AMENDED
2001 HOUSING TAX CREDIT
PROGRAM QUALIFIED
ALLOCATION PLAN

January 2001

Proposed Applications Due:
February 28, 2001
5:00 p.m. Central Time
Subsequent application rounds will be established
as necessary

South Dakota
Housing Development Authority

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THIS INFORMATION SUMMARIZING THE FEDERAL REQUIREMENTS IS PROVIDED AS A BRIEF OVERVIEW AND SHOULD NOT BE RELIED UPON FOR TAX PURPOSES. INDIVIDUAL APPLICANTS AND INVESTORS ARE SOLELY RESPONSIBLE FOR COMPLIANCE WITH SECTION 42 OF THE TAX REFORM ACT OF 1986, AS AMENDED.

Each applicant will be responsible for determining the amount of tax credit for which application is made. SDHDA strongly recommends that applicants contact a CPA and/or tax attorney prior to submitting an application.

Alternative formats of this document are available to persons with disabilities upon request.

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SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY
2001 PLAN FOR ALLOCATION OF
HOUSING TAX CREDITS

I. INTRODUCTION

This summary of the Housing Tax Credit Program (HTC Program), which is expected to be read in its entirety, is not presented to replace Section 42 of the IRS Code of 1986, as amended, and regulations promulgated thereunder ("the Code"). It is intended to convey SDHDA's policy relative to the Code.

The Internal Revenue Code of 1986 established the Housing Tax Credit Program as a replacement for previous federal tax incentives for investing in low income rental housing. The credit offers a reduction in tax liability to investors in eligible low-income housing developments.

The South Dakota Housing Development Authority, as the credit-issuing agency, is responsible for the administration of tax credits to qualifying housing developers. This Plan provides a system for allocation of tax credits in 2001.

Projects for which tax-exempt bond financing is proposed in conjunction with housing tax credits do not fall under the state's credit volume cap; however, such projects are subject to this Plan as defined herein. Applicants must contact SDHDA early in the process to arrange tax-exempt bond financing.

II. SDHDA PURPOSES AND GOALS

It is SDHDA's intent to use the housing tax credits to the fullest extent possible each year as a tool for the creation and maintenance of housing for low and very low income households in such a way as to further the following goals:

A. Assist in construction and preservation of decent, safe, sanitary, and affordable units in the areas of greatest demonstrated housing need in the community and in the state, ensuring distribution, both urban and rural, where and when possible, taking into consideration the historical information on the property and area, the current housing market and the prospect for future demand.

B. In those areas where greatest need is identified, give preference to those projects which provide the greatest quality of qualified affordable units compared to the lowest amount of tax credit allocation while giving consideration to serving the lowest income tenants, and where appropriate, provide mixed income housing.

C. Make such units affordable to households for the longest time period possible (extended use).

D. Allocate only the amount of credit that SDHDA determines to be necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the credit period.

E. Assist in the provision of housing to meet the needs and priorities outlined in the State Consolidated Plan and its corresponding Update.

F. Provide opportunities to a wide variety of developers, both for profit and nonprofit, and for a variety of housing projects.

G. Encourage innovative approaches which are cost effective in providing affordable housing, including planning, design, construction (energy efficiency), and financing.

H. Give preference to those applications that which show a greater degree of readiness to proceed with the development.

III. POLICIES AND PROCEDURES

Tax credits will be made available through a two-stage process: conditional reservation and allocation.

A. **Application Cycle**. Applicants may apply (using SDHDA forms) to receive a tax credit allocation. Complete applications (refer to Section VIII), including all fees will be accepted through February 28, 2001. All applications must be received at SDHDA by 5:00 p.m. Central Time on February 28, 2001.

SDHDA **<u>will not process</u>** any application that SDHDA determines is **<u>not</u>**:

1. Consistent with the purposes and goals of this allocation plan;
2. Proposing an eligible development; or
3. Financially feasible.

This determination may be made at initial review or at any time during processing of the application.

After completion of the scheduled reservation cycle (i.e., at such time as all credits available for allocation in a calendar year have been reserved, other than minimum amounts of credits not reasonable for allocation to a project) if credits remain, additional credits become available, or previously reserved credits are returned, SDHDA may, in its discretion, do any of the following: (i) hold another application and reservation cycle, (ii) prepare a waiting list of projects which applied for, but were not awarded credits during the current application and reservation cycle, (iii) award credits for applications submitted to SDHDA under the Restructuring or HOME Programs that need additional funds for feasibility, or (iv) carry the credits over for

award in 2002. If SDHDA holds another application and reservation cycle, it will provide an announcement thereof.
If SDHDA prepares a waiting list, it will do so in accordance with Section III.I. and will permit each applicant on the waiting list to submit additional information to support the applicant's readiness to proceed with development of the project and to receive an award of credits without undue risk of such credits subsequently being returned to or rescinded by SDHDA. Thereafter, if reasonably practicable, SDHDA intends to make an award of credits to projects on the waiting list, giving primary consideration to an applicant's ability to proceed with the project.

SDHDA reserves the right, in its sole discretion, to issue a binding commitment for some portion of the next year's housing tax credits.

Applications received after 5:00 p.m. Central Time on February 28, 2001, even if postmarked on that date, **will not** be accepted. It is SDHDA's intent that Board action will take place within 60 days after the submission deadline.

B. Set-Asides/Limitations. The following will apply to the total credits available for allocation.

1. Federal law requires that 10 percent of the total annual credit available will be set aside for projects involving nonprofit organizations, which have a 501(c)(3) or (c)(4) designation. The nonprofit organization must have as one of its exempt purposes the fostering of low-income housing, and must materially participate in the ownership, development and operation of the low-income project throughout the compliance period. A nonprofit cannot be affiliated with or controlled by a for profit entity by: a) having more than a 49 percent share of common board members; or b) having more than 49 percent of its funding, directly or indirectly, from the parent entity; or c) having any other type of association which is not considered an arms length affiliation.

   Furthermore, the nonprofit entity must own at least 10 percent of all general partnership interests in the development (a 10 percent interest in both the income and profit allocated to all the general partners and in all items of cash flow distributed to general partners) and receive at least 10 percent of all fees paid or to be paid to all general partners. Finally, the nonprofit must not have been formed for the principal purpose of competition in the nonprofit pool.

2. SDHDA shall allocate, so far as reasonably practicable, 60 percent of the total annual credits available for rehabilitation and/or acquisition and rehabilitation projects and 40 percent for new construction. However, should there be requests for less than the prescribed percentage of the funds for either activity, all funds shall be awarded, so long as there are eligible/feasible applications on hand.

3. During the initial application round, no more than 25 percent of the total funds available may be awarded to any one developer unless the developer has submitted an application for properties located in at least two different communities or multiple applications for multiple properties. However, should there be additional reservation cycles, developers who have previously been awarded the maximum credits under the initial round may be eligible for additional credits.

C. Development Selection Process. Once SDHDA has reviewed all applications for completeness and eligibility based on federal requirements, proposed developments will be selected for reservations based on the criteria as outlined in Parts II, V, VI and VII of this plan.

D. Applicant Characteristics. SDHDA must be satisfied that those who will own and operate the project are familiar with and prepared to comply with the requirements of the program. SDHDA may reject applications from previous program participants who have failed to demonstrate proficiency within the HTC Program or other government sponsored programs. Concurrently, SDHDA may also reject or discount applications from previous program participants who have failed to complete their projects in accordance with their applications and/or certified plans presented to SDHDA, or who have failed to effectively utilize previously allocated tax credits or other government sponsored program resources.

HTC developments must remain in compliance with program guidelines throughout the agreed upon use period. Those entities involved with existing projects which are determined by SDHDA to be significantly out of compliance, at the sole discretion of SDHDA, will not receive consideration for new housing tax credit projects until the issues are resolved to the satisfaction of SDHDA.

Applicants who have been convicted of, enter an agreement for immunity from prosecution for, or plead guilty, including a plea of nolo contendere, to: a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records are ineligible. Applicants who have been debarred from any South Dakota program, other state program, or any federal program are ineligible. Applicants having an Identity of Interest with persons or entities falling into any of the above categories may not be eligible at the sole discretion of SDHDA. An attorney's opinion that the applicant is in good standing will be required in all cases.

If SDHDA learns that any principal is involved with a proposed project has serious and repeated non-compliance issues at the time of application; the application will be rejected. The prior performance considered might include, but is not limited to, progress made with previous tax credit reservations, project compliance and payment of monitoring fees.

E. Identity of Interest. The applicant must disclose any and all relationships (generally based on financial interests or family ties) with others involved in the project. This disclosure is required for all parties.

F. Disclosure of Interest. The applicant must disclose the names and addresses, including corporate officials where applicable, of all parties, which have a significant role in the project. These parties include, but are not limited to: accountants, architects, engineers, financial consultants, any other consultants, management agents, the general contractor, and all subcontractors whose aggregate contract will exceed 10 percent of the cost of development (this cost shall be calculated excluding the acquisition of land).

G. Determination of Credit Amount. Federal law mandates that, although a proposed development may be eligible for up to 70 percent or up to 30 percent present value credit amount, SDHDA may not allocate more credit than it determines necessary for the financial feasibility and viability of the development as a qualified affordable housing project throughout the compliance period.

SDHDA will evaluate each proposed project, taking into consideration:

1. Development costs, including developer fees;
2. All sources and uses of funds;
3. Projected income and expenses;
4. Proceeds expected to be generated from the sale of tax credits, including historic tax credits; and
5. The difference between total project costs and total available financing resources (including owner equity requirements), which is referred to as the "gap". A calculation is made to determine the amount of tax credits needed by the project to fund the "gap" over a 10 year period, based on the estimated market value of the tax credits and the Applicable Credit Rate for the month in which the housing tax credits would be reserved.

