

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

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*300-C Outlet Pointe Blvd.*

*Columbia, SC 29210*

## ***Regular Board Meeting*** **NOVEMBER 19, 2013 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, 2013 Chairman Union
  - B. Finance & Audit Committee
    - 1. Review of Audited Financial Statements for FY 2013 Richard Hutto
  - C. Program Committee
    - 1. Housing Trust Fund Awards Laura Nicholson
  - D. 2014 Qualified Allocation Plan Laura Nicholson
  - E. Bond Committee
    - 1. Resolution for 2013 Carry-Forward Allocation Request Tracey Easton
  - F. Investor Services Assessment Report Wayne Sams
  - G. SC HELP Update Matt Rivers
  - H. Reports
    - 1. Chairman Chairman Union
    - 2. Executive Director Valarie Williams
    - 3. Deputy Director for Programs Ed Knight
    - 4. Human Resource Director Cynthia Dannels
- V.** Other Business
- VI.** Executive Session
- VII.** Next Meeting – January 22, 2014
- VIII.** Adjournment



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

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

Telephone: (803) 896-9001 TTY: (803) 896-8831

**[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 Tuesday, October 15, 2013 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:

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

The following Commissioners were excused: Chairman Chris Union, Chris Goodall, and Ernest Magaro, Jr.

Staff attending the meeting included the following:

**STAFF:**

Valarie M. Williams, Executive Director  
Ed Knight, Deputy Director of Programs  
Richard Hutto, Deputy Director of Administration  
Wayne Sams, Internal Audit & Investor Services  
Tracey Easton, General Counsel  
Cynthia Dannels, Human Resources  
Carl Bowen, Rental Assistance & Compliance  
Matt Rivers, SC HELP  
Claude Spurlock, Mortgage Production  
Reggie Bell, Marketing & Procurement  
Clayton Ingram, Marketing  
Kim Smith, Marketing  
Lisa Dial, Legislative Outreach  
Enid Conner, HR  
Ron Frye, HR  
Renee Shaw, Mortgage Servicing  
Mark Rich, Mortgage Servicing  
Bonita Shropshire, Executive Assistant

The Vice Chairman called the meeting to order and acknowledged the absence of Chairman Union. Vice Chairman Mickle extended well wishes for a quick recovery to the Chairman then 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**

Vice Chairman Mickle presented the agenda for approval.

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

### **Minutes**

The Vice Chairman asked if there were any additions or corrections to the minutes of October 15, 2013. There being none, he called for a motion to approve the minutes.

**MOTION** Commissioner Hill moved to approve the minutes of October 15, 2013 as presented. The motion received a second from Commissioner Gardner. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

### **Affordable Housing Awareness Campaign**

Vice Chairman Mickle asked Reggie Bell to present the Affordable Housing Awareness Campaign. Mr. Bell began by presenting six common myths and six realities of affordable housing. He then provided a thorough overview of the marketing efforts that will be focused on transforming the meaning and image of affordable housing. According to Mr. Bell, the marketing staff has plans to not only put faces with the South Carolinians that reside within affordable housing communities, but will also begin to showcase the developers and businesses that benefit from constructing these communities.

The report was accepted as information.

### **Accountability Report**

The Vice Chairman asked Clayton Ingram to present the Authority's Accountability Report. Mr. Ingram presented the Accountability Report highlighting the Agency's accomplishments from fiscal year 2012-2013. Mr. Ingram informed the Board that the Accountability Report is one of three major reports that is produced by the Authority's marketing staff each year. He noted that the report is most often used as a reference document and is submitted to the governor's office, state legislators, and the S.C. Budget Office.

The report was accepted as information.

**Voucher Program Waiver**

The Vice Chairman asked Carl Bowen for the Voucher Program report. Mr. Bowen reported that in an effort to help reduce the cost of administering the Housing Choice Voucher Program, staff has identified four major program areas that if modified, would significantly reduce the cost of program administration. Mr. Bowen stated that a waiver request will be submitted to the U.S. Department of Housing and Urban Development to seek approval of these regulatory changes. In addition to the regulatory changes, Staff has also modified several internal procedures that will also contribute to cutting administrative costs.

The report was accepted as information.

**SC HELP Update**

The Vice Chairman asked Matt Rivers for the SC HELP update. Mr. Rivers began by providing updated program figures including total number of applicants, funds committed and expended. He reported that the monthly pace of new customer registrations remain steady. Mr. Rivers also reported that in an effort to minimize the gap between the number of applications received and the actual number of approvals, staff will begin a more detailed pre-screening process of the Program's basic threshold. Mr. Rivers concluded his report with an update on the new proposal that has been submitted to U.S. Treasury designed to assist homeowners who are experiencing long-term or permanent reduction in income. He reported that the discussions have been favorable and staff anticipates a final reply from U.S. Treasury by the end of the month with implementation in early 2014.

The report was accepted as information.

**Reports****Executive Director**

The Vice Chairman called upon Valarie Williams for the Executive Director's report. Ms. Williams began by acknowledging a publication provided by the Kutak Rock group entitled "Boardmanship Basics". She explained that the publication was presented at the National Conference of State Housing Boards and she wanted to make sure that each Commissioner received a copy. Ms. Williams then announced the upcoming NCSHA Annual Conference to be held in New Orleans, LA October 19 - 22, 2013. The Executive Director concluded her report with mention of two articles, one which highlighted the accomplishments of housing finance agencies and another article that shows S.C. as 10<sup>th</sup> in the nation in foreclosures.

**Deputy Director of Programs**

Vice Chairman Mickle called on Mr. Knight for the Deputy Director of Program's report. Mr. Knight began with mention of changes in the Bond Cap Program for multi-family and single-family programs. He then provided follow-up on two topics from the September Board Retreat involving the RFP for a consultant and the Executive Staff's meeting with the S.C. Attorney General's staff regarding indemnification. Mr. Knight then presented his normal monthly program reports.

Human Resources Director

The Vice-Chairman called on Cynthia Dannels for the Human Resources report. Ms. Dannels began by allowing division managers to introduce new hires, promotions, and transfers within their departments. She then recognized Ron Frye for his achievement of the Human Resources Professional Development (HRPD) certification. Ms. Dannels concluded with mention of the Agency's United Way Employee Campaign.

Executive Session

The Vice Chairman called for a motion to enter executive session to discuss a legal matter.

**MOTION** Commissioner Ormand moved to enter executive session for the purpose of discussing a legal matter. The motion received a second from Commissioner Hill. There being no discussion, all Commissioners voted in the affirmative and the motion carried.

[EXECUTIVE SESSION]

Upon exiting executive session The Vice Chairman noted that no actions had been taken.

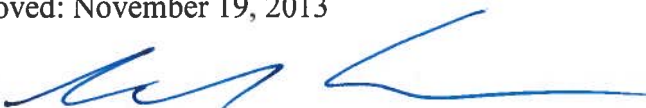
Other Business

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

Respectfully submitted,

  
Valarie M. Williams, Secretary

Approved: November 19, 2013

By:   
Christopher N. Union  
Chairman

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Valarie M. Williams, Secretary

Approved: November 19, 2013

By: \_\_\_\_\_  
Christopher N. Union  
Chairman

**November 19, 2013**

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**Division:** Finance

**Subject:** Audited Financial Statements for FY 2013



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 2014</b>			
	<b>Projected</b>	<b>Actual</b>	<b>Variance</b>
May-13	566,832.64	595,093.12	28,260.48
June-13	533,663.14	740,495.17	206,832.03
July-13	637,272.21	853,869.61	216,597.40
August-13	674,071.88	859,608.19	185,536.31
September-13	606,254.65	888,939.49	282,684.84
October-13	589,216.84	906,480.94	317,264.10
November-13	585,506.16		-
December-13	558,004.19		-
January-14	558,498.11		-
February-14	721,477.60		-
Mar-14	497,741.98		-
Apr-14	499,646.57		-
<b>Total</b>	<b>7,028,185.97</b>	<b>4,844,486.52</b>	<b>1,237,175.16</b>
<b>- Admin Fee</b>	<b><u>(\$500,000.00)</u></b>		
<b>Original 2014 FY Budget</b>	<b>\$6,528,185.97</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	1,178,500.00	1,068,000.00	2,246,500.00
Emergency Repairs	148,934.00	65,939.00	214,873.00
Group Homes		150,000.00	150,000.00
Supportive Housing	600,000.00	528,750.00	1,128,750.00
Multifamily Rental Housing			-
<b>Totals</b>	<b>\$ 1,927,434.00</b>	<b>\$ 1,812,689.00</b>	<b>\$ 3,740,123.00</b>

### **Fiscal Year Cash Balance Analysis**

#### ***Unencumbered Cash Balance***

Based on the receipts listed earlier, returns of previously approved awards, and the fiscal year beginning balance, the unencumbered HTF cash balance is:

Cash Balance as of 10/31/2013	7,850,582.47
Less Previous Awards Not Disbursed:	(5,282,102.47)
Less Total Awards in this Cycle:	(1,812,689.00)
Less Pending Administrative Fee	(500,000.00)
<b>Remaining Unencumbered Balance:</b>	<b>\$ 255,791.00</b>

\* Previous Awards Not Disbursed and Cash Balance have been reconciled through October 31, 2013.



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

November 19, 2013

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Division: **Housing Trust Fund**

Subject: **Proposed Housing Trust Fund Awards**

Listed below are 17 proposals with total funds requested of **\$1,746,750.00** for your consideration. These proposals are grouped as follows:

- 2 Group Home for the Disabled proposal for \$150,000.00
- 2 Supportive Housing proposal for \$528,750.00
- 13 Owner Occupied Rehabilitation proposals for \$1,068,000.00

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

**Project Number:** HTF-24314

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

**United Cerebral Palsy of South Carolina, 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 Richland County.

**Project Number:** HTF-24414

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

**York County Board of Disabilities and Special Needs**

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

## **Supportive Housing**

**Project Number:** HTF-24514

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

### **Crisis Ministries**

The Sponsor proposes the construction of a 110- unit dwelling to provide housing for homeless men and male veterans. The property is located within Charleston County.

