. The interest rate will be the rate in effect as of the date and time the reservation/rate-lock is received by SC Housing. Participating lenders should consult the applicable Program Guide and Manual for complete details and requirements.

**For more information, visit us online at, or call**

[www.SCHousing.com](http://www.SCHousing.com)

**(803) 896- 9009**

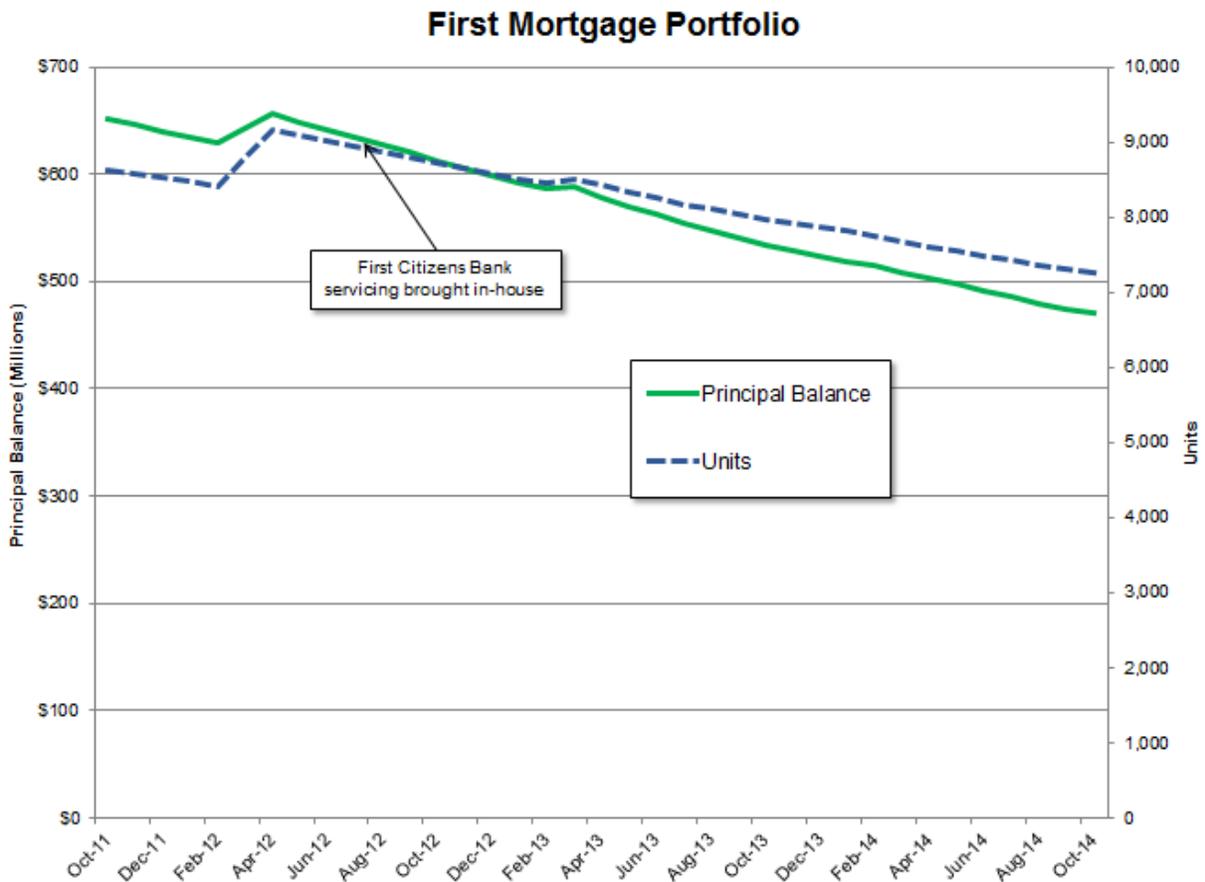
**DIVISION:** Chairman  
**SUBJECT:** Oral Report