Based on this evaluation, SDHDA will estimate the amount of credit to be reserved for each application. This determination is made solely at SDHDA's discretion and is in no way a guarantee of the feasibility of the project. Rather, it will serve as the basis for making a reservation of credits. <u>This analysis to determine tax credits necessary will be done at the time of application, at the time a carryover allocation is approved, and at the time the project is placed in service, provided all project costs are finalized and certified. SDHDA reserves the right, in its sole discretion, to reject applications for tax credits when SDHDA determines the proposed development is not financially feasible or does not need tax credits to be financially feasible.</u>

Federal law permits SDHDA to reserve a greater amount of credits than the legislated maximum credit percentage for projects in areas that meet the following criteria:

1. Qualified Census Tracts designated by HUD in which either 50 percent or more of the households have an income of less than 60 percent of the area median gross income for such year or there is a poverty rate of at least 25 percent. The portion of a metropolitan statistical area (MSA) which may be designated for this purpose shall not exceed an area having 20 percent of the population of the MSA; or
2. Difficult Development Areas designated by HUD as having high construction, land, and utility costs relative to area median income.

Although federal law permits SDHDA to reserve a greater amount of credits for projects in a Qualified Census Tract or in a Difficult Development Area, the increased credit amount is not automatic and will only be approved on projects when SDHDA determines the credit is needed for financial feasibility.

H. **Reservations**. Once staff has ranked applications and determined allowable credit amounts for each application, staff will make recommendations to the South Dakota Housing Development Authority Board of Commissioners for approval of a conditional reservation of credits. Each reservation shall be conditioned upon receipt, within 60 days, of written certification and evidence of timely progress toward completion of the project acceptable to SDHDA and evidence of compliance with federal tax credit requirements. Upon receipt and approval of the required reservation documentation, SDHDA will forward to the applicant a formal reservation letter. Refer to Section VIII.B. for SDHDA Reservation Requirements.

SDHDA reserves the right not to set aside tax credits for any project if it determines, in its sole discretion, that a reservation for such project does not further the purposes and goals set forth in Section II of this plan. Refer to Section VII for the SDHDA Development Selection Criteria.

SDHDA will make available to the public, a listing of the housing tax credit applicants receiving a conditional reservation of tax credits. The listing will include the development name, address and contact person and will be posted on the SDHDA home page located at www.sdhda.org within 14 days of the awards being made.

SDHDA will make available to the general public a written explanation for any allocation of housing credit dollar amount which is not made in accordance with established priorities and selection criteria of the housing credit agency. The explanation may be obtained by request from SDHDA.

I. **Waiting List**. If demand for credit exceeds the credits available and a waiting list is developed by SDHDA, it will notify each applicant where credits were neither awarded nor denied during the current application and reservation cycle. Any such applicant may then submit a written request to be maintained on the waiting list to compete for any additional credits that become available during 2001. Additional credits will be awarded in accordance with Section III.A.

J. Status Reporting. All sponsors/developers who receive a formal reservation of credit will be required to provide status reports monthly in a format prescribed by SDHDA outlining progress toward completion. Information provided shall be project specific and shall include, but not be limited to, such items as firm debt and/or equity financing commitments (conditioned only on receipt of tax credits), construction progress and costs. See Recapture of Reservations below.

K. Recapture of Reservations. Applicants with a reservation will be subject to recapture of the reservation if they are unable to provide evidence satisfactory to SDHDA in their status report of progress toward the completion of the project as agreed to in writing in the appropriate documents.

L. Carryover Allocations. Federal law provides that SDHDA may give a carryover allocation to certain qualified buildings, which are to be placed in service no later than December 31, 2003. This provision requires that more than 10 percent of the expected basis in the project (including land) must be expended by the later of the date which is 6 months after the date that the reservation is made or December 31, 2001. The applicant must provide evidence of ownership of the property in order to qualify for a carryover commitment. The carryover allocation must be executed prior to the later of the date that is 6 months after the date the reservation is made or December 31, 2001. <u>The 10 percent expenditure must be certified by an independent CPA no later than November 15, 2001 for projects meeting the carryover allocation requirements by December 31, 2001. For all other projects, an independent CPA must certify the 10 percent expenditure no later than 5 months after the date that the reservation was made</u>. Additional carryover requirements are given in Section VIII.C. A carryover allocation is for a specific credit amount, which may be reduced but not increased when credits are allocated at the time the project is placed in service.

Carryover allocations for bond-financed developments apply to buildings placed in service after December 31, 2001. If the development is not complete by December 31, 2001, but the bonds have been issued and the 10 percent expenditure requirement has been satisfied by such date, the development may be completed at any point within the next two years and qualify.

M. Final Allocations. No allocation will be made until a building or project is placed in service and the proper documentation and fees have been received.

Allocations may be requested as soon as an eligible building is placed in service. SDHDA may establish, in its sole discretion, required deadlines prior to year-end for final allocation requests in order to permit timely processing of documents.

The credit amount which will be allocated is based on SDHDA's final determination of the qualified basis for the building or project and a review of the project costs as outlined in Section VIII.D. Developers who have carryover credit allocations from a prior year may be eligible to apply for increases in tax credit amounts if there are increases in development costs (in the year in which credits are initially reserved and in subsequent years) which result in increases in eligible basis. The increase must be as a result of justified changes to the architectural plan that result in increased hard costs to the project, e.g., pre-approved project redesign, changes in applicable codes, and other unforeseeable events.

Projects which qualified for a larger amount of tax credits at reservation, but did not receive a full reservation due to lack of credits or other administrative action, are also eligible to apply for additional credits in subsequent years.

At the time of allocation, SDHDA will require execution of certain documents by the project applicant relating to commitments made to SDHDA in order to obtain points under the project selection criteria outlined in Section VII of this allocation plan. SDHDA will require such commitments to be recorded as restrictive land use covenants with respect to the development.

N. **Monitoring for Compliance**. Federal law requires that state housing credit agencies provide a procedure to be used in monitoring for noncompliance with the Code and of notifying the Internal Revenue Service of such noncompliance. SDHDA is required to apply the monitoring procedure to all tax credit projects developed since the inception of the Housing Tax Credit Program. SDHDA shall perform such duties in accordance with its Housing Tax Credit Compliance Manual, a copy of which is available upon request from SDHDA.

1. All tax credit recipients shall submit an Annual Owner Certification, annual financial statement, quarterly occupancy reports and other pertinent documentation to SDHDA in a manner, form, and time established by SDHDA. The certifications will include, but are not limited to, the number of units set aside, tenant names, household composition and income, rents, utility allowance and any changes that may have occurred in the Eligible Basis or Applicable Fraction.

2. An on-site review of tenant files, habitability standards and/or general development appearance will be conducted in accordance with SDHDA's Compliance Manual. All tax credit recipients will maintain, as part of the official development records, tenant applications, initial leases, tenant income certifications, and third party written income verifications.

3. SDHDA shall have access to all official development records, including IRS reporting forms, upon reasonable notification. All official development records or complete copies of such records must be maintained within the State of South Dakota and made available to SDHDA upon request.

4. To accomplish its compliance monitoring responsibilities, SDHDA will charge a fee of $50 per development and $15 per low-income unit annually. SDHDA reserves the right to adjust the annual fee to offset administrative costs.

5. SDHDA will promptly notify the IRS of any development noncompliance within its responsibility as contained in the Code. SDHDA has no jurisdiction to interpret or administer the Code, except in those instances where specific delegation has been authorized. All extended use elections, reduced rent elections and/or any other special use restriction elections made by the applicant which are made a part of the Declaration of Land Use Restrictive Covenant agreement will be monitored for compliance.

O. Reservations/Limitation on Liability. In addition to the development standards and selection criteria outlined in this allocation plan, each and every proposal is analyzed on a comparative basis in a variety of categories to ensure the highest value for the tax credits awarded.

SDHDA reserves the right to reserve and allocate credits to any project or NOT reserve tax credits for any project, regardless of ranking under the project selection criteria, if it determines, in its sole discretion, that a reservation for such project does not further the purposes and goals set forth in Code Section 42 or in Section II of this Plan. For purposes of this determination, the information which may be taken into account by SDHDA includes, but is not limited to, comments of officials of local governmental jurisdictions, information regarding the fact that a particular market is saturated with affordable housing projects, the likelihood that the project will comply with federal tax credit requirements in a timely manner, and the applicant's (including any related party's) prior experience and performance with South Dakota's and other states' tax credit programs and federal or other states' housing assistance programs. The prior performance considered may include, but is not limited to, progress made on previous tax credit reservations, construction of projects previously awarded tax credits, project compliance, and payment of monitoring fees. If SDHDA determines not to reserve credits on such basis, it will set forth the reasons for such determination.

SDHDA reserves the right, in its sole discretion, to (i) hold back a portion of the annual state housing credit ceiling for use during later reservation cycles and (ii) under certain conditions, issue a binding commitment for some portion of the next year's housing credit ceiling.

SDHDA reserves the right to place special conditions on reservations and to reserve credits for lower ranking projects if the amount of credit available is insufficient to fund projects ranking higher.

Should there be a lack of competition for the housing tax credits during the selection process, SDHDA reserves the right to continue working with specified projects which may not be ready for reservation of credits by the date the Board gives its final approval for reservation of credits. Staff recommendations to the Board will occur when requested documentation has been received from the applicant.

SDHDA reserves the right, in its sole discretion, to modify or waive, on a case-by-case basis for good cause, any condition of this allocation plan that is not mandated by the Code.

SDHDA may request additional information and perform additional project evaluation as deemed necessary and appropriate to verify project costs, feasibility and need. SDHDA reserves the right to exchange information with other state allocating agencies and with other parties as deemed appropriate. By submitting an application for tax credits, the applicant is acknowledging and agreeing to this exchange of information.

SDHDA is charged with allocating only that amount of tax credits as are necessary to make any given development financially feasible and viable as a qualified low income housing project. This decision shall be made solely at the discretion of SDHDA, and in no way represents or warrants to any applicant, investor, lender, or any other party that the development is, in fact, feasible or viable.

