Technical Amendments to the 2017-2018 Tax Credit Manual

2017-2018 Tax Credit Program Bulletin #1, dated January 30, 2017: As noted in Bulletin #1, the changes outlined were specific to the 2017 tax credit funding cycle ONLY, and therefore should not be relied upon when structuring 2018 tax credit proposals. Bulletin #1 dated January 30, 2017 has no effect on the 2018 cycle and, except as detailed herein or in any subsequent bulletins, the Final 2017-2018 Qualified Allocation Plan and Tax Credit Manual as originally issued are in effect for the 2018 cycle.

1. **Table of Contents- Addendums (page 2)**
   All 2016 dates changed to 2017 and all 2017 dates changed to 2018.

2. **General Guidelines (page 3)**
   - **Fees: (g) i. - Compliance Monitoring Fees-** 2011-2017 Awarded Developments- the first fifteen (15) years payable at placed in service and calculated at $35.00 per LIHTC unit.
   - **Item 3 - Document Timeliness:** All supporting documentation required for the 2018 Tax Credit Application must not be dated prior to September 1, 2017. The only exception will be for Site Control Documents, community revitalization plans and the Railroad Noise Study.

3. **Definitions (page 6)**
   Related Parties - Notwithstanding anything to the contrary contained herein, the Authority will not reserve credits in an amount in excess of $1.65 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.

4. **Cap for Single Applicant/ Related Partiers/ Principal/ Owner (page 7)**
   Item 2-
   a) The maximum tax credit award per development in the Large Population Urban Set-Aside will not exceed $850,000 inclusive of the basis boost.
   b) The maximum tax credit award per development in the General, Underserved Counties, Rehabilitation, Rural Housing (RHS) and Nonprofit Set-Asides will not exceed $800,000, inclusive of the basis boost. The amount of tax credits per development <u>in these Set-Asides</u> is based on the following sliding scale of affordable units:

(i) 24 to 31 units	$650,000 (rehabilitation only)
(ii) 32 to 36 units	$690,000
(iii) 37 to 40 units	$715,000
(iv) 41 to 44 units	$740,000
(v) 45 to 48 units	$765,000
(vi) 49 to 52 units	$790,000
(vii) 53 units and above	$800,000

5. **Special Allocation of Noncompetitive Tax Credits (page 8)**
   Any additional credits from the 2018 credit ceiling supplementing awards from prior years will not count against the 2018 cap limits for single applicant, related parties, principal or owner.

6. **Set-Asides (pages 8-10)**
The Authority has six (6) Set-Asides in which applicants may compete for credits: General, Underserved Counties, Rehabilitation, Rural Housing Service (RHS), Large Population Urban and Nonprofit Set-Asides. Developments in the Nonprofit Set-Aside will be funded first. Proposals in the General Set-Aside will be considered for funding after awards in all other Set-Asides have been made. Except for applications in the Nonprofit Set-Aside, developments competing in the same county for an award of credits will be funded based on the highest scoring application. Unused funds in the Underserved Counties, Rehabilitation, Large Population Urban, 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.
   - **General Set-Aside:** Up to $4,900,000 of the state LIHTC ceiling is initially reserved.
   - **Underserved Counties Set-Aside:** Up to $1,550,000 of the state LIHTC ceiling is initially reserved.
     - **(b)** To compete in this Set-Aside, development sites must be located in the following counties: Abbeville, Allendale, Bamberg, Barnwell, Calhoun, Chester, Chesterfield, Clarendon, Colleton, Edgefield, Fairfield, Georgetown, Jasper, Lancaster, Laurens, Lee, Marlboro, McCormick, Newberry, and Saluda.
   - **Rehabilitation Set-Aside:** Up to $1,600,000 of the state LIHTC ceiling is initially reserved.
   - **Rural Housing Service (RHS) Set-Aside:** Up to $900,000 of the state LIHTC ceiling is initially reserved.
   - **Large Population Urban Set-Aside:** Up to $850,000 of the state LIHTC ceiling is initially reserved.
     - **(c)** Development size must be 57 affordable units or more.
   - **Nonprofit Set-Aside:** The Authority will initially reserve up to $2,200,000 of the state LIHTC ceiling.

7. **Combination with Other Authority-Administered Programs (pages 10-11):**
State HOME funds:
   - **(a)** State HOME funds up to $5 million will be available in the LIHTC competition.
   - **(c)** HOME funds will be provided to the set-asides as follows: General- $2,550,000; Underserved Counties- $1,000,000; and Nonprofit- $1,450,000. 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.
   - **(k)** For the purposes of this section, Applicant(s) means any person associated with the 2018 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 March 2, 2018:

     i. All 2015 and previous state HOME awards must be officially closed out; and
     ii. All 2016 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 March 2, 2018. Written confirmation regarding HOME award completion percentages must be provided with the Tax Credit Application submission from the Awards Management Manager (Form M-47T).