**DIVISION:** Executive Director  
**SUBJECT:** Oral Report

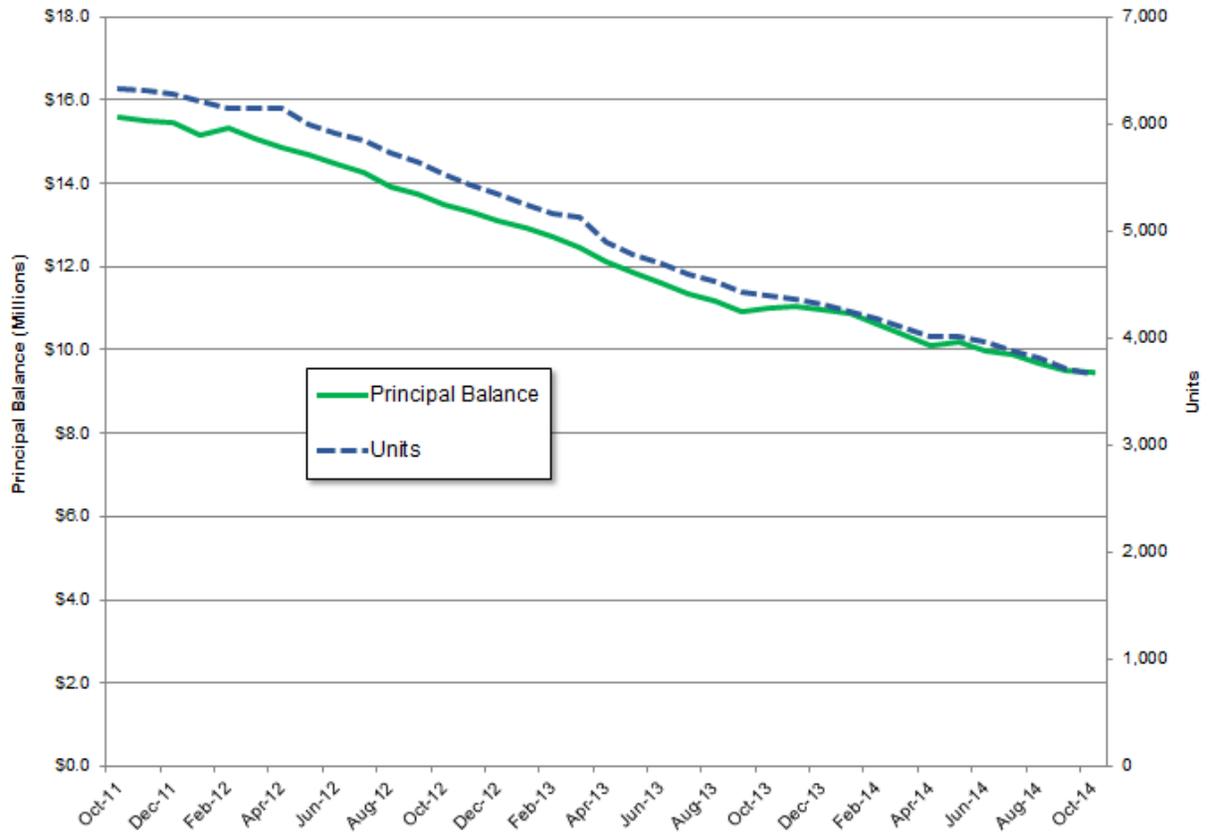
## Division: Mortgage Loan Servicing

SC Housing delinquent loan ratios continue to mirror the Mortgage Bankers Association (MBA) trends. This remains fairly static however with the decreasing loan portfolio, the percentages will reflect increases. Seasonally, delinquencies tend to move upward during the year-end holidays and summer vacations then drop with tax refunds. We are seeing an increase in the number of delinquencies as is typical during this time of year.

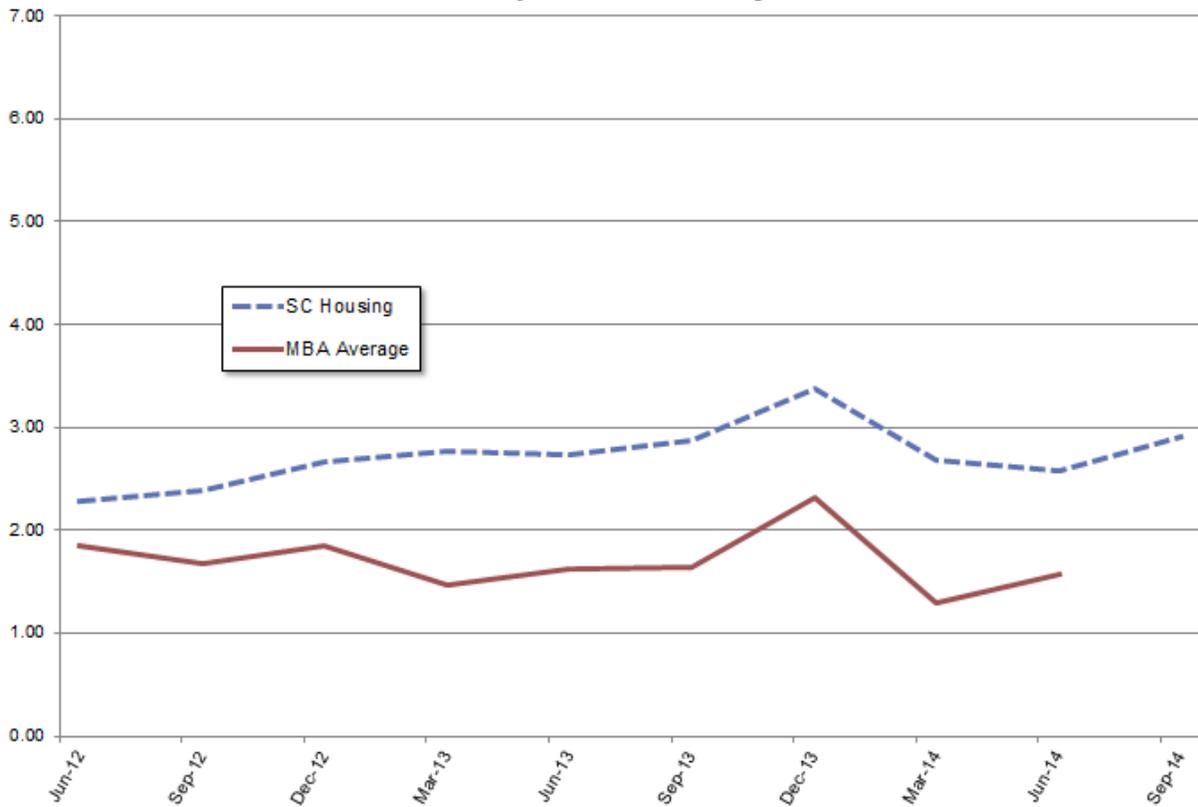
Servicing began the boarding process for approximately 40 “Palmetto Hero’s” first mortgages. In addition, the monthly run off from paid in full loans has decreased in the past 12 months by 25%. The following graphs reflect trend data for portfolio activity and delinquency totals.