SDHDA's review of documents submitted in connection with this allocation plan is for its own purposes. In allocating tax credits, SDHDA makes no representations to any applicant, investor, lender or any other party regarding adherence to the Code or any other laws or regulations governing the HTC Program.

With respect to the construction of projects, SDHDA assumes no responsibility to make inspections during construction and assumes no liability for construction quality or code compliance. The standards set forth in Section V.F. of the Plan are minimum requirements for tax credit projects but do not imply that such minimum standards assure minimum health or safety requirements.

No executive, employee or agent of SDHDA or any other official of the State of South Dakota shall be personally liable concerning any matters arising out of, or in relation to, the allocation of housing tax credits or the approval or administration of this Plan.

P. Amendments to the Allocation Plan. This Plan may be amended by the SDHDA Board of Commissioners for any one or more of the following purposes, and at any time or from time to time, and such amendments shall be fully effective and incorporated herein upon the Board's adoption of such amendments:

1. To reflect any changes, additions, deletions, interpretations, or other matters necessary to comply with Section 42 of the Code or regulations promulgated thereunder;

2. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Plan;

3. To insert such provisions clarifying matters or questions arising under this Plan as are necessary or desirable and are not contrary to or inconsistent with this Plan or Section 42 of the Code;

4. To modify identified housing needs and selection criteria reflecting those needs, based upon SDHDA's continuing assessment of such needs, provided that no such amendment shall retroactively affect a reservation of credit previously made under this Plan; and

5. To facilitate the award of Housing Tax Credits that would not otherwise be awarded.

This Plan may be amended for substantive issues at any time following public notice and public hearing. Said hearing will be held at the main offices of the South Dakota Housing Development Authority in Pierre, South Dakota. Any substantive amendments will require approval of the SDHDA Board of Commissioners and the Governor. To the extent that anything contained in the Plan does not meet the minimum requirements of federal law or regulation, such law or regulation shall take precedence over this Plan.

IV. GENERAL FEDERAL PROGRAM REQUIREMENTS

A. Eligible Activities. Eligible activities for tax credits include new construction, substantial rehabilitation or acquisition with substantial rehabilitation. Federal law requires substantial rehabilitation costs to be at least $3,000 per unit or 10 percent of the original basis, whichever is greater. Where competition exists, SDHDA will give preference to projects where rehabilitation costs are at least 40 percent of the total project costs to receive 9 percent credit and at least 20 percent of the total project costs to receive 4 percent credit.

Acquisition is an eligible activity only if substantial rehabilitation is involved; reviewed management practices demonstrate that disinvestment of the property has not occurred; the long term needs of the project can be met; and the feasibility of serving the targeted population over an extended affordability period can be maintained. If it is determined that disinvestment has occurred, SDHDA will award credits to the project only if the property is purchased through an arms length transaction and there is no identity of interest between the owners and management responsible for the disinvestment and the applicant.

If applying for the acquisition credit, the project must not have been placed in service within the previous 10 years. Exceptions to the 10-year rule are provided for projects with federally assisted or other mortgages, which are subject to prepayment provisions and for buildings acquired from failed financial institutions. Certain situations are exempt from the 10-year rule, such as:

1. A person who inherits a property through the death of another person;

2. A governmental unit or qualified nonprofit group if income from the property is exempt from federal tax;

3. A person who gains a property through foreclosure (or instrument in lieu of foreclosure) of any purchase money security interest, provided the person resells the building within 12 months after placing the building in service following foreclosure; or

4. Homeownership residences that have been owner-occupied principal residences for the prior 10-year period will not be treated as being placed in service for purposes of the 10-year holding period. Note that although the 10-year rule does not apply, the property must still be substantially rehabilitated to claim the acquisition costs of such a property.

An analysis will be made to determine the risk of prepayment or opt out of any existing federal rental subsidy contract (e.g. HUD Section 8 contract) and therefore the risk of losing affordable housing supply. Those properties that are financially feasible are located in a market with substantiated need and indicate the greatest risk for converting to market rate housing will be given priority for funding.

After completion of the rehabilitation indicated, all major systems (roof, windows, heating, etc.) of the property must be in like new or new condition. If these systems are not in need of repair at the time of application, sufficient reserves must be established to allow for replacement of such component if the normal life span would require such replacement prior to the end of the affordability period. Consideration will be given to functional obsolescence of the property. If it is not cost effective to overcome structural problems, the property may not be eligible for financing. Modifications to allow a higher level of care to elderly residents of a property are an eligible activity if there is an identified need for such level of care and the property is financially feasible upon completion.

The placed-in-service date for housing tax credit purposes for a newly constructed building, or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed-in-service date must occur within two years after the carryover allocation of the tax credit.

The adjusted basis for projects located in a Qualified Census Tract shall be determined by taking into account the adjusted basis of property used throughout the taxable year in providing any community service facility. The increase in adjusted basis of any building shall not exceed 10 percent of the eligible basis of the qualified low-income housing project of which the community service facility is a part. For purposes of the preceding sentence, all community service facilities, which are part of the same qualified low-income housing project, shall be treated as one facility. A community service facility is defined as any facility designed to serve primarily individuals whose income is 60 percent or less of area median income.

B. Project Eligibility. A project must, for a specific period of time, have a minimum of:

1. 20 percent qualified low income units occupied by households with gross incomes at or below 50 percent of area median income; <u>or</u>
2. 40 percent qualified low-income units occupied by households with gross incomes at or below 60 percent of area median income.

Once made, the choice between the 20 percent at 50 percent formulation and the 40 percent at 60 percent formulation is irrevocable. Current Maximum Income Limits for South Dakota counties are attached as Exhibit 1. Note that there are two separate schedules; one for projects taking the 40/60 election and one for projects taking the 20/50 election.

Units are not eligible for the tax credit if they are occupied entirely by full-time students. Exceptions to this rule are married students filing a joint tax return; unmarried students who are Temporary Assistance for Needy Families (TANF) recipients; single parents and their children, as long as the parent and children are not dependents of another individual; and students enrolled in a job training program under the Job Training Partnership Act or a similar federal, state, or local program or receiving assistance under Title IV of the Social Security Act.

C. Eligible Basis. The Eligible Basis for a new building equals the total project costs minus all costs which are not allowable under Code Section 42.

The Eligible Basis for an existing building equals the sum of the acquisition cost plus additions and improvements, but only if the building has not been last placed in service or substantially improved in the preceding 10 years.

Eligible Basis is reduced by federal grants, residential rental units which are above the average quality standard of the low-income units, any historic rehabilitation credits, and nonresidential rental property. Areas designated as a Qualified Census Tract or Difficult Development Area may be eligible for an increase in allowable basis.

A project receiving a below-market rate loan under the HOME Investment Partnerships Act or the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) will not be treated as federally subsidized if 40 percent or more of the residential units in the building are designated for and occupied by persons whose income is 50 percent or less of area median gross income.

D. Qualified Basis. The Qualified Basis is the portion of a project's Eligible Basis multiplied by the Applicable Fraction. The Applicable Fraction is the lesser of:

1. The unit fraction which is the number of low income units in a building divided by the total units; or

2. The floor space fraction which is the total floor space occupied by low-income units divided by the total floor space.

The Qualified Basis and the amount of the credit are based upon the amount of low income housing within the building. An on-site manager's unit is considered common space and must not be included in the Applicable Fraction.

E. **Applicable Tax Credit Percentage**. The tax credit is intended to provide, over a ten-year period, a "present value" credit of either of the following:

1. 30 percent of the project's Qualified Basis for new construction with a federal subsidy or for the acquisition costs of eligible existing buildings.

   A new building is treated as federally subsidized if there is either tax-exempt financing or financing with federal funds bearing a below-market interest rate, unless the balance of such loans is excluded from the Eligible Basis of the building.

2. 70 percent of the project's Qualified Basis in the case of new construction or the substantial rehabilitation costs on an acquired building.

The IRS publishes on a monthly basis the applicable percentages (Applicable Credit Rate) to be used in calculating the actual maximum allowable annual credit amount for which the project will be eligible. The 70 percent present value credit rate of 9 percent and the 30 percent present value credit rate of 4 percent are to be used for the tax credit calculation at time of application. The housing tax credits for reservation will be calculated by utilizing the Applicable Credit Rate for the month in which the housing tax credits would be reserved.

The tax credit is available each year for 10 years. The amount of tax credit awarded is based on the Eligible Basis multiplied by the Applicable Fraction, the result of which is then multiplied by the Applicable Credit Rate. However, the amount of credits awarded cannot exceed the amount needed to make the project feasible.

F. **Annual Credit Amount**. The maximum allowable credit amount is the Qualified Basis multiplied by the Applicable Credit Rate. However, the actual amount of tax credits awarded could be less than the maximum allowable if the analysis reveals the project would still be feasible with fewer tax credits.

G. **Affordable Rents**. Federal requirements state that rent on the low-income units, including utilities, cannot exceed 30 percent of qualifying monthly median income (not 30 percent of the particular family's income, but 30 percent of 50 percent or 60 percent of median, as applicable). All charges for amenities, i.e. laundry facilities, garages and carports, outdoor electrical outlets for cars, storage sheds, cable television, etc., must be included in the maximum allowable tax credit rent if their costs are included in the Eligible Basis for tax credits. In addition, to keep the units affordable, the maximum rents shall not exceed the lessor of 100 percent of the fair market rents, the actual market rent for the area or the housing tax credit rent.

The maximum rent is the rent paid by the tenant including utility allowance and rent subsidies. An exception to the maximum rents may be granted for USDA Rural Development 515 and US Department of HUD Section 8 properties where it has been evidenced that additional rents are necessary to make the projects feasible.

Since tenants under the 515 and Section 8 programs are required to pay 30 percent of their adjusted monthly income, the maximum rents can be exceeded on an individual basis so as not to exclude an income eligible household from the property.