**Project Number:** HTF-24614

**HTF Amount:** \$228,750.00

### **Safe Harbor, Inc.**

The Sponsor proposes the acquisition and rehabilitation of a 4-bedroom dwelling to provide housing for victims of domestic violence. The property is located within Oconee County.

## **Owner Occupied Rehabilitation**

**Project Number:** HTF-23014

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

### **Berean CDC**

The Sponsor proposes to rehabilitate four houses for families within the following counties: Darlington, Dillon and Florence.

**Project Number:** HTF-23114

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

### **Carolina Communities Foundation, Inc.**

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

**Project Number:** HTF-23214

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

### **Community Assistance and Mentoring Program, Inc. (CAMP)**

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

**Project Number:** HTF-23314

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

### **Empowered Personal Care Home Health Alliance**

The Sponsor proposes to rehabilitate four houses for families within the following counties: Sumter, Lee and Clarendon.

**Project Number:** HTF-23414

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

**Helping Hands International Outreach Ministry**

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

**Project Number:** HTF-23514

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

**Lowcountry Housing and Economic Development Foundation, Inc.**

The Sponsor proposes to rehabilitate two houses for families within the following county: Charleston.

**Project Number:** HTF-23614

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

**Parnell's Community Development Corporation**

The Sponsor proposes to rehabilitate four houses for families within the following counties: Florence, Lee and Marion.

**Project Number:** HTF-23714

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

**Potters Home Restoration & Housing Agency**

The Sponsor proposes to rehabilitate four houses within the following counties: Berkeley and Charleston.

**Project Number:** HTF-23814

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

**Promised Land CDC**

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

**Project Number:** HTF-23914

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

**Rural Initiatives Foundation, Inc.**

The Sponsor proposes to rehabilitate four houses for families within the following counties: Richland, Aiken, Lexington and Edgefield.

**Project Number:** HTF-24014

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

**SC UpLift Community Outreach**

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

**Project Number:** HTF-24114

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

**Tackling the Streets**

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

**Project Number:** HTF-24214

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

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

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

**Division:** Development

**Subject:** Tax Credit Update

Authority staff conducted the Annual Developer Roundtable meeting on September 26, 2013, to accept comments and suggestions for the 2014 tax credit program. After the meeting, draft documents of the Qualified Allocation Plan (QAP) and Tax Credit Manual were created and on October 18, 2013 posted to the Authority's tax credit webpage. Based on comments received on the draft documents, Authority staff revised the drafts and on October 30, 2013 posted a second draft of the QAP and Tax Credit Manual.

The Tax Credit Public Hearing, where verbal comments on the draft documents are received, took place on November 1, 2013. Written comments were accepted until the close of business on November 1, 2013. Authority staff reviewed all comments received and revised the draft documents, incorporating many of the comments received.

The 2014 QAP and 2014 Tax Credit Manual is provided for reference. The Board book contains the red lined draft version #2 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 2014 QAP to the Governor for approval and signature.

## South Carolina State Housing Finance and Development Authority Low-Income Housing Tax Credit Program ~~2013~~ **2014** 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.*

### 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~~ ~~2006~~ and February 1, ~~2014~~ ~~2013~~, 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~~ ~~2006~~ through February 1, ~~2014~~ ~~2013~~, 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) 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 ~~2013~~ ~~2012~~ South Carolina tax credit development(s) must have closed the construction loan and purchased the land in order to submit an application in the ~~2014~~ ~~2013~~ 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 3, 2014. 4, 2013. 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, 2012 2011 is required. All reports must include notes to the financial statements. The Authority will accept a compilation report with or without full note disclosures. If notes are omitted, supplementary schedules for all significant assets and liabilities may be required. 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.

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

Applicants are required to send a letter, not later than March 1, 2014 2013 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 one (1), two (2), or three (3) miles as indicated by accessible public paved road, 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 center of proposed site. Color photographs of all services must be included with the application and copies of the application and the name of the service must be visible in the photograph. Applicants may include a maximum of one (1) primary and one (1) alternate positive site service of each service type for scoring purposes. All directions must be printed from the mapping system and included in the application for points to be awarded. **Directions that do not lead to the service, as stated in the directions provided with the Application, will not be awarded points.** Distances are subject to Authority verification and are GPS measured and odometer confirmed by third party site analyst from center of entrance into site to center of entrance into service location. 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 at the time the Authority's site visit is made or points will not be awarded.

**The following service located within ONE (1) MILE of the development site will earn four (4) points:**

- Full Service Grocery Store (the store must operate with regular business hours offering a full range and variety of foods, cleaning products and paper products. To qualify as offering ~~selling, on a continuous basis;~~ a full range and variety of foods, the store must offer ~~for home preparation and consumption in sufficient quantities of items from in each of the following four categories of staple foods on a continuous basis;~~ ~~of~~ 1) meats, poultry, and fish; 2) breads and cereals; 3) vegetables and fruits; ~~produce, and~~ and 4) dairy products.) **Max. 4 pts**

**The following services located within TWO (2) MILES of the development site earn three (3) points each:**

- Full Service Grocery Store (the store must operate with regular business hours offering a full range and variety of foods, cleaning products and paper products. To qualify as offering ~~selling, on a continuous basis;~~ a full range and variety of foods, the store must offer ~~for home preparation and consumption in sufficient quantities of items from in each of the following four categories of staple foods on a continuous basis;~~ ~~of~~ 1) meats, poultry, and fish; 2) breads and cereals; 3) vegetables and fruits; ~~produce, and~~ and 4) dairy products.) Note: these points are not eligible if points were taken for grocery stores within 1 mile.
- Pharmacy or Drug Store (must operate with regular business hours)
- Convenience Store and Gas Station **Max. 9 pts**

**At least four (4) of the following services located within THREE (3) MILES of the development site earn two (2) points each:**

- Restaurant
- Entertainment Venues: museums, sports arenas, theaters, and cinemas.
- Retail Shopping Areas: malls or strip malls that have a minimum of four retail stores
- Doctor's Office (General Practitioners only not specialized practices), Emergency Clinics, Urgent Care Facilities, or Hospital (Facilities must be available to the general public and must not be exclusive)
- Public Schools- elementary, middle or high schools
- Fire Station (Volunteer Fire Station qualifies)
- Full Service Banks or Credit Unions (free standing ATMs do not qualify)
- Public Park or Playground or Recreation Center or Senior Activity Center. 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.

**Max. 8 16 pts**

- 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.

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 next to developments funded in the 2012 or 2013 tax credit funding cycles that have not placed in service and achieved a 90% occupancy at the time of application submission.
  - 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 the outside perimeter of the site for the distribution of electric service for other unrelated properties. 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 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.

- 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 (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 (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 facilities that store above ground propane and/or petroleum fuels (in liquid or solid form), or other hazardous chemicals.
- j) Sites within one-quarter (1/4) mile of a sewage treatment plant.
- k) 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 one-quarter (1/4) mile of adult video/entertainment clubs.
- d) Sites within one-quarter (1/4) mile 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) 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) a meeting or banquet hall. Full service restaurants that have a bar area within the restaurant are not considered bars/night clubs.

- e) 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.
- f) 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 ~~D~~ developments must have a capture rate at or below 30%. Developments with a capture rate above 30% will be eliminated.
- b) **Market Advantage:** All ~~D~~ 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 #3 for additional information related to meeting the Tie Breaker criteria for market advantage. Developments that receive tax credits based on Tie Breaker Criteria #3 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. 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.

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### **Tax Credit Development Experience:**

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) years, January 1, ~~2007-2006~~ to January 1, ~~2014-2013~~. 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. 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 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.

### 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, thirty-year compliance period for an additional five-year term.
- 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 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.

2 pts

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### 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.
- b) Developments having **57** to **64** total units.
- c) Developments having **65** to **72** total units.

**3 pts**  
**2 pts**  
**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 56 total units.~~
- b) Developments ~~at or below 88~~ having ~~65 to 88~~ **57 to 80** total units.
- c) Development having **89 to 104** ~~81 to 96~~ total units.

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Rehabilitation developments consisting of **130** ~~97~~ 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.
2. Attic insulation rated R-38 or higher.
3. Energy Star rated HVAC systems (15 SEER or greater) in all units.
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.
5. Curbing for paved areas throughout the development site including the parking areas.
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).
7. Irrigation/sprinkler system serving all landscaped areas.
8. Underground utilities (gas/electric, cable and phone) throughout the development site.
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.
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.
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)
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.
13. Over the range mounted microwave oven, with re-circulating fan, in all units.
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).

**8 pts**  
**3 pts**  
**5 pts**  
**10 pts**  
**5 pts**  
**3 pts**  
**10 pts**  
**5 pts**  
**3 pts**  
**5 pts**  
**5 pts**  
**3 pts**  
**4 pts**  
**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.

<u>Bedrooms per Unit</u>	<u>Minimum Sq. Ft. per Unit</u>
<del>Efficiency</del>	<del>600</del>
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>
<del>Efficiency</del>	<del>700</del>
One	850
Two	1,100
Three	1,250
Four	1,400

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.

<u>Bedrooms per Unit</u>	<u>Bathrooms per Unit</u>
<del>Efficiency</del>	<del>One Full</del>
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.