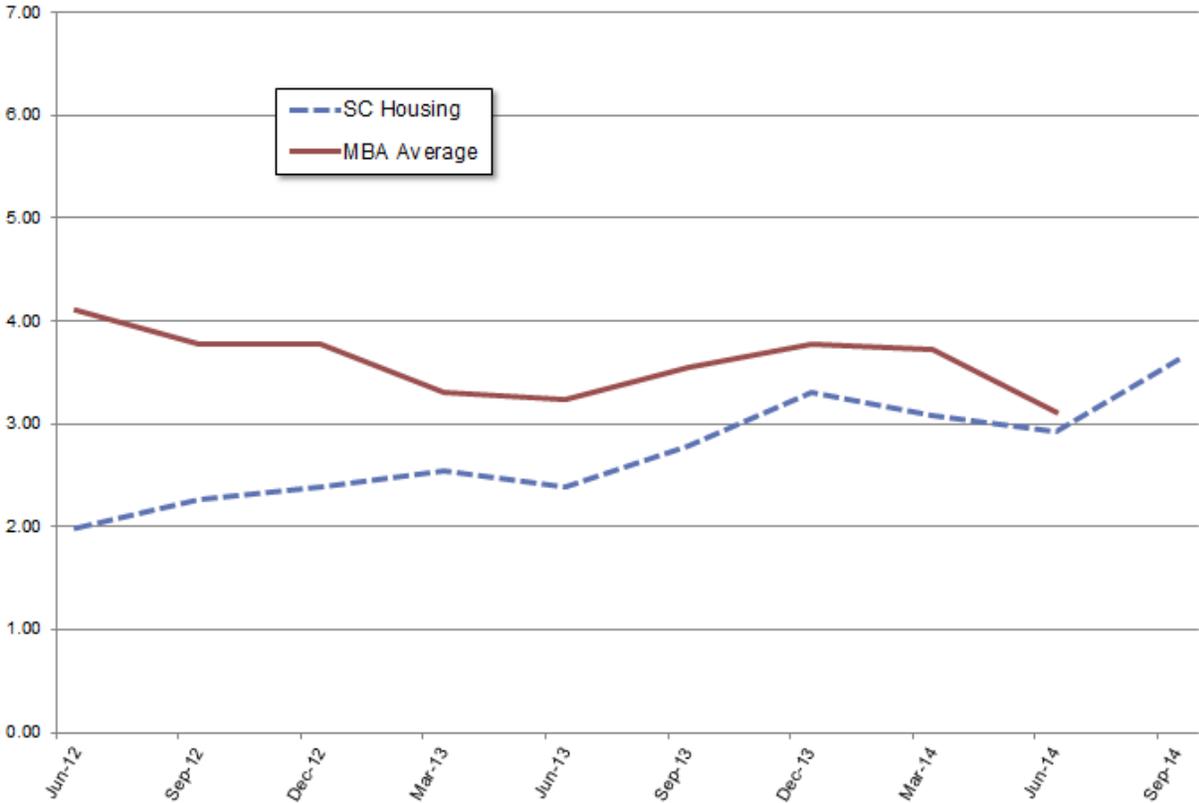
### DPA Mortgage Portfolio



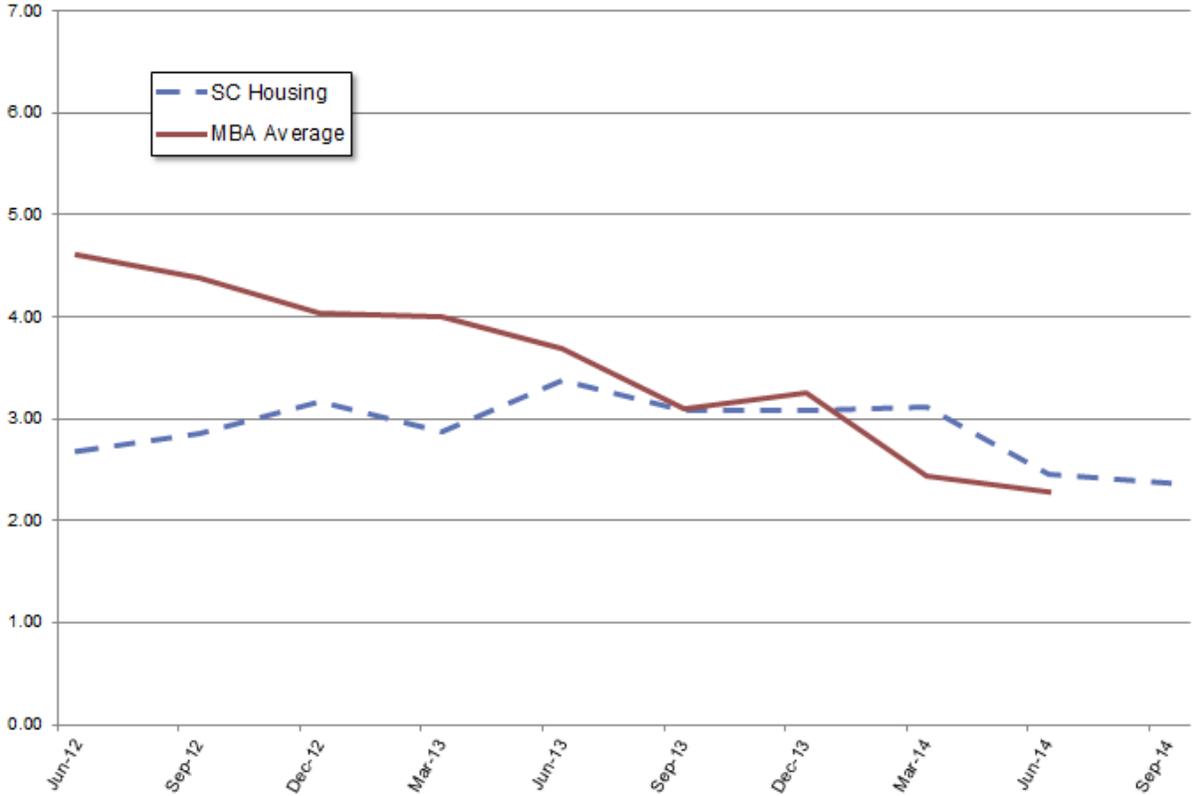
### 60-Day Delinquency Rates Reported Quarterly



### 90-Day Delinquency Rates Reported Quarterly



### Foreclosure Rates Reported Quarterly



**November 19, 2014**

**Division:** Human Resources

**Subject:** Oral Report

|   |            |
|---|------------|
| <b>Total Authorized Permanent Positions</b> | <b>146</b> |
| Filled Permanent Positions                  | 127        |
| Vacancies                                   | 19         |
| Authority Temporaries                       | 9          |
| Staffing Agency Temporaries                 | 7          |

**New Hires, Promotions & Transfers**

| Division/Department    | Employee Name    | Job Title                          | Effective Date |
|------------------------|------------------|------------------------------------|----------------|
| Development            | Leanne Johnson   | Program Coordinator II             | 11/10/2014     |
| Information Technology | Donald J. Player | Information Resource Consultant II | 11/17/2014     |

**Job Postings:**

| Department/Title | State Job Title | Vacancy Posting Dates |
|------------------|-----------------|-----------------------|
|                  |                 |                       |

**Separation of Employment & Retirements**

| Division/Department | Employee Name | State Job Title | Effective Date |
|---------------------|---------------|-----------------|----------------|
|                     |               |                 |                |

**Announcements:**

SC Housing Leadership Development Program Introductions:

- Mattie Choice, Asset Manager, Contract Administration
- Shante´ Edmonds, Escrow Team Lead, Mortgage Servicing
- Joseph Kass, Awards Management Coordinator, Development

SC Housing’s United Way Campaign was held in the month of November.