To calculate rent, a certain number of occupants is assumed to occupy a unit, depending on the number of bedrooms in the unit (not actual occupants). The assumed family size is 1 person in an efficiency and 1.5 persons per bedroom (i.e., 2 bedroom unit rent is 30 percent of 3 person qualifying income). This restriction is in effect during the entire compliance period. Note that since the qualifying rent is based on 1.5 persons per bedroom, it is possible for a tenant to pay more than 30 percent of his or her actual income. The Maximum Rent Limits are listed in Exhibit 2. There are two separate schedules: one for projects taking the 40/60 election and one for projects taking the 20/50 election.

Utility allowances are based on HUD, USDA Rural Development, local housing authority, or utility company standards, depending on the type of development.

H. **Extended Low Income Housing Commitment**. Prior to an allocation of tax credits, the applicant must enter into an Extended Use Agreement pursuant to which the applicant and their successors agree to meet the applicable fraction of low income occupancy for an extended use period of at least 15 years beyond the initial 15-year compliance period (a total of 30 years). The Code allows for termination after the initial compliance period, contingent upon a specified sales agreement. The applicant must record the Declaration of Land Use Restrictive Covenant agreement. All extended use, reduced rent or any other special use restrictions elected by the applicant and imposed on the development which are material to the award of the credits, which may or may not give rise to points under Section VII of this Plan, shall be made part of the Declaration of Land Use Restrictive Covenant agreement. All mortgage liens on the property must be subject to the low income use restrictions, except in the event of foreclosure.

I. **Review of Federally Assisted Developments**. In accordance with the HUD Reform Act of 1989, any project for which assistance is received in any form from the Department of Housing and Urban Development (HUD) must comply with the Revised Subsidy Layering Guidelines (RSLGs) published in the Federal Register, Thursday, December 15, 1994, Part III (Refer to Section VI). Projects proposing to combine HOME funds with tax credits will utilize CPD Notice 98-01. A copy of these notices will be provided on request.

A federal subsidy is an obligation or loan of federal funds provided directly by a federal agency or indirectly by a local or state government unit where the interest rate on the loan or obligation is less than prevailing Treasury interest rates. Assistance derived from federal grants such as HoDaG or UDAG will not be treated as a federal subsidy, but must be subtracted from the Eligible Basis. Any type of tax-exempt financing provided by state or local governments, the interest on which is exempt from federal taxation under the Internal Revenue Code, is also considered a federal subsidy, as are USDA Rural Development Rural Rental Housing (515) Loans.

HUD Section 8 rental "certificate" or "voucher" subsidy and funds received through the Community Development Block Grant Program (CDBG) are not considered a federal subsidy.

Owners of a property receiving a federal subsidy have the option of treating the subsidy amount as if it were a federal grant and deducting the amount of the subsidy from the Eligible Basis or accepting the 30 percent credit on the Qualified Basis.

Under the Federal Home Finance Board (FHFB) Affordable Housing Program, established in 1989, Federal Home Loan Banks are able to make subsidized advances to member banks which are in turn to be used for affordable housing projects. The Treasury Department has ruled that for tax credit purposes, loans provided by the FHFB will not be considered as federal loans. Thus a FHFB below-market rate loan with an interest rate lower than the Applicable Federal Rate (AFR) will be eligible for the 70 percent tax credit percentage rate for new construction or rehabilitation expenditures rather than the 30 percent rate.

SDHDA will review those projects using USDA Rural Development Rural Rental Housing Loan funds in accordance with USDA Rural Development Instruction 1944-E Exhibit A-10. No application will be reviewed without the inclusion of a letter from the USDA Rural Development State Director inviting a complete application. It is the responsibility of the applicant to provide SDHDA with any additional information or clarification of funding sources as may be necessary. Prior to issuance of the IRS Form 8609, the applicant must submit to SDHDA, USDA Rural Development Form 1944-51, "Multiple Family Housing Obligation-Fund Analysis." This form will be used in the determination of the final allocation of tax credits to a development.

J. **Project Eligibility**. Ineligible projects include (i) properties of four units or less which are occupied by the applicant or a relative of the applicant, unless owned by a 501(c)(3) entity, (ii) life care facilities, and (iii) trailer parks.

Any building that receives Section 8 Moderate Rehabilitation Assistance at any time during the minimum 15-year compliance period is ineligible for tax credits. An exception permits post-1990 credit allocations for Single Room Occupancy (SRO) projects that receive Section 8 Moderate Rehabilitation Assistance under the Stewart B. McKinney Homeless Assistance Act.

Those properties with preexisting subsidy (any building substantially assisted, financed, or operated under the HUD Multifamily programs or under the USDA Rural Development Rural Rental Housing (515) program) will be eligible for tax credits under the following conditions:

> It preserves assisted low income housing which, due to mortgage prepayments or expiring rental assistance, would convert to market rate use. This must be demonstrated to the satisfaction of SDHDA;

OR

> It has been demonstrated to the satisfaction of SDHDA that the development qualifies as a "troubled property". In order to qualify as such, a responsible official of the governmental lender who provided the preexisting subsidy must provide **written** documentation that the property is troubled along with an explanation.

Any application involving acquisition and substantial rehabilitation of a USDA Rural Development or SDHDA financed project MUST submit a certification as to need for substantial rehabilitation of the project. The certification must include a rehabilitation inspection report and must discuss the need for replacing major systems components such as roofs, heating systems and windows. This inspection must be accomplished by a representative of the appropriate agency or a person approved by that agency. The inspection report will not be accepted if completed more than 6 months prior to the application submission.

K. **Tenant Ownership Projects**. Projects involving tenant ownership must submit to SDHDA a long-term management plan which must include counseling programs for the homebuyers.

L. **Limits on Credits**. There is a limit on the amount of credit any individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Consult your tax attorney or accountant for clarification of this regulation.

M. **Discrimination**. All housing for which tax credits are received must be available to all persons regardless of race, color, national origin, religion, creed, sex, disability, or familial status.

N. **Volume Limits**. Each state is limited in the amount of tax credits it may allocate annually. SDHDA's 2001 per capita volume limit will be $2,000,000.

Projects with tax-exempt bond financing, which are subject to a separate bond volume limitation, are not counted against the state volume limit. SDHDA must apply to the Governor's Office on behalf of each project proposed for tax-exempt financing to secure an allocation from the Bond Volume Limit. Where competition exists, multifamily projects located in Sioux Falls and Rapid City will be directed toward bond financing to the maximum extent possible and will be considered an eligible activity under this Plan.

O. **Recapture**. Credits are subject to recapture by the Internal Revenue Service if it determines the Qualified Basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year, or if the minimum number of qualified low income units is not maintained for the complete extended use time period.

V. DEVELOPMENT STANDARDS

Projects funded under this Program will be evaluated according to the standards which follow. Small projects (16 or less units) and projects developed in Difficult Development Areas may be considered eligible for variances from these standards, if justified.

Note that those projects combining housing tax credits with HUD and other government assistance must comply with the development standards adopted under the Subsidy Layering Guidelines in Section VI. Where Subsidy Layering Guidelines are more restrictive than the ones established in this section, the Subsidy Layering Guidelines will prevail.

A. **Project Limitations**. The total project costs, including those costs which are a part of the project but not eligible for tax credit financing, may not exceed the lessor of the published HUD Section 221(d)(3) limits (Exhibit 3) or the SDHDA maximums which follow:

$58,700 for a 1-bedroom unit
$70,400 for a 2-bedroom unit
$82,200 for a 3-bedroom unit
$88,000 for a 4-bedroom unit

Calculation of the above maximums are based on total project costs divided by the living area square footage then calculated per unit based on the square footage for each unit. Any employee unit will be calculated as a unit and not as common space.

If justified, the maximums for Congregate Care, Assisted Living, and Single Family projects or projects including specific development characteristics such as brick, energy efficiency systems, additional handicap accessible features and/or community rooms may be increased to the HUD Section 221 (d)(3) limits (Exhibit 3) or up to $5,000 above the SDHDA limits, whichever is less.

The published HUD limits and the above listed SDHDA limits shall be considered limits and not target or average costs. As in the past, current SDHDA tax credit project comparables will continue to be the driving factor in approving project costs.

All expenses determined to be in excess of the unit costs maximums will not be included in eligible basis for issuance of the 8609(s). Applicants who have previously completed tax credit projects with unit costs exceeding the specified unit cost maximums will not receive for the following two years, points for demonstrated track record of quality experience.

In addition, the project must meet the following:

- Minimum unit square footage of 600 sq. ft. for a 1-bedroom unit, 750 sq. ft. for a 2-bedroom unit, 900 sq. ft. for a 3-bedroom unit and 1050 sq. ft. for a 4-br unit. Congregate care facility requires a minimum of 550 sq. ft. for the 1-bedroom unit. If developing assisted living projects, they must be designed for single room occupancy and require a minimum of 100 sq. ft. per single occupancy unit. Rehabilitation projects are excluded from the minimum square footage requirements.

B. **Developer's Fees**. The developer of a housing tax credit project will be entitled to a developer fee not to exceed 15 percent of total development cost minus developer's fee for projects of 16 units or less or 12 percent of total development cost minus developer's fee for projects of 17 units or more. Any fees determined to be developer fees in excess of the corresponding 12 or 15 percent maximum or in excess of the percentage declared on the initial application will not be included in eligible basis when issuing the 8609(s).

In cases where there is an identity of interest between the applicant and the builder, the allowable builder's profit shall be included as a part of the allowable developer's fee. In this situation, the developer's fee will remain at a maximum of 15 percent for all developments.

C. **Consultant Fees**. Consultant application processing fees will be included within the developer fee limitation and cannot exceed 2 percent of the total development cost. Syndication related consultant fees are not to be included in the Eligible Basis of the project. Any fees determined to be consultant fees in excess of the 2 percent maximum or in excess of the percentage declared on the initial application will not be included in eligible basis when issuing the 8609(s).

D. **Builder/General Contractor's Fees**. Builder/General Contractor fees may not exceed the following limits:

Builder/General Contractor's Profit	6% of hard construction costs
Builder/General Contractor's Overhead	2% of hard construction costs
General Requirements	6% of hard construction costs

Any fees determined to be builder/general contractor's fees in excess of the corresponding maximums or in excess of the percentage declared on the initial application will not be included in eligible basis when issuing the 8609(s).