17. A minimum six (6) camera video security system with four (4) cameras monitoring the exterior site and two (2) monitoring the manager's office and community center.
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.
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.
20. Perimeter fencing extending around all sides of the development site, except the development entrance(s).
21. The development will be built to meet, at a minimum, the Version 3.0 Energy Star Certification.
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.

**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)
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.
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).
26. Minimum bedroom size for all bedrooms in each unit is 120 square feet. The minimum bedroom Square footage excludes the closet space.
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.
28. Hookups for standard size washers/dryers in all units. (Hookups for stackable washer/dryers do not count)
29. Energy Star rated windows in all units.
30. In all units, existing appliances replaced with a full size Energy Star refrigerator, with ice maker, having

20 pts

20 pts

7 pts

5 pts

10 pts

5 pts

15 pts

5 pts

3 pts

3 pts

10 pts

5 pts

10 pts

5 pts

8 pts



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.
2. Brick/stone veneer or stucco minimum 50% and remaining exterior fiber cement and/or hardiplank.
3. Brick/stone veneer or stucco minimum 30% and remaining exterior fiber cement and/or hardiplank
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.

4 pts

3 pts

2 pts

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 in excess of the following Total Development costs per unit:

- Rehabilitation- \$~~110,000~~ ~~115,000~~ per unit
- New Construction- \$~~165,000~~ ~~155,000~~ ~~175,000~~ per unit
- Historic and Adaptive Reuse- \$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 ~~developments~~ 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
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- New Construction:

1 bedroom: \$~~11,000~~ ~~12,500~~ 2 bedroom- \$~~14,000~~ ~~16,000~~ 3 bedroom- \$~~16,000~~ ~~18,000~~  
4 Bedroom- \$~~18,000~~ ~~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. Applications that had no missing or incomplete documents as required for submission on the Authority's Exhibit A LIHTC Application Checklist.~~
3. 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 #3 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.~~
- ~~4. Developments that provide letters of positive support from the City Manager, Mayor or County Administrator for the proposed development of affordable housing within their communities.~~
- ~~5. Sites located in a community revitalization plan area will receive preference. The Authority will accept a plan or Resolution adopted or passed by the local government which designates a targeted area for a mix of housing, retail, and/or public services. The targeted areas cannot be an entire local jurisdiction, nor can it be a site level designation. Consolidated or Comprehensive Plans for a City or County will not satisfy this provision unless they designate a targeted area for a mix of housing, retail and/or public services. The plan or Resolution must have been approved and adopted by the local government at a public meeting not later than November 15, 2012. A letter from the Mayor, City Manager, Planning or Zoning Director must be included with the plan or Resolution which states that the proposed development site would be part of an existing and ongoing revitalization for the area which promotes affordable housing developments.~~
- 4.5. This Tiebreaker will analyze a combination of Eligible Basis per Heated Square Foot (EBHSF) and Rents per Heated Square Foot. Each part will be weighted as 50% of the tiebreaker, which has a maximum achievable value of 1.  
**Part One of Tiebreaker:** As required in each set-aside, the Authority will apply cost standards for Eligible Basis per Heated Square Foot 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, rehab, 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.  
**Part Two of Tiebreaker:** As required in each set-aside, the Authority will calculate the rent per heated square foot for each development reaching this tiebreaker by dividing the total potential rental income (calculated using tenant rents net of utility allowances) by the total heated residential living space (not including any heated common space). The total heated square footage of all units is the lesser of (a) the maximum allowed per unit square footage or (b) the actual square footage submitted. The Authority will calculate the quotient to four decimal places. The one development with the lowest rent per heated square foot will be assigned the highest possible value of .5000. The value for each other development will be .5000 multiplied by the ratio of the lowest rent per heated square foot to its own rent per heated square foot.
- ~~6. The Authority will apply cost standards for Eligible Basis per Heated Square Foot (EBHSF) and total development cost per unit and total development cost per square foot. Group averages for each type of development submitted will be compared. Those developments with EBHSF and costs greater than 1.0, 2.0, and 3.0 standard deviations above the group average will be assessed negative 1, 2, or 3 points, respectively.~~
- 5.7. Rent per Heated Square Foot: The Authority will calculate each development's rent per heated square foot as follows. The numerator, total gross monthly income, is the sum of the proposed net rent times the number of units, for each bedroom size. ~~Net rents are limited to a maximum rent advantage of 25%, as determined in Tiebreaker #2.~~ The denominator, total heated square feet (HSF), is the sum of the HSF per

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unit times the number of units, for each bedroom size. HSF means residential living space only, and does not include any heated common space. The total heated square footage of all units is limited to the lesser of (a) the maximum allowed per unit square footage or (b) the actual square footage submitted. The Authority will calculate the quotient to four decimal places.

6.8. Owners (which include individual(s), corporation(s), or in the case of a limited partnership, the general partners(s)) who have previously developed a minimum of one LIHTC development in South Carolina between January 1, 2007 2006 and February 1, 2014 -2013. 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.

7. ~~Developments that provide letters of positive support from the City Manager, Mayor or County Administrator for the proposed development.~~

9. ~~Sites located in a community revitalization plan area will receive preference. The Authority will accept a plan or Resolution adopted or passed by the local government which designates a targeted area for a mix of housing, retail, and/or public services. The targeted areas cannot be an entire local jurisdiction, nor can it be a site level designation. Consolidated or Comprehensive Plans for a City or County will not satisfy this provision unless they designate a targeted area for a mix of housing, retail and/or public services. The plan or Resolution must have been approved and adopted by the local government at a public meeting not later than November 15, 2013. A letter from the Mayor, City Manager, Planning or Zoning Director must be included with the plan or Resolution which states that the proposed development site would be part of an existing and ongoing revitalization for the area which promotes affordable housing developments.~~

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8-10. 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.

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9-11. 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.

10-12. 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 fifteen (15) year tax credit compliance period or the twenty (20) year compliance period if receiving state HOME funds.

11-13. 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.
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.
- 30-31. All materials used for construction should promote a healthy living environment, such as Low/No VOC paints and primers, adhesives, sealants, sheetrock, fire retardant, etc. In addition, developers must use materials and construction techniques that prevent mold and provide for adequate ventilation.
- 31-32. 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.
- 32-33. Pre-finished fascia and soffits must be vinyl covered aluminum and/or perforated cementitious panels with vents.
- 33-34. Gutter and downspout systems complete with splash blocks will be supplied surrounding all residential buildings.
- 34-35. 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>
<u>Efficiency and One</u>	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.

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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, 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.
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.

#### **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.

## **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**

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 ~~seven (7)~~ **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 ~~seven (7)~~ **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**

### **2014 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.*

## **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, 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, 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) 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 2013 South Carolina tax credit development(s) must have closed the construction loan and purchased the land in order to submit an application in the 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 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, 2012 is required. All 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 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 located within ½ mile, 1 mile, 1½ miles, 2 miles, 2½ miles, or 3miles as indicated by accessible public paved road, 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 center of proposed site. Color photographs of all

services must be included with the application and copies of the application and the name of the service must be visible in the photograph. Applicants may include a maximum of one (1) primary and one (1) alternate positive site service of each service type for scoring purposes. All directions must be printed from the mapping system and included in the application for points to be awarded. **Directions that do not lead to the service, as stated in the directions provided with the Application, will not be awarded points.** Distances are subject to Authority verification and are GPS measured and odometer confirmed by a third party site analyst from center of entrance into site to center of entrance into service location. 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 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	3	2.5	2	1.5	1	.5
Entertainment Venues: museums, theaters, cinemas, 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 (General Practitioners only not specialized practices), Emergency Clinics, Urgent Care Facilities, or Hospital (Facilities must be available to the general public and must not be exclusive)	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)	3	2.5	2	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 or Recreation Center or Senior Activity Center. 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.	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.

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 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 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 the outside perimeter of the site for the distribution of electric service for other unrelated properties. 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 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.

- 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 (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 (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 of adult video/entertainment clubs.
- e) Sites within one-quarter (1/4) mile 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) 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) a meeting or banquet hall.

- 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. 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 seven (7) years, January 1, 2007 to 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. 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 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, 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 3 pts**

- 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. 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 15year 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 pt

### **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 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. 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	850
Two	1,100
Three	1,250
Four	1,400

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 six (6) camera video security system with four (4) cameras monitoring the exterior site 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 the development entrance(s). 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- \$115,000 per unit
- New Construction, Historic and Adaptive Reuse- \$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: \$12,500      2 bedroom- \$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.
6. 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.
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, 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.
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.

**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.

**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**

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** **~~2013~~ 2014 Low-Income Housing Tax Credit Manual**

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

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#### **ADDENDUMS**

- ~~2013~~ 2014 Market Study Guideline Procedures
- ~~2013~~ 2014 LIHTC Program Schedule
- List of Code Numbers for South Carolina Counties
- ~~2013~~ 2014 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
- ~~2012~~ 2013 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 ~~2013~~ 2014 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**

### **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) Tax Credit Reservation Fee: 10% of the tax award amount due 14 calendar days after the notification of the tax credit award.
  - e) Plan Review and Construction Inspections Fee: ~~\$4,750.00~~ ~~4,000.00~~ due 14 calendar days after the notification of the tax credit award.
  - f) Compliance Monitoring Fees:
    - i. 2011-~~2013~~ 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) 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) 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) 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 ~~2013~~ 2014 Tax Credit Application must not be dated prior to September 1, ~~2012~~ 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.

**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 ~~2013~~ 2014 credit ceiling supplementing awards from prior years will not count against the ~~2013~~ 2014 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. New construction developments awarded as part of the RAD Set-Aside will not count towards the developments per county limit.