8. **Application Submission Process (pages 11-16)**
   - **Item 1- Completed Tax Credit Application (page 11)**
     - The application and all attachments, exhibits, certification, opinions, etc. must also be submitted on a USB flash drive or CD in PDF format. The USB flash drive or CD must have each section tabbed **separately** to match the application tab system.
   - **Item 13 Market Study (page 14)**
     The market study must adhere to the Authority's 2018 Market Study Guideline Procedures.
   - **Item 15 Appraisals (page 14)**
     - The Authority requires commercial real estate appraisals at Application submission for all development proposals.
     - **(k)** For Authority underwriting purposes, the minimum land value will be the greatest of (i) the appraiser's valuation; (ii) the tax assessor's valuation; or (iii) ten percent (10%) of the total purchase price.
   - **Item 16 Physical Needs Assessment Report (PNA) (page 15)**
     - An "as is" PNA report prepared and certified by a third party independent licensed engineer or architect is required for rehabilitation developments. No post rehabilitation PNA reports will be accepted. The PNA report must not be dated prior to September 1, 2017.
     - **Item (c):** Date changed to January 1, 2011.
     - **Item (g):** Date changed to September 1, 2017.
     - **Item (h): Exhibit R** must be submitted with the PNA report. The $20,000 or greater 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**.

9. **Application Review (page 17)**
   Item 3- Market Study Review: Dates changed from 2017 to 2018.

10. **Permanent Financing (page 23)**
    A letter of intent is required for all permanent financing sources. The Authority will underwrite the first mortgage debt at the lesser of six and a half percent (6½%) or the rate provided in the lender letter. The letter must clearly state the term of the permanent loan, the amortization period, how the interest rate will be indexed, the current rate at the time of the letter, the anticipated principal amount of the loan, and the lien position. All permanent loans must have a term of at least eighteen (18) years. No balloon payment may be due prior to eighteen (18) years after conversion to permanent loan. All permanent loans are required to amortize so that debt service on such loans is paid in equal installments over a period of twenty (20) years or longer. Any permanent loan represented as having an amortization period less than twenty (20) years will be underwritten by Authority staff with a minimum twenty (20) year amortization with 240 equal monthly debt service payments. Should a proposal fail to meet other underwriting guidelines resulting from projecting a minimum twenty (20) year amortization, the proposal may be disqualified. All cash flow loans will be considered additional deferred developer fee and will be included for purposes of the 50% deferral limit.

11. **Rent Allowance Increase for Project Based Rental Development (page 25)**
Developments with HUD approved HAP contracts or RHS approved RA contracts will be allowed to increase the current HAP and RA contract rents over the current approved HAP and RA contract rents in effect at the time of the initial application submission. The market study submitted with the application must support the increased rents.

At time of initial application submission, Applicants with developments participating in the RHS Set-Aside must submit an approval letter from the Columbia RHS Office approving and setting rents above the approved contract rents, the Authority will rely on said letter and use rents as indicated in the RHS letter.

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. For final underwriting analysis and determination of the final tax credit allocation, the Authority will use the approved HAP or RA contract rents in effect at placed in service.

12. **Syndication Information (page 25)**
If the information as to the syndication value is unusual, the Authority in its sole discretion may assign a value based on existing market information. If any elements of the syndication proposal are unusual, the Applicant must provide an explanation. The Authority will underwrite using a LOI syndication floor rate of not less than **85** cents.

13. **Notification of Reservation Award (page 26)**
Reservation Certificate – Reservation Certificates will be sent to Applicants for those developments in order of highest to lowest point score, by Set-Aside, 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. The date of the Reservation Certificate is the "Reservation Date."

14. **Ten (10) Months after the Reservation date: (page 29)**
1. (b) Floor Plans-
5. Plans and elevation drawings and equipment specifications shall be provided for the following items:
a) Mail kiosks
b) Bus/Transportation shelters
c) Playgrounds
d) Gazebos
e) Picnic shelters
f) Outdoor exercise areas

g) Dumpsters and compactors
h) All exterior amenities
i) Development entrance sign(s)
j) Security cameras and systems

15. **Placed-In-Service Application Submission (page 31)**
Placed-In-Service applications are due on or before the second Monday in December not later than 5:00 p.m. (EST). The application and all attachments, exhibits, certification, opinions, etc. must also be submitted on a USB flash drive or CD in PDF format. The USB flash drive or CD must have each section tabbed **separately** to match the application tab system. 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.

16. **Compliance Monitoring Procedures (pages 32-36)**
    - **Rent Increases: (page 32)**
    The 2013 HOME Final Rule requires approval of rents for all HOME-assisted units during the affordability period on an annual basis. The approval process will be handled by the Compliance Monitoring Department. Immediately following the publication of the HOME Income and Rent Limits each year, owners of HOME-assisted units must submit their proposed rent structure to the Director of Compliance Monitoring for approval. Any rent increases outside of the annual approval process must also be approved by the Director of Compliance Monitoring.
    - **Annual Owners Certification: (page 33)**
    New- Item 17. No low income resident of a Tax Credit property will be or has been evicted or otherwise had their lease terminated other than for good cause and the owner certifies that all leases state this affirmatively. The Authority requires a copy of the form of lease with any lease addendums. Experience as a victim of domestic violence alone may not constitute good cause for eviction under the terms of the lease (if other occupancy rules are met) and all applicable Violence Against Women Act (VAWA) provisions must be met.

17. **Application for an Allocation of Non-Competitive LIHTC**
Item 6 (c)- Appraisal Valuation - (page 38)
For Authority underwriting purposes, the minimum land value will be the greatest of (i) the appraiser's valuation; (ii) the tax assessor's valuation; or (iii) ten percent (10%) of the total purchase price.

New- Item 7. Cap for Single Applicant/ Related Parties/ Principal/ Owner:
The tax credit cap for a Single Applicant, Related Parties, Principal or Owner does not apply to developments applying for tax-exempt bond financing.