E. Comparative Analysis. Notwithstanding these Development Standards and the Selection Criteria within this Plan, each and every proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the tax credits awarded.

F. Property Standards. All newly constructed properties must meet the Uniform Building Code, the National Standard Plumbing Code and the National Electrical Code Handbook. Rehabilitation projects should strive to meet these codes when reasonable and shall replace major components when necessary.

Projects containing facilities that are available to the general public must meet the Americans with Disabilities Act (ADA) requirements and all projects must comply with HUD Section 504 requirements. Projects involving more than 4 units must include 5 percent of the total units or 1 unit minimum for persons with physical disabilities and 2 percent of the total units or 1 unit minimum setup for persons who are deaf and/or blind. The above units may NOT be consolidated so as to provide only one unit. Roll in showers must be installed in the units for persons with physical disabilities. These units shall not all be in one building of a multi-building project. The architect must certify on the final working plans that these standards have been incorporated into the plans.

In all cases, properties must comply with the Fair Housing Act and amendments thereto and must also be considered decent, safe, and sanitary throughout the affordability period.

G. Crime Free Multi-housing Program. All property managers must attend the Crime Free Multi-housing Program training administered through the South Dakota Law Enforcement Officers Standards and Training Commission. SDHDA recommends a membership certification be acquired and maintained for the housing developments if it is available in the area.

H. Replacement Reserves. All properties must maintain a minimum replacement reserve of $250 per unit annually for the entire affordability period. If in a rehabilitation project, not all major systems are replaced or repaired, sufficient reserves will be established to allow for replacement of such components if the normal life span would require such replacement prior to the end of the affordability period. The annual replacement reserves will be trended at three percent (3%) per year.

I. Debt Coverage Ratio. Proformas submitted must reflect a debt coverage ratio of not less than 1.1 in the first year that full expenses are in effect (i.e. after tax abatements have expired) and annually thereafter for the first 15 years or the term of the first mortgage's financing, whichever is greater. The project must maintain a minimum .95 debt coverage ratio for the remaining period of the extended use period. Compensating factors such as developer's experience, types of financing utilized and financial strength of the applicant/owner may vary this requirement. The debt coverage ratio is the ratio of net operating income to the total annual debt service. Further, the application shall reflect that rental income, any subsidies and reserve funds are sufficient to cover the property's debt and operating expenses over the period of low-income use.

J. Changes to Project. The award of tax credits is based upon information provided in the application and the preliminary plans submitted with the application. Until the property is placed in service, any substantive changes to the project or building design as submitted in the application will require written notification to and approval from SDHDA. If changes to the project affect points originally awarded under Section VII. Development Selection Criteria, points awarded for the project will be recalculated. Points could be reduced causing projects to lose their reservation of tax credits if the revised total points is less than another project not previously awarded tax credits.

VI. SUBSIDY LAYERING GUIDELINES

For those projects which combine tax credits and other HUD assistance, SDHDA must perform a subsidy layering review in accordance with the Revised Subsidy Layering Guidelines (RSLGs) published in the Federal Register, Thursday, December 15, 1994, Part III. The RSLGs establish HUD's safe harbor standards, but also allow SDHDA to adopt its own standards within its Plan. Therefore, for those projects affected by the RSLGs, and which are small projects, or projects in Difficult Development Areas, the following standards are adopted:

	Safe Harbor	*Ceiling*
Standard 1 - Profit and Overhead.		
Builder Profit	6% construction costs	HUD processing
Builder Overhead	2% construction costs	HUD processing
Gen'l requirement	6% construction costs	HUD processing

Standard 2 - Developer Fee.

Developer fee	10% total dev. cost	15% total dev. cost

(in Identity-of-Interest cases, the Builder Profit shall be considered a part of the Developer Fee.)
*Refer to SDHDA's standard as set forth on page 18.

Standard 3 - Syndication Expenses.

Private Offer	10% of gross proceeds	15% gross proceeds
Public Offer	15% of gross proceeds	24% gross proceeds

Standard 4 - Syndication Proceeds.
SDHDA shall establish a base Market Rate expressed in cents netted per dollar of credit allocation. The Market Rate shall be set for each individual project based on the variables of that project. In addition, the Market Rate shall be adjusted to reflect increased value if higher than typical ownership interests are retained, as follows:

0-5% ownership:	Market Rate value
5-50% ownership:	Market Rate plus 10 cents
over 50% ownership:	Market Rate plus 20 cents

In addition, when determining the amount of credit necessary to fill the unfunded financing gap, SDHDA must include the value of all syndication installments received. Therefore, applicants affected by this part must calculate and report the effects of compounding and discounting syndication installment payments.

VII. DEVELOPMENT SELECTION CRITERIA

Maximum Possible Points 1110

A. Primary Selection Criteria.

1. Deep Income Targeting:
(Maximum 100 points if individually both selections are made)

Within either the 20/50 or the 40/60 election, a proposal which elects to set aside a minimum of 20 percent of the total tax credit units for households not exceeding 50 percent of area median income will receive 50 points.

A proposal which elects to set aside a minimum of ten percent of the total tax credit units for households not exceeding 40 percent of the area median income will receive 50 points.

Rents for these units must be set at 30 percent or less of adjusted annual Incomes for households at the corresponding income levels to receive the above points.

2. Extended Use Commitment:

Although the required affordability period is 30 years, applicants who make a commitment to extend the affordability period to 40 years will receive 100 points.

3. Local Housing Needs:

All applicants must submit a complete market analysis addressing the local housing needs that is no more than six months old (See Section VIII.A.1. regarding submission requirements and Exhibit 4). The applicants considered to be facing the highest overall need will receive the highest score. All other applications will be ranked against the highest scoring applicants. Each applicant will receive from 0 to 150 points depending upon identified need. When determining the need, SDHDA will take into consideration the need for additional housing units in the community, the need to retain the existing housing and the degree of rehabilitation necessary depending on the proposed project activity. All communities, with the exception of Sioux Falls, Rapid City, and Indian reservations, with two (2) or more low income housing projects under construction or in the process of rent-up (length of rent-up period will be taken into consideration) may receive 0 points in this category.

4. Qualified Census Tracts:

Projects within Qualified Census Tracts, which contribute to a concerted community revitalization plan that is documented at the time of application, will receive 100 points. Refer to Exhibit 5.

5. Development Characteristics:

Points will be awarded to proposed projects based on the points as detailed in Exhibit 6. A completed copy of Exhibit 6 must be signed by the applicant/owner. Characteristics indicated by the applicant/owner will be verified by SDHDA staff prior to issuance of IRS Form 8609. A maximum of 190 points may be obtained.

6. Project Characteristics:

Projects including the use of existing housing as part of a concerted community revitalization plan that is documented at time of application will receive 10 points.

7. Mixed Income Use:

Developments which will consist of low income and market rate units will be eligible for up to 60 points. Points awarded will be based on the ratio of market rate units to total project units, according to the following scale:

10.0% - 20.0% Market Rate	30 points
20.1% - 30.0% Market Rate	40 points
30.1% - 40.0% Market Rate	50points
40.1% - 50.0% Market Rate	60 points

8. Financial Support from Local Sources:

Proposals containing financing or incentives from either a local government, a private party or a foundation that assist in reducing the development costs or enhancing the project feasibility may receive up to 20 points:

9. Applicant Characteristics:

Proposals which include the following will be awarded ten points for each provable participation (maximum 40 points):

a. Participation by an entity with a demonstrated track record of quality experience in development or management of subsidized housing;
b. Participation by a minority- or woman-owned business enterprise*;
c. Owner equity in excess of ten percent of the total development cost, but cannot be in the form of a deferred developer fee; or
d. Other creative financial partnerships aimed at achieving greater affordability.

Applicants who have previously completed tax credit projects with unit costs exceeding the specified unit cost maximums will not receive, for the following two years, points for demonstrated track record of quality experience.

*To be considered a minority- or woman-owned business enterprise, at least 51 percent of the sponsorship must be owned by either a minority individual or a woman.

10. Tenant Ownership:

Proposals intended for eventual tenant ownership will receive 10 points. Applicants must submit with their application the proposed management plan, including information on homebuyer counseling, calculation of future purchase price, and other information requested by SDHDA to evaluate the feasibility of the development.

11. Tenant Populations with Special Housing Needs:

Proposals providing verifiable service(s) to the tenants or special accommodations for any special needs tenant population shall receive up to 20 points depending upon the extent of the services and the percentage of households benefiting from the service. A letter of intent from the service provider detailing the services that will be available must accompany the application. A letter of need for housing is not adequate to obtain points in this section for the following populations:

a. Homeless
b. Physically disabled
c. Chronically mentally ill
d. Developmentally disabled
e. Frail elderly (Congregate units as defined on page 28)
f. Families with children

NOTE: SDHDA and the Department of Human Services (DHS) have entered into an agreement promoting the full integration of citizens with disabilities into individualized housing settings rather than group home type housing. All housing designed specifically for people with disabilities must receive prior approval from DHS. Applicants who agree to offer services to these

individuals in an integrated housing setting will receive points under this section.

12. Individuals with Children:

Proposals that will be serving tenant populations of individuals with children will receive 10 points.

13. Public Housing Notification:

A proposal which provides a written commitment to notify local public housing agencies of vacancies and give priority to households on waiting lists of those agencies will receive 10 points.