**Set-Asides:**

The Authority has ~~five (5)~~ six (6) 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. 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 \$3,850,000 ~~3,100,000~~ 4,100,000 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 ~~\$2,250,000~~ \$2,600,000 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)~~ ~~three (3)~~ years: Abbeville, Allendale, ~~Anderson, Bamberg,~~ Barnwell, Calhoun, Cherokee, Chester, Chesterfield, ~~Clarendon,~~ Colleton, Darlington, Dillon, Fairfield, Hampton, Jasper, Lee, Marion, Marlboro, McCormick, Orangeburg, 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 ~~having~~ 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.

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**3.4. Rehabilitation Set-Aside:**

- a) Up to ~~\$2,100,000~~ 1,500,000 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.

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

- a) Up to \$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.

**5.6. 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 \$1,500,000 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 ~~\$8.36~~ million will be available in the LIHTC competition;
- b) The maximum state HOME award any one (1) development can request is ~~\$700,000~~ ~~350,000~~. 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- \$2,960,000 ~~\$2,400,000 up to \$900,000~~; Underserved Counties- \$1,120,000 ~~\$1,680,000 up to \$1,404,000~~; RAD- \$560,000; Rehabilitation- \$1,600,000 ~~\$640,000 up to \$504,000~~; RHS- ~~\$640,000 up to \$288,000~~ and Nonprofit- ~~\$1,120,000 up to \$504,000~~. 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.

~~e)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.

~~d)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.

~~e)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;

~~e)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;

~~e)h)~~ Only one state HOME award will be allocated per development;

~~e)i)~~ LIHTC will not be allocated to any development that applies for state HOME funds but does not receive a state HOME award; and

~~e)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.

~~e)k)~~ For the purposes of this section, Applicant(s) means any person associated with the ~~2013~~ 2014 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, 2014. ~~4, 2013~~:

- i. All ~~2011 2010~~ and previous state HOME awards must be officially closed out; and
- ii. All ~~2012 2011~~ 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, 2014. ~~4, 2013~~. Written confirmation regarding HOME award completion percentages must be provided with the Tax Credit Application submission from the Awards Management Manager.

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### **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 ~~the local PHA~~ or other approved utility provider must be submitted with the Application submittal. The allowance must be dated within 12 months of the tax credit application submission date.
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; 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 ~~ninety-nine (99) year~~ land lease or ~~an executed~~ 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 lease~~.
  - e) With the exception of a) above, the Applicant must also submit a copy of the current deed recorded 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 3, 2014, ~~4, 2013~~, "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

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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.

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 2014 2013 Market Study Guideline Procedures.

- ~~13.14. 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.

**14.15. Appraisals –**

- a) The Authority requires appraisals at Application submission for all development proposals. ~~All appraisers must be licensed to do work in South Carolina on a permanent basis.~~ 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 ~~will~~ 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) ~~The Authority will use discretion in allowing acquisition costs in excess of appraised value. These situations will be reviewed on a case by case basis and the Applicant must provide justification to support acquisition costs in excess of the appraised value. If the Authority finds the justification offered to be unacceptable, acquisition costs in excess of the appraised value will be excluded from the development’s eligible basis.~~
- e) ~~d)~~ Developments not meeting minimum underwriting requirements or found to be financially infeasible as a result of this reduction will be disqualified.

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**15.16. 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, ~~2013~~ **2012**.

- 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, ~~2007~~ **2006** 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, ~~2007~~ **2006**.
- 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, ~~2013~~ **2012**.
- 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.

**16.17. 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.

**17.18. Community Revitalization Plan Areas (CRP)** – Required for tie break purposes only. Refer to Section IV Tie Breaker Criteria in the ~~2014~~ **2013** QAP.

**18.19. 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.

**19.20. 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.

- 20.21. 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;
- ~~a)b)~~ Applications may not have missing **threshold** documents at the time of application submission. Applications with missing **threshold** documents will be disqualified.
- ~~b)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;
- ~~c)d)~~ If an Application has four (4) or more missing and/or incomplete documents the Application will be disqualified;
- ~~d)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;
- ~~e)f)~~ Authority staff will review and point score all Applications. Final point scores will be posted to the Authority's website.
- ~~f)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 ~~2013~~ **2014** QAP to determine the development(s) to be awarded tax credits.
- ~~g)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.

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#### **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 ~~2013~~ **2014** Market Study Guideline Procedures, contain an Exhibit S-2 form, and a ~~2012~~ **2014** 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 development shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project development and its viability as a qualified low-income housing development throughout the compliance 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 ~~apply~~ 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.

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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 provided by:
- 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) The Authority's Voucher Program Utility Allowances for developments located in the seven (7) counties which the Authority administers Section 8 Rental Assistance;~~
  - ~~e) 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;~~
  - ~~d) The local public housing authority (PHA) serving the proposed project;~~
  - ~~e) 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; or~~
  - d) Third party certified utility company estimates **only if** that utility company will be directly providing services to the development; **or**
  - ~~f) The S.C. State Housing Finance and Development Authority's statewide utility allowance calculation.~~

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

- 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 ~~the two percent (2%) and maintaining the operating and maintenance capital reserve account and by maintaining this account as required by RHS.~~ Developments not subject to the RHS ~~two percent (2%) operating and maintenance capital 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, and 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. up to 50% of the Authority's requirement.~~ The reserve must be funded ~~established~~ at the time the development places in service ~~and prior to issuance of 8609s and must be maintained at the required level throughout the compliance period. unless earlier release of the reserves is approved by the Authority and the Syndicator of the low income housing tax credits.~~

The Authority may allow for release of operating reserves after certain requirements are met. The following conditions must be met for consideration:

- a) ~~The Syndicator of the low income housing tax credits must provide a written statement verifying the Syndicator's approval of the release of operating reserves and must attest that the agreement is the result of the property meeting the conditions of release specified in the partnership agreement or operating agreement. The Syndicator must use Exhibit OR-1 to report the approval for release of the reserves and must indicate on this form the conditions that have been met which allow for the release.~~
- b) ~~The Owner/Principal(s) must provide a statement that the conditions required by the Syndicator for release of the operating reserves have been met. This must be certified on Exhibit OR-2. Providing false or misleading information to obtain the release of reserves may result in debarment.~~
- c) ~~Before a release of operating reserves will be considered, the property must have been placed in service a minimum of five (5) years and have maintained a minimum debt coverage ratio of 1.15 for the three (3) most recent consecutive calendar years.~~

The Authority reserves the right to hire an accounting firm at the property owner's expense to confirm that the required conditions for release of the operating reserves have been met.

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.

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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 more than one (1) year of replacement reserves may be pre-funded and no No pre-funded reserves may be used to satisfy the initial fifteen (15) year operational cash flow requirement.

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Applicants are required to establish and maintain minimum replacement reserves of ~~\$250~~ per unit annually for new construction and for rehabilitation developments serving older persons (aged 55 and up). Replacement reserves for all other rehabilitation developments are ~~\$300~~ per unit annually. The Authority requires evidence of the existence of Replacement Reserves. If the syndicator requires additional amounts above the Authority minimums then written verification of such must be provided by the syndicator. Replacement Reserves must be reflected in the development's annual audited financial statements. The Authority must approve and sign off on the use of Replacement Reserves. Applicants must submit satisfactory documents to justify the expenditure(s).

~~Requests should be submitted to the Authority's Development Director. Approvals will be completed within five (5) business days of receipt. If an approval from the Authority is not received back within the specified timeframe, the use of Replacement Reserves is automatically granted.~~

**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\*.

* <u>Adjusted Development Costs</u>	=	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
General Requirements:	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. ~~The Authority will commission the CPA and the associated accounting fees will be charged to the Applicant.~~

\*\*\***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.
- ~~a)b)~~ Applicants must provide a detailed explanation of the methodology used in determining AOE.
- ~~b)c)~~ AOE must be projected in a range from a minimum of \$3,200 to a maximum of \$4,200 per unit.
- ~~c)d)~~ AOE per unit are to be calculated excluding reserves.
- ~~d)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 ~~2013~~ 2014 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 ~~four~~ nine hundred dollars (\$900 ~~400~~). 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 ~~400~~, 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 ~~400~~, 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 ~~400~~.
- 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.
- ~~b)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**

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A letter of intent is required for all permanent financing sources. The Authority will underwrite the first mortgage debt at an interest rate of six 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 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 shorter than twenty (20) years or with an accelerated payment of debt service (such that the loan is paid off in less than 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 full initial fifteen (15) year period. A fifteen (15) year pro-forma must be submitted with the application, ~~submission.~~

**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. ~~**Alternative Plan for AHP Funding Source**~~ Applications that compete for tax credits and represent that Affordable Housing Program (AHP) funds will be sought from the Federal Home Loan Bank (FHLB) must provide a narrative with the Application detailing how the funding gap will be filled if not awarded AHP funds. Additionally, revised pages 7, 8 (rental income section only), 9, and 12 (rental income section only) of the application must be attached to the narrative. The only changes allowed are changes in funding sources and rental income. Changes not allowed include, but are not limited to, operating expenses, total development costs, total number of units, and unit mix. This information will be required at the Application submittal. This requirement may be waived for Applicants that provide a firm commitment of the AHP funding.

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

Developments with HUD approved HAP contracts or Rural Development approved RA contracts will be allowed to increase the current HAP and RA contract rents by up to five percent (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 RD Office approving the placed in service rents.