14. Efficient Use of Tax Credits and other Federal Funds:

A proposal will be awarded points according to the largest number of units for the fewest amount of tax credit and other federal dollars as follows (maximum 65 points):

Points	Tax Credits & Federal $ Per Unit
65	$0 - $999
58	$1,000 - $1,399
51	$1,400 - $1,799
44	$1,800 - $2,199
37	$2,200 - $2,599
30	$2,600 - $2,999
23	$3,000 - $3,399
16	$3,400 - $3,799
9	$3,800 - $4,199
2	$4,200 - $4,599
0	$4,600 - +

15. Highest Percentage of Credits Used for Project Costs:

Projects which provide the highest percentage of the credit dollar amount to be used for project costs other than the cost of intermediaries ("soft costs") will receive a maximum of 100 points. Soft costs include but are not limited to developer's, attorney's, consultant's, architect's, engineer's, accountant's and related professional fees, housing tax credit fees, reserve accounts, permanent loan fees, etc. Builder's Profit will not be included in soft costs for this calculation.

Points	% of Soft Costs
100	0.00% - 19.00%
0	19.01% - +

16. Project Location:

Projects located in close proximity of community services will be eligible for up to 20 points. Five points will be awarded for each item. Close proximity will be defined as within 6 city blocks, unless there is a public transportation system, easily available to the tenants, providing access to these services. Community services include but are not limited to:

- Grocery/retail store
- Hospitals/medical clinics
- Schools/senior center (as applicable)
- Special service offices

17. Rural Housing Services (RHS) Proposals:

Projects applying for funds from Rural Housing Services will receive 5 points.

B. Readiness to Proceed Criteria.

SDHDA, at its discretion, may allow up to 100 additional points to projects which, in its opinion, most clearly demonstrate readiness to proceed (e.g., impact, need, and likelihood of completion). Such determination may include but is not limited to any of the following factors:

- Substantial community support and/or local/state/federal financial assistance;
- Completeness of architectural plans/working drawings for development at initial submission of application;
- Proposals submitting documentation of land purchased or owned or an executed long term lease;
- Proposals submitting evidence of enforceable construction, interim, and permanent financing commitments for at least 50% of the project's total estimated construction or permanent financing needs, as applicable. Permanent financing commitments must have a fixed rate and a term of at least 15 years and disclose all conditions. Generally, an enforceable financing commitment is a written approval of a loan or grant from a lender which is subject only to considerations fully under the control of the applicant to satisfy (other than the award of tax credits). The loan commitment must contain a representation and acknowledgement from the lender that such lender has reviewed the same application submitted by the applicant to SDHDA in support of the credits for the project to which such commitment relates and that such lender acknowledges that the project will be subject specifically to the 40-60 or 20-50 set-aside and/or extended use restriction elections made by the applicant and any other special use restriction elections made by the applicant which give rise to points under Section VII of this Plan. Proposals providing evidence of application submission for permanent financing from other state, federal housing programs or Federal Home Loan Banks will also be considered under this category;

- Proposals which contain evidence of any equity commitment. The equity commitment must contain a representation and acknowledgement from the equity investor that such investor has reviewed the same application submitted by the applicant to SDHDA in support of the credits for the project to which such commitment relates and that such investor acknowledges that the project will be subject specifically to the 40-60 or 20-50 set-aside and/or extended use restriction elections made by the applicant and any other special use restriction elections made by the applicant which give rise to points under Section VII of this Plan;
- Evidence of availability of utilities at the site, as evidenced by a letter from the city or town where the project will be located, or from the applicable utility companies; and
- Overall ability to meet the housing purposes and goals identified in Section II of this Plan.

VIII. SUBMISSION REQUIREMENTS

A. **Application Requirements**. Applications must be submitted on the SDHDA HOME/Housing Tax Credit Application Form. All proposals for the Housing Tax Credits, whether from the bond volume limit or the state's HTC volume cap, must comply with the requirements of this Section. A proposal for which tax-exempt financing is proposed must comply with SDCL 11-11-146 and 11-11-146.1 requirements, as applicable. SDHDA may reject applications with incomplete or incorrect application information or inadequate preliminary plans. <u>Failure to submit ALL required documents will render an application incomplete</u>. The following items must accompany the application:

1. A comprehensive market study of the housing needs of low-income individuals in the area to be served by the project. The market study must have been completed within six (6) months of submission by a market analyst who is a disinterested party, has experience with multifamily rental housing and is approved by SDHDA. The minimum includable items to be addressed in the market study are listed in Exhibit 4.

2. Letter from the chief executive officer of the local governing body, evidencing approval from such body, MUST accompany the application. This approval shall identify the number of units approved, the type of units approved and the exact location of the proposed development.

   All developers are encouraged to contact the city in which they intend to develop tax credit properties early in the development process to determine whether the city has adopted procedures and submittal dates for approving projects under the HTC Program.

3. Copy of utility allowance calculation and supporting documentation from the local Public Housing Authority or utility provider.

4. Proforma for the period of extended use, using the normal yearly-expected vacancy rate as projected through the analysis. The proformas submitted must reflect a debt coverage ratio of not less than 1.1 in the first year that full expenses are in effect (i.e. after tax abatements have expired) and annually thereafter for the first 15 years or the term of the first mortgage's financing, whichever is greater. The project must maintain no less than a .95 debt coverage ratio for the entire extended use period. Compensating factors such as developer's experience, types of financing utilized and financial strength of the applicant/owner may vary this requirement. Furthermore, the application shall reflect that rental income, any subsidies and reserve funds are sufficient to cover the property's debt and operating expenses over the period of low-income use. Annually, income must be trended at 2 percent, expenses and replacement reserves must be trended at 3 percent and vacancy must be projected at 5 percent.

5. Applicant information, including, but not limited to, previous low income housing tax credit activity in all other states.

6. Site control; during the application process, the following is acceptable:
   a. purchase agreement or option to purchase, signed by both the buyer and seller;
   b. warranty deed or title;
   c. long term lease equal to or greater than the term of affordability; or
   d. contract for deed.

   For allocation, an attorney's opinion that the applicant has ownership of the property as required and in accordance with Code Section 42 will be required.

   Applicants should be cautioned that reservation of credits are site specific, therefore any changes to site will require a full review of the application and reconsideration by the SDHDA Board of Commissioners.

7. Drawing of proposed development site plan showing the general build-up of the site including the location of all proposed building(s), streets, parking areas, service areas, playgrounds, and any other significant details of the site.

8. Typical floor plan, dimensional plan for each typical living unit.

9. Written evidence that the project site is properly zoned at the time of application.

10. Certification from the applicant that the local Public Housing Authority (PHA) has been notified of the proposed project in their service area. The certification must also give priority to households on the PHA waiting list in order to obtain points under Section VII.A.13.

11. If the applicant is a nonprofit, a description of the organization and its activities and completion of the Nonprofit Eligibility Questionnaire, Exhibit 7. The Nonprofit Eligibility Questionnaire must be completed to compete for funds in the Non-Profit Set-Aside.

12. All applications submitted must be signed by at least ONE general partner involved with the project.

13. Local area map indicating other assisted housing, proximity to services (hospitals, schools, grocery stores, special services offices), etc. Services must be indicated on the map to obtain points under Section VII.A.16.

14. Completed Exhibit 6 signed by the applicant/owner. The Exhibit 6 must be completed to obtain points under Section VII.A.5.

15. To obtain points under Section VII.A.8, evidence of financial and local support must be provided.

16. To obtain points under Section VII.A.9, written evidence of such applicant characteristics must be provided.

17. To obtain points under Section VII.A.11, a letter of intent from the service provider detailing the services that will be available must be provided. Homebuyer counseling services for a lease-purchase project will not be considered eligible for points under this category.

18. Letter of intent evidencing preliminary arrangements for construction, interim, and permanent financing.

    NOTE: Interim financing (bridge loan) fees will not be allowable project costs if financing is provided by an entity having an identity of interest with the developer, builder, syndicator, or applicant. Only interest costs at or below market rate will be allowed.

19. Attorney's opinion stating that to the best of his or her knowledge, the applicant is in good standing as described in Section III.D.

20. If the applicant is proposing to use USDA Rural Development Rural Rental Housing Loan funds, a copy of the letter from the USDA Rural Development State Director inviting the applicant to submit a complete application.

21. If the applicant is proposing a rehabilitation, or an acquisition and rehabilitation, of an existing property, the following additional items:

    - Detailed description of the activities to be completed for the exterior and by apartment unit for the interior and the corresponding cost. Should the description for rehabilitation not be detailed as requested the application may not be selected for an award of tax credits. In addition, if there are large variances between the original application and the appraisal and physical needs assessment submitted for reservation of tax credits, the award of tax credits may be withdrawn.

- Three years of audited historical year-end financials. SDHDA reserves the right to request additional years of financials if necessary.
- Current, within 30 days, tenant rent roll listing tenants, addresses, rent paid, subsidies received, etc.
- Properties with preexisting subsidy (any building substantially assisted, financed, or operated under the HUD Multifamily programs, SDHDA or USDA Rural Development program) must submit documentation to SDHDA's satisfaction of the following, which is further detailed in Section IV.J:
  1. Certification as to need for substantial rehabilitation of the project AND
  2. It preserves assisted low income housing which, due to mortgage prepayments or expiring rental assistance, would convert to market rate use; OR that it is a "troubled property."

22. To obtain points under Section VII.A.4., a copy of the community revitalization plan must be submitted.

23. To obtain points under Section VII.A.6., applicant must provide evidence that the existing housing is a part of the community revitalization plan. A copy of the community revitalization plan must also be submitted.

24. To obtain points under Section VII.A.10., a copy of the proposed management plan including information on homebuyer counseling, calculation of future purchase price, and other information requested by SDHDA to evaluate the feasibility of the development must be submitted.

25. To obtain points under Section VII.A.12., a written statement by the applicant, stating applicant's intention to serve individuals with children must be submitted.

26. Required Application Fee. Refer to Section IX.A. <u>This fee is non-refundable.</u>

27. Any other information requested by SDHDA.

B. Reservation Requirements. Within 60 days of notification of reservation of tax credits, the applicant shall provide SDHDA with satisfactory evidence of the following:

1. Signed documentation evidencing construction, interim, and permanent financing arrangements.

2. 40-year proforma signed by the lending institution to confirm status at reservation.

3. Required Reservation Fee. Refer to Section IX.B. <u>This fee is non-refundable.</u>

4. Information on the ownership entity, including an executed copy of the partnership agreement or articles of incorporation, and a copy of the certificate of registration from the Secretary of State in the State of South Dakota.

5. Affidavit executed by the general partner(s), officer(s), director(s) or corporate officer(s), as required by the Partnership Agreement for legal representation, stating that under penalties of perjury all facts and statements contained in all documents and exhibits submitted are true to the best of their knowledge.

6. Description of any governmental assistance and/or rental assistance. This includes copies of any contracts/agreements executed or any applications made for rental assistance grants for the project.

7. Executed Owner's Election Statement for Establishing Effective Date of Gross Floor Rent.

8. Final architectural and site plans.

9. If the project involves acquisition and rehabilitation of an existing property an appraisal meeting Uniform Standards of Professional Appraisal Practice (USPAP) completed by an independent licensed appraiser and a physical needs assessment. SDHDA must approve the appraiser and inspector. All costs for these services will be paid by the applicant.

10. Copy of the proposed management plan for the proposed development including a copy of the tenant lease to be utilized for the project. If the project is a lease-purchase, the management plan must include counseling programs for the homebuyers.

11. Any other information requested by SDHDA.

C. Carryover Requirements. In addition to meeting requirements of federal law, the applicant must provide no later than November 15, 2001(except as noted below), evidence satisfactory to SDHDA of the following (if not already submitted as part of reservation requirements):

1. Attorney's opinion indicating that the applicant is the owner of the property as required by and in compliance with Code Section 42.

2. Address of each building for which tax credits are issued.

3. Certified line item expenditures of MORE than 10 percent of the total project costs by the owner. Final cost certification must be submitted on approved SDHDA forms.

4. Certified line item expenditures of MORE than 10 percent of the total project costs by an independent CPA and/or tax attorney with a statement of non-affiliation with the developer and/or owner. If the developer's fee is included in the carryover basis, it must be earned, it must be paid, and it cannot exceed 20 percent of the carryover basis amount. Final cost certification must be submitted on approved SDHDA forms.

5. Copy of the executed syndication agreement.

6. Any other information requested by SDHDA.

A project which receives a reservation of tax credits after July 31 of a calendar year may qualify under the 10 percent test, if the taxpayer expends an amount equal to at least 10 percent of the reasonably expected basis in the project within six months of receiving the reservation, regardless of whether the 10 percent test is met by the end of the calendar year.

D. **Placed In Service**. The following documents are required no later than November 15, 2001, to confirm the placed in service date and to receive the allocation of credits:

1. Certificate of Occupancy issued by the appropriate government authority or temporary Certificate of Occupancy, if development is not totally completed.

2. Address of each building for which tax credits are issued.

3. Certified line item expenditures of the total project costs by the owner. Final cost certification must be submitted on approved SDHDA forms.

4. Certified line item expenditures of the total project costs by an independent CPA with a statement of non-affiliation with the developer and/or applicant. Final cost certification must be submitted on approved SDHDA forms.

5. Owner's certification evidencing final amount of permanent financing and full amount of proceeds received from the syndication of tax credits.

6. Documentation evidencing satisfactory completion of a housing tax credit property manager's certification exam completed by the housing tax credit applicant's property manager.

7. Documentation evidencing the applicant's attendance at the Crime Free Multi-housing Program administered through the South Dakota Law Enforcement Officers Standards and Training Commission.

8. If the development was funded under USDA Rural Development Rural Rental Housing Program the applicant must submit USDA Form 1944-51 "Multiple Family Housing Obligation-Fund Analysis".

9. Any other information requested by SDHDA.

10. Required Allocation Fee. Refer to Section IX.C. This fee is non-refundable.

IX. FEES

A. Application/Underwriting. An application/underwriting fee of $500 is due with an application for reservation, or any request for SDHDA underwriting, including projects financed with bonds not issued by SDHDA. This fee is non-refundable.

B. Reservation. A reservation fee of 3 percent of the annual credit amount reserved is due within 60 days of notification from SDHDA of reservation of tax credits. This fee is non-refundable.

C. Allocation. An allocation fee of 10 percent of the annual credit allocation amount less fees already paid is payable at the time of final allocation. For those projects financed with bonds not issued by SDHDA that receive an allocation of credit, an allocation fee of 10 percent of the annual credit allocation is payable at the time of final allocation. This fee is non-refundable.

D. Monitoring. Annual fees of $50 per development and $15 per low-income unit, including all projects financed with bonds, are payable each year throughout the entire affordability period. Annual fees will be imposed after the first full year in service, which is measured from the month the last building in the project is placed in service. The Housing Tax Credit Compliance Manual is available from SDHDA.

X. DEFINITIONS

A. Assisted Living Facility. Housing units that offer assistance with activities of daily living, including eating, bathing, dressing, and personal hygiene; three meals a day; supervision of self-administration of medication; laundry service; housekeeping; 24 hour staffing; and activities. Transportation to and from doctor's appointments and personal errands, counseling services, and companion services are optional.

Under the Code, the cost of services that are required as a condition of occupancy must be included in gross rent. For this reason the cost of the meals and other services must be considered optional and must be provided for in an agreement separate from the lease. A practical alternative must exist for tenants to obtain meals other than from the dining facility.

Note: Developments in which continual or frequent nursing, medical, or psychiatric services are provided do not qualify as residential rental property for purpose of Sections 142(d) and 145(d) of the Code.

B. Community Service Facility. Any facility designed to serve primarily individuals whose income is 60 percent or less of area median income.

C. Congregate Care Facility. Housing units that provide a semi-independent living environment offering residential accommodations, central dining facilities (where at least one meal a day is provided 7 days a week), related facilities, and supporting staff and services to persons of at least 62 years of age or with disabilities.

Under the Code, the cost of services that are required as a condition of occupancy must be included in gross rent. For this reason the cost of the meals and other services must be considered optional and must be provided for in an agreement separate from the lease. A practical alternative must exist for tenants to obtain meals other than from the dining facility.

D. Disinvestment. Withdrawal of capital that otherwise could have been utilized to sustain the viability of a project.

E. Lease/Purchase Project. A lease-to-own housing option. See Tenant Ownership.

F. Qualified Census Tract. A census tract in which either 50 percent or more of the households have an income of less than 60 percent of the area median gross income for such year or there is a poverty rate of at least 25 percent.

G. Single Family Project. Project consisting of individual single family dwellings or a project with one or more buildings containing four or less units per building.

H. Small Project. Project of sixteen (16) or less units.

I. Tenant Ownership Project. A housing option designed to bring home ownership within reach of low- and very low-income households while assisting local governments in addressing their need for more affordable homeownership. Residents must assume most of the property maintenance responsibilities, although a reserve fund will be established to cover major expenses. The residents sign a lease and a letter of understanding describing their opportunity to purchase the home upon expiration of the tax credit minimum rental period (15 years).

Exhibit 1
Income Limits

FOR TAX CREDITS ALLOCATED IN 1990 OR LATER
OR PRE 1990 PROJECTS WITH IRREVOCABLE IRS ELECTION
Maximum Income Limits for South Dakota Low Income Housing Tax Credit Program
at 50% of Median Income
EFFECTIVE FEBRUARY 1, 2000

County Name	Median Income	1 Person Income	2 Person Income	3 Person Income	4 Person Income	5 Person Income	6 Person Income	7 Person Income	8 Person Income
Rapid City	$44,800	$15,700	$17,900	$20,150	$22,400	$24,200	$26,000	$27,800	$29,550
Sioux Falls	$53,200	$18,600	$21,300	$23,950	$26,600	$28,750	$30,850	$33,000	$35,100
Brookings	$46,800	$16,050	$18,350	$20,650	$22,950	$24,800	$26,600	$28,450	$30,300
Hanson	$47,900	$15,800	$18,050	$20,300	$22,550	$24,350	$26,150	$27,950	$29,750
Hughes	$53,000	$15,000	$17,100	$19,250	$21,400	$23,100	$24,800	$26,550	$28,250
Lawrence	$40,900	$14,300	$16,350	$18,400	$20,450	$22,100	$23,700	$25,350	$27,000
Lincoln	$53,200	$18,600	$21,300	$23,950	$26,600	$28,750	$30,850	$33,000	$35,100
Meade	$42,200	$14,750	$16,900	$19,000	$21,100	$22,800	$24,500	$26,150	$27,850

All Other Counties	Varies	$14,200	$16,250	$18,250	$20,300	$21,900	$23,550	$25,150	$26,800

***PLEASE NOTE THESE LIMITS WERE EFFECTIVE FEBRUARY 1, 2000. NEW LIMITS WILL BE PUBLISHED ON SDHDA'S HOME PAGE (www.sdhda.org) ONCE THEY BECOME AVAILABLE.**

FOR TAX CREDITS ALLOCATED IN 1990 OR LATER
OR PRE 1990 PROJECTS WITH THE IRREVOCABLE IRS ELECTION

Maximum Income Limits for South Dakota Low Income Housing Tax Credit Program
at 60% of Median Income
EFFECTIVE FEBRUARY 1, 2000

County Name	Median Income	1 Person Income	2 Person Income	3 Person Income	4 Person Income	5 Person Income	6 Person Income	7 Person Income	8 Person Income
Rapid City	$44,800	$18,840	$21,480	$24,180	$26,880	$29,040	$31,200	$33,360	$35,460
Sioux Falls	$53,200	$22,320	$25,560	$28,740	$31,920	$34,500	$37,020	$39,600	$42,120
Brookings	$46,800	$19,260	$22,020	$24,780	$27,540	$29,760	$31,920	$34,140	$36,360
Hanson	$47,900	$18,960	$21,660	$24,360	$27,060	$29,220	$31,380	$33,540	$35,700
Hughes	$53,000	$18,000	$20,520	$23,100	$25,680	$27,720	$29,760	$31,860	$33,900
Lawrence	$40,900	$17,160	$19,620	$22,080	$24,540	$26,520	$28,440	$30,420	$32,400
Lincoln	$53,200	$22,320	$25,560	$28,740	$31,920	$34,500	$37,020	$39,600	$42,120
Meade	$42,200	$17,700	$20,280	$22,800	$25,320	$27,360	$29,400	$31,380	$33,420