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**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 LOI syndication rates from 80 to 85 cents. Rates outside of the range will be adjusted to the nearest end point, 80 or 85. ~~a flat floor rate of not less than 80 85 cents on the dollar or the amount provided in a letter of intent for a syndication factor.~~

**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	$\div 10$
Annual Tax Credit Required	_____
Divide by Syndication Value	_____
Returned Per Tax Credit Dollar	$\div$ _____
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	$\times$ _____%
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 ~~that place in service~~ receiving an allocation of credits by December 31, 2013 ~~30, 2013~~ are eligible for the flat 9% credit rate. However, the Authority will continue to underwrite developments at the initial application submission at the flat 9% credit rate. Additional tax credits may not be available to fill any funding gaps created by the difference between the flat nine percent (9%) credit rate and the applicable federal rate after December 31, 2013. It is the Applicant's responsibility to ensure that developments are financially feasible and have all sources of funding in place and committed at the time a Placed in Service Application is submitted.

The amount of tax credits reserved for new construction or rehabilitation costs for the ~~2013, 2014~~ tax credit funding cycle will be calculated using a minimum applicable federal rate of nine percent (9%). The amount of tax credits reserved for acquisition costs is 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 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.

~~Tax credit developments that do not place in service on or before December 30, 2013 will be underwritten at the applicable federal rate for the month the development places in service. Additional tax credits may not be available to fill any funding gaps created by the difference between the flat nine percent (9%) credit rate and the applicable federal rate after December 30, 2013. It is the Applicant's responsibility to ensure that developments are financially feasible and have all sources of funding in place and committed at the time a Placed in Service Application is submitted.~~

#### **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 ~~three (3)~~ four (4) construction inspections by an independent third party consultant during the course of construction. This includes ~~two~~ 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~~ 4,000.00 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 ~~ninety-nine (99) year~~ 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.

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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.

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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.

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- 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: 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.

### **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, 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 ~~established~~ 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% <del>12.5%</del> of <u>Adjusted Development Costs*</u>
151 units or more	15% <del>10%</del> 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 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 \$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 \$15,000 per unit, then the application must reflect the higher rehabilitation costs. Developments that do not reflect at least \$15,000 per unit in hard construction costs will not be considered for funding consideration.

## Exhibit S

### 2014 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 2013 and projected to 2016. ~~2015~~. 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 2013 and projecting forward to the anticipated placed-in-service date of 2016. The population projected 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 2013 must be subtracted to calculate net demand. Vacancies in projects placed in service prior to 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 (min. income to max. income)	Households at 60% of Median Income (min. income to max. income)	Project Total (min. income to max. income)
Demand from New Households (age and income appropriate)			
+	+	+	
Demand from Existing Households Rent-Overburdened			
+	+	+	
Demand from Existing Households Renters in Substandard Housing			
+	+	+	
Demand from Existing Households Elderly Homeowner Turnover			
=	=	=	
Total Demand			
-	-	-	
Supply			
=	=	=	
Excess Demand/Supply			

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 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

### **2013 2014 LIHTC Program Schedule**

#### **November 1, 2013 ~~2012~~**

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 13, 2014 ~~18, 2013~~**

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.

#### **January (date TBD) 2014 ~~2013~~**

A workshop will be held in Columbia, SC. Authority staff will provide information on the ~~2013~~ 2014 tax credit program and review the ~~2013~~ 2014 application procedures. Although attendance is not mandatory, it is strongly recommended. Notification of the exact date of 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 ~~2013~~ 2014 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 website.

#### **March 3-7, 2014 ~~4-8, 2013~~**

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 ~~7, 2014~~ 8, ~~2013~~.

#### **June 2014 ~~2013~~**

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 2014 ~~2013~~**

It is anticipated that notification of the Final Tax Credit Reservations will be made in July.



### 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



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### **ADDENDUMS**

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- 2014 LIHTC Program Schedule
- List of Code Numbers for South Carolina Counties
- 2014 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 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 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**

### **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) Tax Credit Reservation Fee: 10% of the tax award amount due 14 calendar days after the notification of the tax credit award.
  - e) Plan Review and Construction Inspections Fee: \$4,750.00 due 14 calendar days after the notification of the tax credit award.
  - f) Compliance Monitoring Fees:
    - i. 2011- 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) 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) 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) 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 Tax Credit Application must not be dated prior to September 1, 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.

**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 credit ceiling supplementing awards from prior years will not count against the 2014 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. New construction developments awarded as part of the RAD Set-Aside will not count towards the developments per county limit.

**Set-Asides:**

The Authority has six (6) 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. 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 \$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, Fairfield, Hampton, Jasper, Lee, Marion, Marlboro, McCormick, Orangeburg, 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. 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. Rural Housing Service (RHS) Set-Aside:**

- a) Up to \$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. 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 \$1,500,000 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 \$8 million will be available in the LIHTC competition;
- b) The maximum state HOME award any one (1) development can request is \$700,000. 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- \$2,960,000; Underserved Counties- \$1,120,000; RAD- \$560,000; Rehabilitation- \$1,600,000; RHS- \$640,000 and Nonprofit- \$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 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, 2014:
  - i. All 2011 and previous state HOME awards must be officially closed out; and
  - ii. All 2012 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, 2014. Written confirmation regarding HOME award completion percentages must be provided with the Tax Credit Application submission from the Awards Management Manager.

### **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; 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.
  - e) With the exception of **a)** above, the Applicant must also submit a copy of the current deed recorded 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 3, 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.

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 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** –
  - 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, 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, 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, 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, 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 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 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 Market Study Guideline Procedures, contain an Exhibit S-2 form, and a 2014 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\*

* <u>Adjusted Development Costs</u>	=	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 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 an interest rate of six 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 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 percent (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 LOI syndication 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	$\div 10$ _____
Annual Tax Credit Required	_____
Divide by Syndication Value	_____
Returned Per Tax Credit Dollar	$\div$ _____
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	$\times$ _____ %
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 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: 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.

### **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, 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 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 \$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 \$15,000 per unit, then the application must reflect the higher rehabilitation costs. Developments that do not reflect at least \$15,000 per unit in hard construction costs will not be considered for funding consideration.

## Exhibit S

### 2014 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 2013 and projected to 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 2013 and projecting forward to the anticipated placed-in-service date of 2016 . The population projected 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%.
- Demand:** The two overall demand components added together 4a and 4b above represent demand for the project.
  - Supply:** Comparable/competitive units funded, under construction, or placed in service in 2013 must be subtracted to calculate net demand. Vacancies in projects placed in service prior to 2014 which have not reached stabilized occupancy must also be considered as part of the supply.
  - Capture rates:** Capture rates must be calculated for each targeted income group and each bedroom size proposed as well as for the project overall.
  - 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 (min. income to max. income)	Households at 60% of Median Income (min. income to max. income)	Project Total (min. income to max. income)
Demand from New Households (age and income appropriate)			
+	+	+	
Demand from Existing Households Rent-Overburdened			
+	+	+	
Demand from Existing Households Renters in Substandard Housing			
+	+	+	
Demand from Existing Households Elderly Homeowner Turnover			
=	=	=	
Total Demand			
-	-	-	
Supply			
=	=	=	
Excess Demand/Supply			

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 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 LIHTC Program Schedule**

### **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 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.

### **January (date TBD) 2014**

A workshop will be held in Columbia, SC. Authority staff will provide information on the 2014 tax credit program and review the 2014 application procedures. Although attendance is not mandatory, it is strongly recommended. Notification of the exact date of 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 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 website.

### **March 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 7, 2014 .

### **June 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 2014**

It is anticipated that notification of the Final Tax Credit Reservations will be made in July.

## 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

<b>46</b>	<b>York</b>
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**Division: Legal**

**Subject: Consideration of a Resolution Authorizing a Petition to the Budget and Control Board Requesting Allocation of Any Unused Portion of the State's 2013 Private Activity Bond Ceiling**

The bonds that the Authority issues are “private activity bonds” under the provisions of the Internal Revenue Code of 1986 (the “Code”). In order for the interest paid to the bondholders to be exempt from federal income taxation, the Authority must obtain an allocation of “private activity bond ceiling” before it issues its bonds. In South Carolina, bond ceiling is allocated on an issue-by-issue basis by the Budget and Control Board. As a result, the Budget and Control Board is the “issuing authority” for the purpose of allocating bond ceiling. Section 146(f) of the Code, the issuing authority may allocate any unused portion of a year’s bond ceiling on a carryforward basis. Once allocated on this basis, carryforward allocations are good for a period of three years. In the past the Authority has asked the Budget and Control Board to allocate to it all or a portion of the State’s unused bond cap, if any, and the Budget and Control Board has responded favorably whenever possible.

The attached Resolution authorizes the Executive Director or General Counsel to file a Petition with the Budget and Control Board requesting that the Authority be allocated any unused portion of the State’s 2013 private activity bond ceiling.

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



## A RESOLUTION

### **AUTHORIZING A PETITION TO THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA REQUESTING CARRYFORWARD ALLOCATION OF THE REMAINING PORTION OF THE STATE CEILING ESTABLISHED BY THE TAX REFORM ACT OF 1986.**

**WHEREAS**, the South Carolina State Housing Finance and Development Authority (the "**Authority**") is authorized and empowered by Title 31, Chapter 13, Code of Laws of South Carolina 1976, as amended (the "**Act**") to issue bonds, the principal proceeds of which will be used to provide sanitary and safe residential housing for persons and families of low income and of moderate to low income (collectively, the "**beneficiary classes**") at prices which such persons can afford; and

**WHEREAS**, the Authority is an "issuing authority," as such term is used in Act No. 117 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina 1987 establishing a plan for the allocation of the State of South Carolina's volume limitation with respect to private activity bonds (as defined in Section 141 of the Internal Revenue Code of 1986) imposed by the Tax Reform Act of 1986; and

**WHEREAS**, the Authority has, pursuant to the Act, previously issued multiple series of its revenue bonds and mortgage credit certificates and has used the proceeds thereof to provide money for the financing of housing to be occupied by members of the beneficiary classes; and

**WHEREAS**, in light of additional demand for housing that is affordable to members of the beneficiary classes, the Authority has formulated a plan for the issuance of its bonds or mortgage credit certificates in one or more series pursuant to the Act, such plan being conditioned, *inter alia*, upon the granting by the State Budget and Control Board of South Carolina (the "**State Board**") of an allocation of the State Ceiling established by the Tax Reform Act of 1986 (the "**State Ceiling**") relating to the issuance of private activity bonds; and

**WHEREAS**, the Authority proposes to make provision for one or more additional series of bonds or mortgage credit certificates which will be new issues (collectively, the "**New Issues**") and may require an allocation of the State Ceiling; and

**NOW, THEREFORE, BE IT RESOLVED BY THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY IN MEETING DULY ASSEMBLED:** that the Executive Director, General Counsel, or either of them, is authorized to submit to the State Budget and Control Board a Petition requesting that the unused portion of the 2013 State Ceiling be allocated on a carryforward basis to the New Issues proposed to be issued by the Authority.

**STATE OF SOUTH CAROLINA  
COUNTY OF LEXINGTON**

I, the undersigned Assistant 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, 2013.

**WITNESS MY HAND** this 19th day of November, 2013.

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Secretary, South Carolina State Housing Finance and  
Development Authority

**Division:** Internal Audit

**Subject:** Investor Services Report on Internal Controls

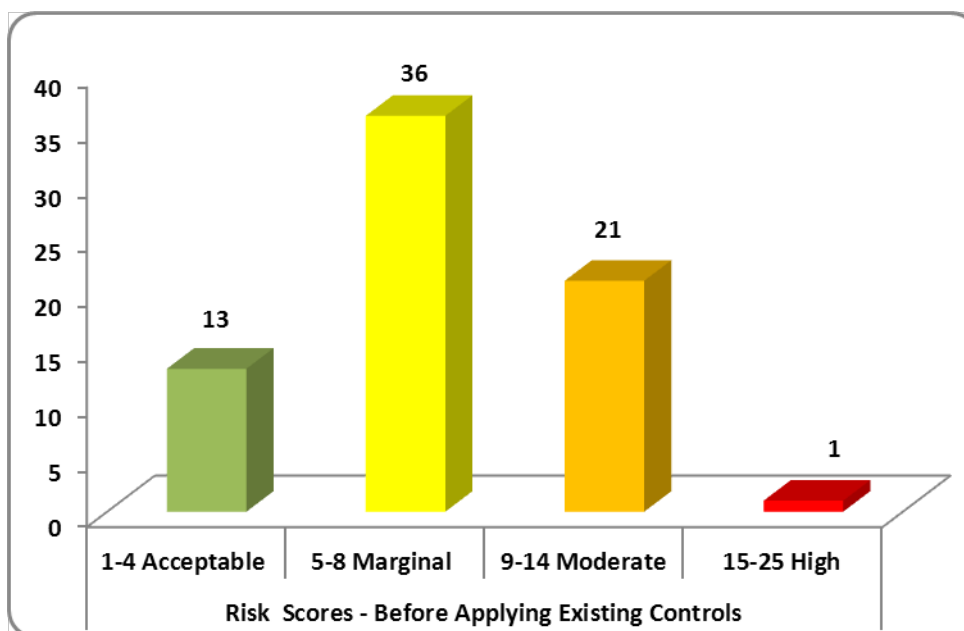
**Date Assessment Completed:** September 13, 2013

**Report Date:** September 23, 2013

**Objective:** To ensure that internal controls are properly designed to manage risks which threaten the achievement of business objectives in the Investor Services Division.

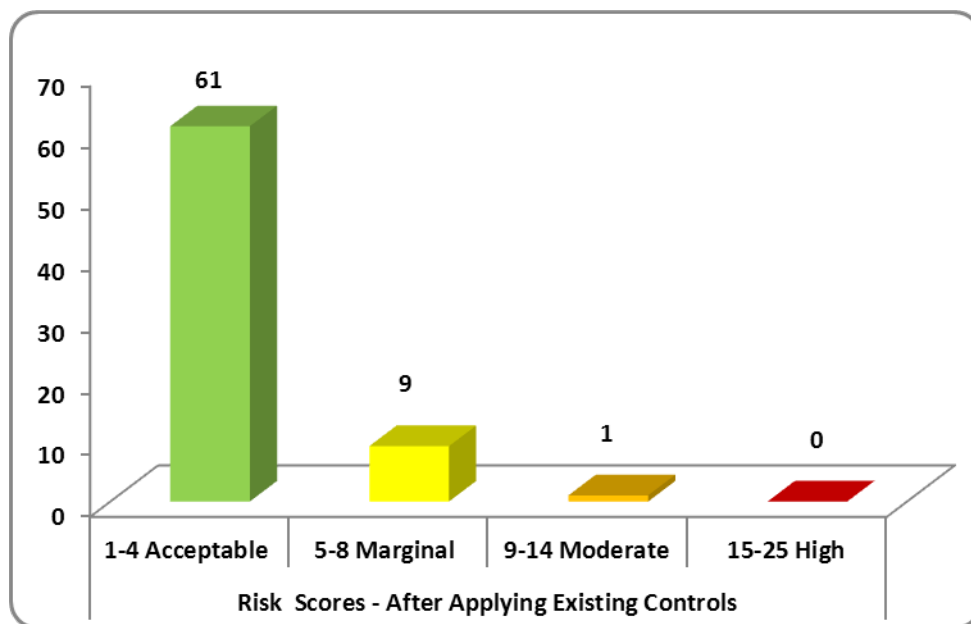
**Risk Exposure – Before Applying Existing Internal Controls**

Investor Services identified 71 risks associated with its processes. 13 of the risks fall within the acceptable range (risk scores of 1 to 4). Without appropriate internal controls, Investor Services operations would be vulnerable to the remaining 58 risks.



### **Risk Exposure – *After Applying Existing Internal Controls***

61 of the 71 risks are managed with properly designed internal controls to within the acceptable range.



### **Management's Response to Risk Exposure**

In response to the ten (10) risks remaining above the acceptable range, Investor Services has developed ten (10) proposed actions for the implementation of new internal controls and/or the improvement in the design of existing internal controls. Three (3) of the proposed actions have been implemented as of the date of this report.

### **Process Improvements**

During the course of the assessment, Investor Services identified twelve (12) actions to improve existing processes. While these process improvements do not necessarily manage business risks, Investor Services believes the implementation of the actions improve process operating efficiency and effectiveness.

## **Program Update**

The monthly pace of new customer account registrations decreased for October, and based on data from previous years, it appears that at least some of the drop is seasonal. SC HELP staff is reviewing the data to see if there are also any geographical trends that may be tied to the advertising campaign. Despite the drop, new approvals remain on track.

Our recent proposal for a new program intended to assist homeowners experiencing a long-term or permanent reduction in income has received final Treasury approval, and staff is working to finalize underwriting guidelines, operational procedures, and training materials. The projected roll-out date for the new program is late January, 2014, though we do anticipate a small pilot with a handful of servicers in early January.

## **SIGTARP Report**

The Special Inspector General for the Troubled Asset Relief Program (SIGTARP) issued a report on the Hardest Hit Fund program, of which SC HELP is a part. This report, like those previously issued by SIGTARP, was critical of the program in general, Treasury's oversight, and the activities of participating States. For this report, SIGTARP had the following key criticisms:

1. Treasury has failed to follow previous SIGTARP recommendations to establish program parameters and goals for participating states.
2. Treasury has allowed participating states to reduce the estimated number of households anticipated to be assisted through the program.
3. States have not disbursed money at a fast enough pace.

However, SIGTARP ignores several facts that run counter to their criticisms, including increases in per-homeowner assistance caps, funds not disbursed but committed, funding trends that show dramatic increases in disbursements as the program got up to speed, and the tremendous flexibility that Treasury has given participating state in designing programs to meet each state's varying needs. Thus far, the report has garnered very little press coverage.

## **SC HELP Program Performance Data**

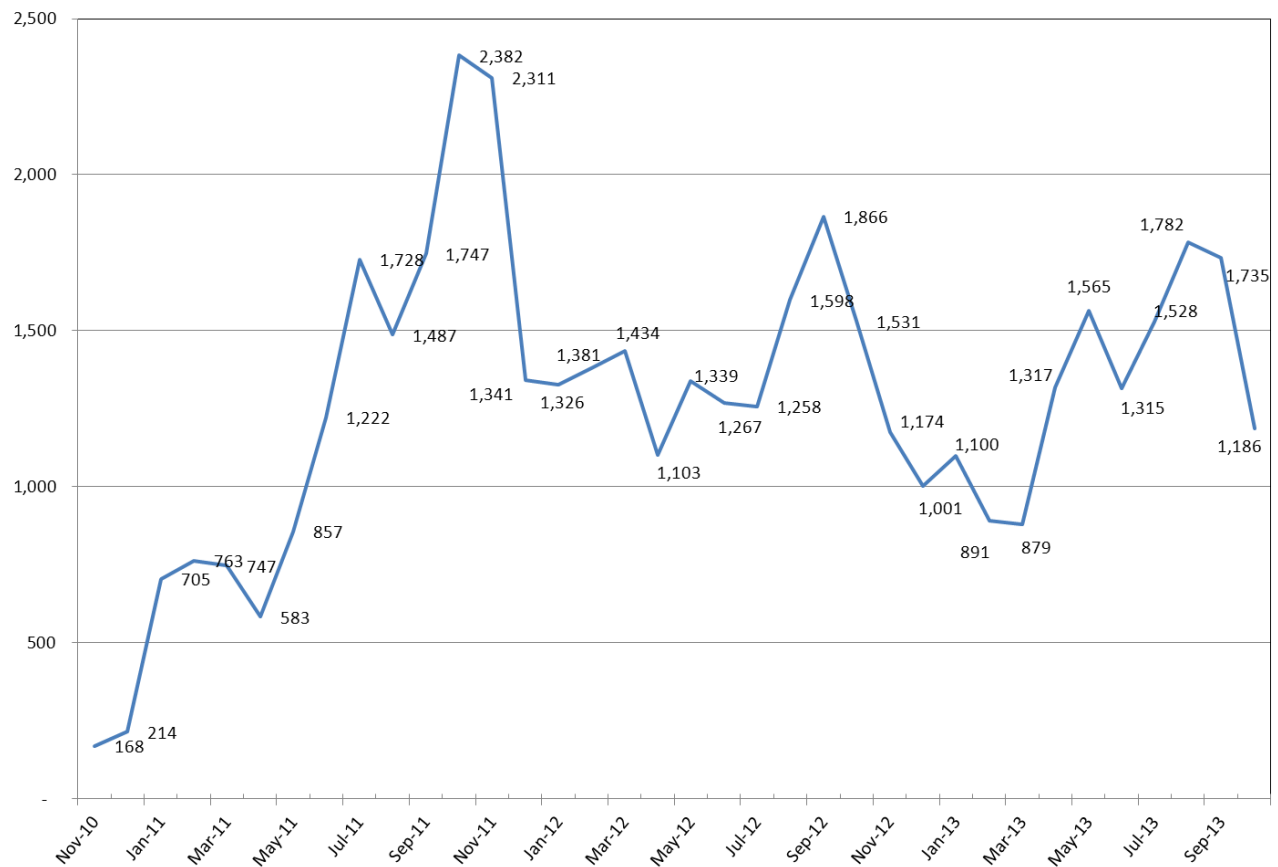
Production as of October 31, 2013:

Homeowners Approved & Funded	6,442
Homeowners Approved – Pending	370

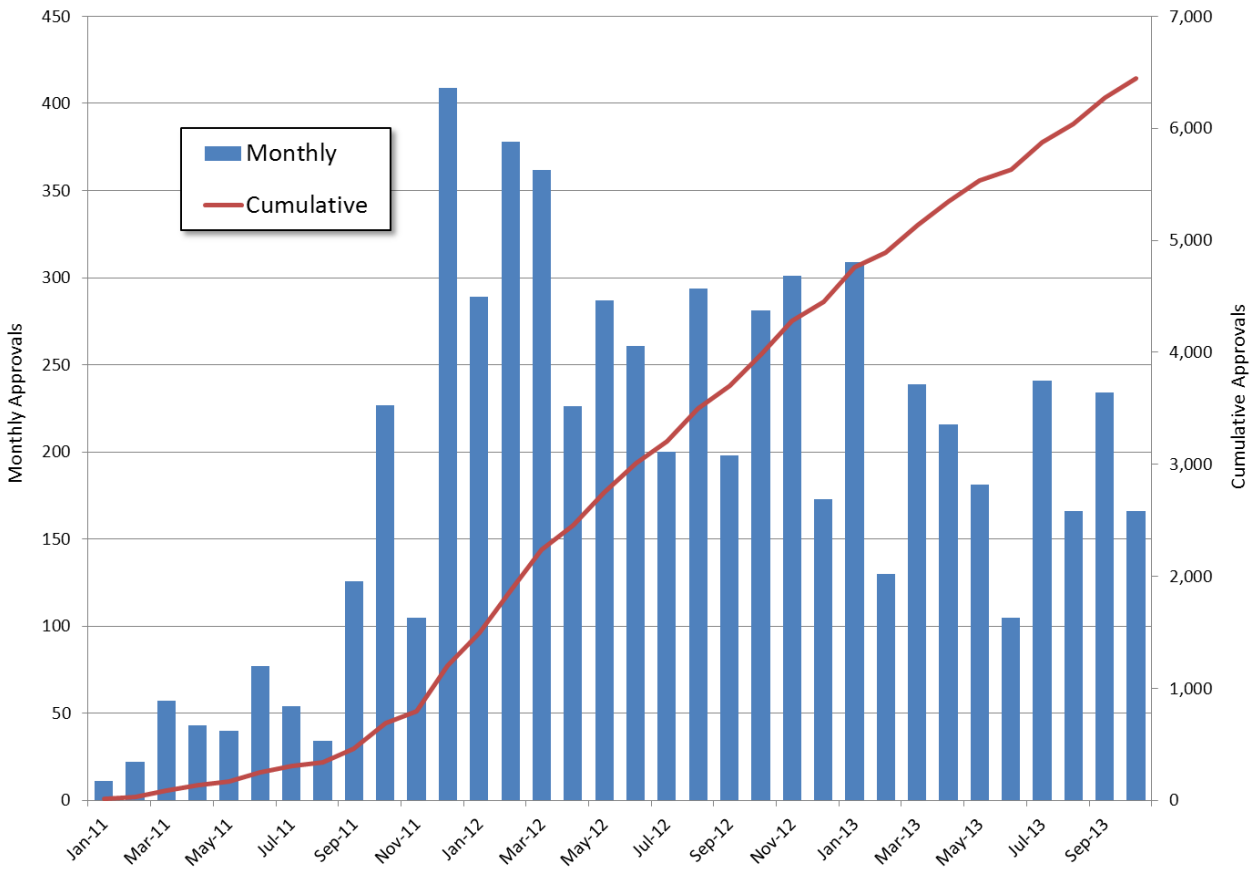
Program Funds Disbursed	\$82,512,832
Additional Funds Committed	\$30,049,345

*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.*

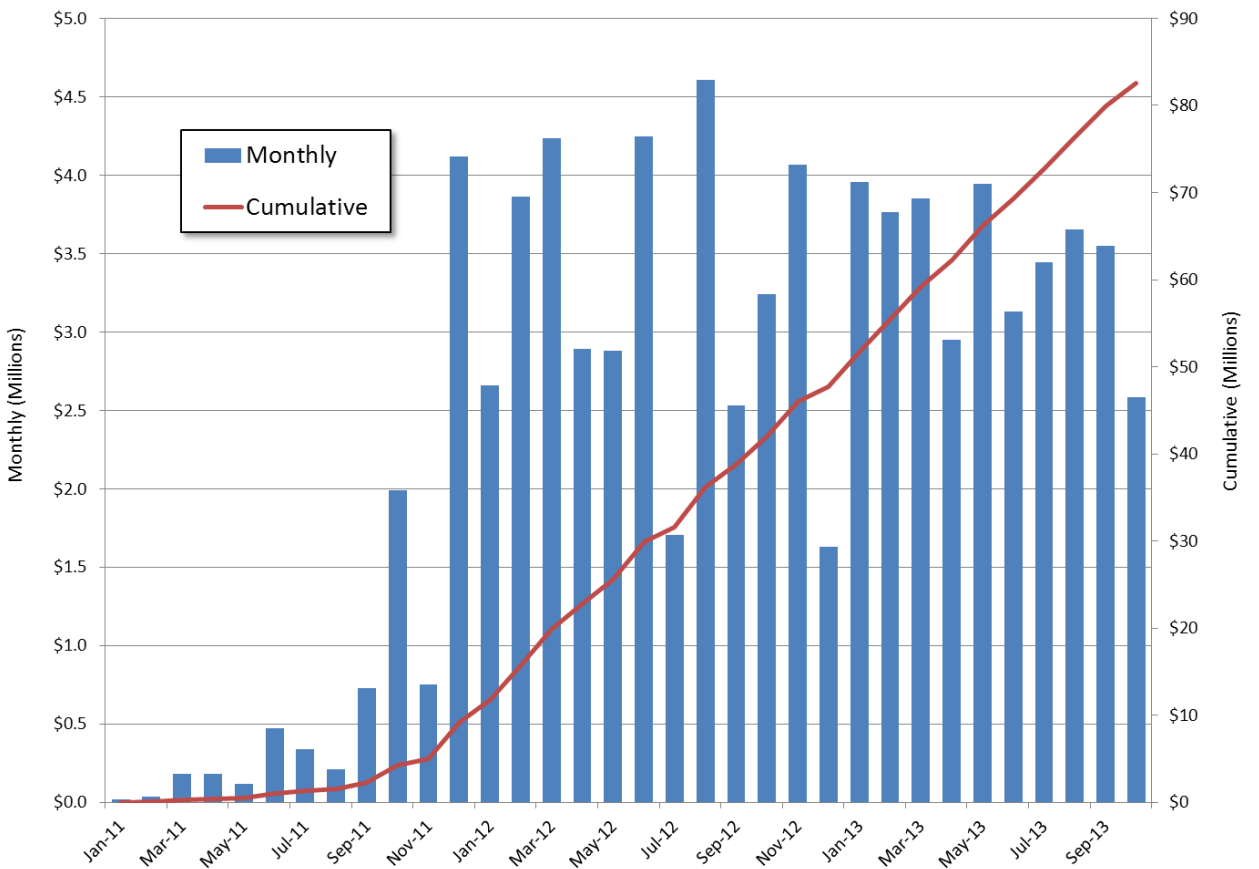
### **SC HELP New Account Registrations**



## SC HELP Homeowner Approvals



## SC HELP Program Disbursements



**November 19, 2013**

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**Division:** Chairman

**Subject:** Oral Report



**November 19, 2013**

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**Division:** Executive Director

**Subject:** Oral Report



South Carolina

**STATE HOUSING**

Finance and Development Authority

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## **Homeownership**

**November 19, 2013**

The following Homeownership Division monthly status reports as of October 31, 2013 are presented for information:

- Monthly and Fiscal YTD Loan Purchase Statistics
- Monthly and Fiscal YTD Portfolio Statistics
- Delinquency Statistics
- Rate Sheet

# Monthly Loan Purchase Statistics

Month Ending October 31, 2013

Funding Source	Average Loan Amount	Average Household Income	Beginning Fund Balance (Allocated)	Purchases		New Fund Allocations	Recyled Funds	Ending Balance	Outstanding Reservations	Unreserved Balance
				Volume	Units					
MRB	\$106,855	\$41,121	\$13,342,540	(\$8,006,733)	75		\$0	\$5,335,807	(\$16,330,241)	(\$10,994,434)
DPA Repayable	\$5,527	\$44,747	\$1,222,684	(\$304,000)	55	\$0		\$918,684	(\$698,000)	\$220,684
HOME DPA	\$6,000	\$32,318	\$2,417,169	(\$18,000)	3	\$0	\$0	\$2,399,169	(\$494,500)	\$1,904,669
Home Voucher	\$10,000	\$12,384	\$0	\$0	0	\$0		\$0	\$0	\$0
<b>TOTAL</b>			<b>\$16,982,393</b>	<b>(\$8,328,733)</b>	<b>133</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,653,660</b>	<b>(\$17,522,741)</b>	<b>(\$8,869,081)</b>

UNRESERVED FUNDS	
Series 2011-A HRB US Bank 064	(\$7,026,435)
Series 1 Participation	(\$7,026,435)
Series 2012-1 HRB US Bank 067	\$1,639,306
Series 001 Single Family	\$1,419,127
<b>Total</b>	<b>(\$10,994,434)</b>

July 1, 2013 Through October 31, 2013

Funding Source	Beginning Fund Balance (Allocated)	Purchases		New Fund Allocations	Recyled Funds	Ending Balance	Outstanding Reservations	Unreserved Balance
		Volume	Units					
MRB	\$17,074,932	(\$11,739,125)	110	\$0	\$0	\$5,335,807	(\$16,330,241)	(\$10,994,434)
DPA Repayable	\$1,393,684	(\$475,000)	85	\$0	\$0	\$918,684	(\$698,000)	\$220,684
HOME DPA	\$2,475,169	(\$76,000)	14	\$0	\$0	\$2,399,169	(\$494,500)	\$1,904,669
HOME Voucher	\$10,000	(\$10,000)	1	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$20,953,785</b>	<b>(\$12,300,125)</b>	<b>210</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,653,660</b>	<b>(\$17,522,741)</b>	<b>(\$8,869,081)</b>

## Monthly Portfolio Statistics

Month Ending October 2013

Loan Type	New Purchases		Payoffs		Foreclosures		Net Change		Ending Balance	
	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units
First Mortgage	\$0	0	(\$4,323,747)	(60)	(\$1,228,329)	(18)	(\$5,552,076)	(78)	\$534,651,218	7,978
Second Mortgage	\$322,000	58	(\$49,116)	(66)	(\$5,262)	(5)	\$267,622	(13)	\$11,001,429	4,398
<b>TOTAL</b>	<b>\$322,000</b>	<b>58</b>	<b>(\$4,372,863)</b>	<b>(126)</b>	<b>(\$1,233,591)</b>	<b>(23)</b>	<b>(\$5,284,454)</b>	<b>(91)</b>	<b>\$545,652,647</b>	<b>12,376</b>

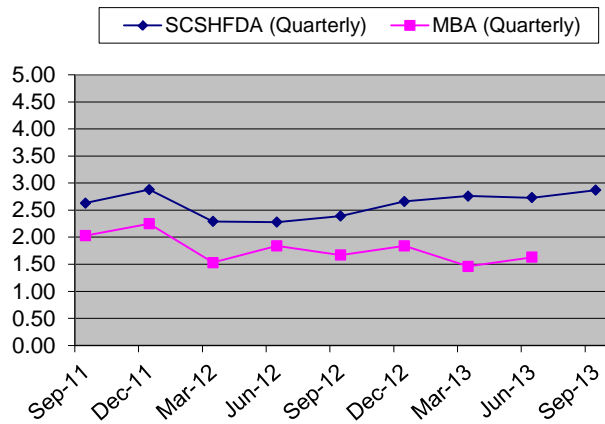
## YTD Portfolio Statistics

Loan Type	New Purchases		Payoffs		Foreclosures		Net Change		Ending Balance	
	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units	Principal Balance	Units
First Mortgage	\$70,000	1	(\$13,198,194)	(232)	(\$5,223,777)	(67)	(\$18,351,971)	(298)	\$534,651,218	7,978
Second Mortgage	\$631,000	102	(\$197,789)	(248)	(39,114)	(24)	\$394,097	(170)	\$11,001,429	4,398
<b>TOTAL</b>	<b>\$701,000</b>	<b>103</b>	<b>(\$13,395,983)</b>	<b>(480)</b>	<b>(\$5,262,891)</b>	<b>(91)</b>	<b>(\$17,957,874)</b>	<b>(468)</b>	<b>\$545,652,647</b>	<b>12,376</b>

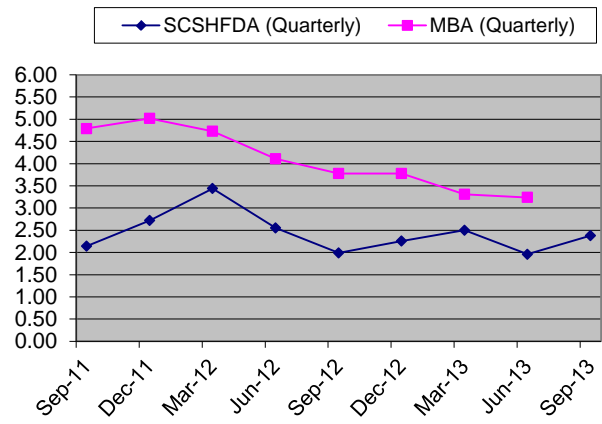
## DELINQUENCY REPORT

				60 Day				90 + Day				Foreclosures				Bankruptcies		
				SCSHFDA (Monthly)	SCSHFDA (Quarterly)	MBA (Quarterly)		SCSHFDA (Monthly)	SCSHFDA (Quarterly)	MBA (Quarterly)		SCSHFDA (Monthly)	SCSHFDA (Quarterly)	MBA		SCSHFDA (Monthly)	SCSHFDA (Quarterly)	MBA
2012	Jul-12	Q.3 2012		2.20	2.39	1.67		2.16	2.26	3.78		2.82	2.85	4.38		1.19	1.24	N/A
	Aug-12			2.08				2.21				2.74				1.27		
	Sep-12			2.90				2.42				2.99				1.25		
	Oct-12	Q.4 2012		2.56	2.66	1.84		2.27	2.39	3.78		3.14	3.16	4.03		1.28	1.32	N/A
	Nov-12			2.66				2.40				3.12				1.28		
	Dec-12			2.76				2.50				3.21				1.39		
2013	Jan-13	Q.1 2013		2.92	2.76	1.46		2.69	1.96	3.31		3.01	2.88	4.00		1.47	1.46	N/A
	Feb-13			2.74				1.87				2.70				1.48		
	Mar-13			2.62				1.33				2.93				1.44		
	Apr-13	Q.2 2013		2.21	2.73	1.63		2.24	2.38	3.24		3.50	3.37	3.69		1.46	1.51	N/A
	May-13			2.64				2.36				3.27				1.55		
	Jun-13			3.34				2.54				3.33				1.52		
	Jul-13	Q.3 2013		2.50	2.87	N/A		2.70	2.79	N/A		3.14	3.08	N/A		1.56	1.61	N/A
	Aug-13			3.04				2.65				3.13				1.59		
	Sep-13			3.07				3.02				2.98				1.67		
	Oct-13	Q.4 2013		2.92	2.92	N/A		3.30	3.30	N/A		3.08	3.08	N/A		1.63	1.63	N/A
	Nov-13																	
	Dec-13																	

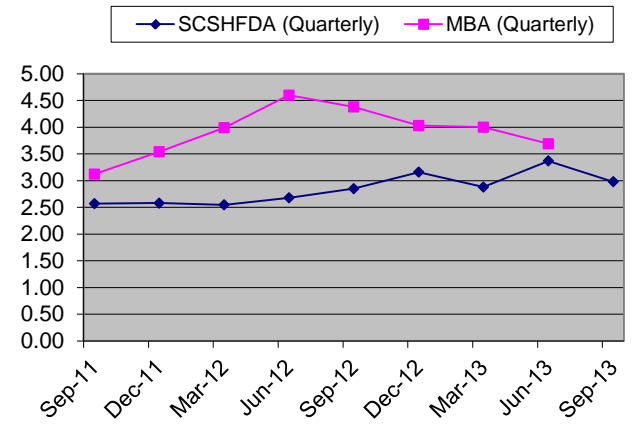
### 60 Day Delinquencies



### 90+ Day Delinquencies



### Foreclosures



**November 19, 2013**

**Division:** Human Resources

**Subject:** Oral Report

<b>Total Authorized Permanent Positions</b>	<b>145</b>
Filled Permanent Positions	130
Vacancies	15
Authority Temporaries	9
Staffing Agency Temporaries	12

**New Hires, Promotions & Transfers**

<b>Division\Department</b>	<b>Employee Name</b>	<b>Job Title</b>	<b>Effective Date</b>
Compliance Monitoring	Brad Phillips	Program Coordinator I	10/21/2013

**Resignations & Retirements**

<b>Division\Department</b>	<b>Employee Name</b>	<b>State Job Title</b>	<b>Effective Date</b>
Development	Jerryelyn Anderson	Program Coordinator I	11/1/2013

**Announcements:**

Update on United Way Campaign