All Other Counties	Varies	$17,040	$19,500	$21,900	$24,360	$26,280	$28,260	$30,180	$32,160

***PLEASE NOTE THESE LIMITS WERE EFFECTIVE FEBRUARY 1, 2000. NEW LIMITS WILL BE PUBLISHED ON SDHDA'S HOME PAGE (www.sdhda.org) ONCE THEY BECOME AVAILABLE.**

Exhibit 2
Rent Limits
FOR TAX CREDITS ALLOCATED IN 1990 OR LATER
OR PRE 1990 PROJECTS WITH IRREVOCABLE IRS ELECTION
Maximum Rent Limits for South Dakota Low Income Housing Tax Credit Program
at 50% of Median Income
EFFECTIVE FEBRUARY 1, 2000

County Name	0 Bedroom Max. Rent	1 Bedroom Max. Rent	2 Bedroom Max. Rent	3 Bedroom Max. Rent	4 Bedroom Max. Rent	5 Bedroom Max. Rent
Rapid City	$392	$420	$503	$582	$650	$716
Sioux Falls	$465	$498	$598	$691	$771	$851
Brookings	$401	$430	$516	$596	$665	$734
Hanson	$395	$423	$507	$586	$653	$721
Hughes	$375	$401	$481	$556	$620	$685
Lawrence	$357	$383	$460	$531	$592	$654
Lincoln	$465	$498	$598	$691	$771	$851
Meade	$368	$395	$475	$548	$612	$675

All Other Counties	$355	$380	$456	$527	$588	$649

If any utilities are paid directly by the tenant, the maximum rent must be reduced by the applicable utility allowance amount.

***PLEASE NOTE THESE LIMITS WERE EFFECTIVE FEBRUARY 1, 2000. NEW LIMITS WILL BE PUBLISHED ON SDHDA'S HOME PAGE (www.sdhda.org) ONCE THEY BECOME AVAILABLE.**

FOR TAX CREDITS ALLOCATED IN 1990 OR LATER
OR PRE 1990 PROJECTS WITH IRREVOCABLE IRS ELECTION
Maximum Rent Limits for South Dakota Low Income Housing Tax Credit Program
at 60% of Median Income
EFFECTIVE FEBRUARY 1, 2000

County Name	0 Bedroom Max. Rent	1 Bedroom Max. Rent	2 Bedroom Max. Rent	3 Bedroom Max. Rent	4 Bedroom Max. Rent	5 Bedroom Max. Rent
Rapid City	$471	$504	$604	$699	$780	$860
Sioux Falls	$558	$598	$718	$830	$925	$1,021
Brookings	$481	$516	$619	$716	$798	$881
Hanson	$474	$507	$609	$703	$784	$865
Hughes	$450	$481	$577	$667	$744	$822
Lawrence	$429	$459	$552	$638	$711	$785
Lincoln	$558	$598	$718	$830	$925	$1,021
Meade	$442	$474	$570	$658	$735	$810

All Other Counties	$426	$456	$547	$633	$706	$779

If any utilities are paid directly by the tenant, the maximum rent must be reduced by the applicable utility allowance amount.

***PLEASE NOTE THESE LIMITS WERE EFFECTIVE FEBRUARY 1, 2000. NEW LIMITS WILL BE PUBLISHED ON SDHDA'S HOME PAGE (www.sdhda.org) ONCE THEY BECOME AVAILABLE.**

Fair Market Rents

EFFECTIVE SEPTEMBER 25, 2000

County Name	0 Bedroom Max. Rent	1 Bedroom Max. Rent	2 Bedroom Max. Rent	3 Bedroom Max. Rent	4 Bedroom Max. Rent
Rapid City	$362	$431	$574	$781	$945
Sioux Falls	$350	$484	$614	$777	$892
Aurora	$256	$343	$427	$565	$654
Bon Homme	$284	$340	$427	$565	$654
Brookings	$274	$435	$482	$652	$769
Buffalo	$256	$340	$427	$565	$660
Butte	$296	$403	$536	$700	$825
Clay	$285	$378	$475	$629	$780
Codington	$295	$391	$492	$651	$753
Davison	$286	$362	$455	$609	$697
Day	$286	$340	$427	$565	$654
Douglas	$284	$340	$427	$565	$654
Fall River	$292	$340	$427	$565	$654
Faulk	$256	$340	$450	$565	$654
Gregory	$257	$340	$427	$565	$654
Haakon	$256	$348	$427	$565	$654
Hanson	$260	$356	$474	$596	$667
Harding	$256	$348	$427	$565	$654
Hughes	$291	$352	$466	$613	$726
Hyde	$256	$346	$427	$565	$654
Jackson	$256	$345	$427	$565	$654
Jerauld	$256	$343	$427	$565	$654
Kingsbury	$279	$340	$427	$565	$654
Lake	$256	$345	$427	$565	$654
Lawrence	$294	$423	$532	$728	$824
Lincoln	$350	$484	$614	$777	$892
Marshall	$303	$340	$427	$565	$654
Meade	$360	$406	$542	$709	$837
Mellette	$306	$345	$427	$565	$654
Miner	$256	$345	$427	$565	$654
Shannon	$256	$345	$427	$565	$654
Spink	$278	$340	$434	$565	$654
Stanley	$256	$348	$427	$565	$654
Todd	$282	$340	$427	$565	$654
Union	$269	$340	$427	$565	$654
Walworth	$256	$340	$427	$565	$654

All Other Counties	$256	$340	$427	$565	$654

Exhibit 3
South Dakota
221 (d)(3) Subsidy Limits

	Zone I	Zone II	Zone III
0 bedroom	$53,808	$50,976	$50,268
1 bedroom	$61,680	$58,434	$57,622
2 bedrooms	$75,003	$71,055	$70,068
3 bedrooms	$97,028	$91,921	$90,644
4 bedrooms	$106,506	$100,901	$99,499

Zone I (Sioux Falls - Base City)

McCook	McPherson	Minnehaha
Edmunds	Turner	Faulk
Lincoln	Roberts	Clay
Hand	Union	Brown
Day	Spink	Jerauld
Beadle	Sanborn	Marshall
Brule	Davison	Hutchinson
Hanson	Aurora	Bon Homme
Gregory	Grant	Charles Mix
Clark	Douglas	Miner
Yankton	Kingsbury	Codington
Deuel	Hamlin	Brookings
Lake	Moody	

Zone II (Pierre - Key City)

Corson	Hyde	Potter
Jones	Sully	Mellette
Hughes	Dewey	Buffalo
Walworth	Todd	Armstrong
Campbell	Stanley	Ziebach
Lyman	Haakon	Tripp

Zone III (Rapid City - Key City)

Harding	Jackson	Butte
Fall River	Shannon	Pennington
Bennett	Custer	Meade
Lawrence	Perkins	

This exhibit is subject to change based on updates from the Department of Housing and Urban Development.

Exhibit 4
Market Study Requirements
for the Housing Tax Credit Program

In order to be accepted with an application, a complete comprehensive market study of the housing needs of low-income individuals in the area to be served by the project must be submitted. The market study must have been completed within six (6) months of submission by a market analyst who is a disinterested party, has experience with multifamily rental housing, and is approved by SDHDA. The market study must address in depth the following:

1. Review of proposed site including color photos of the site and adjoining property,

2. Review of existing community services and their proximity to the proposed development,

3. Review of existing multifamily market for BOTH affordable and market rate units listing the type of housing, location, number of bedrooms, number of bathrooms, size of units, condition of building(s), vacancy rates, waiting lists, amenities, utility allowances (whether included in rent or not), and rental rates,

4. Review of the total number of **income eligible individuals in the market area (include breakdown for households (both renters and owners) the next 5 year period, at the 50% and 60% of area median income) and projections of the same,

5. Review of projected new multifamily developments (BOTH affordable and market rate) including number and type of building permits issued in the past 3 years,

6. Review of current population characteristics, such as total population, income levels, age breakdown and migration trends, and projection, for the next 5 year period of future changes to the population and its characteristics,

7. Review of the type of employment opportunities and entry-level wages including economic changes proposed that could potentially affect the number of jobs and/or wages,

8. Review of existing and projected renter and owner occupied households indicating the total number of households, average number of persons per household, and number of households that are rent burdened (tenants paying more than 30% of their income for housing)

9. Review of existing housing conditions and projected rental housing demands, including the breakdown of the number, size and rent level of units necessary to fill the demands of the community

*   Affordable housing units are defined as those units, both occupied and vacant, for which the rental amount plus utility costs are at or below HUD’s Fair Market Rents (FMR) for each size unit in the development.

**   Income eligible tenants are defined as those whose incomes are at or below the percent of median income option chosen by the applicant.

SDHDA will consider issues such as these set forth below in determining if additional units should be developed in a particular area, and an applicant should take these issues into consideration in determining if there is a need in a particular area and, if so, what type of property the applicant wishes to develop in that area:

1. Has the community experienced growth in recent years?
2. Have there been any significant changes in the economic arena for the area? Have any major employers left the area or are any projected to leave? Have any major employers moved into the area, or are any preparing to move into the area? Note that the definition of "major" will vary by community.
3. Were there vacancies prior to the population growth that needed to be absorbed prior to adding new units to the market? Has this happened? Are there vacancies in the market area now? If so, why? Are the vacant units obsolete? Is there deferred maintenance? Do the units have deep rental subsidies? Do they qualify for Section 8 Vouchers? Are the units targeted to a lower income population than those who are seeking housing?
4. Has the need for affordable units been addressed by conventional means that may not be reflected in SDHDA numbers?
5. Is there a need for rehabilitation of existing vacant units that could address the demand for housing in a more affordable manner than new construction?
6. Since the growing population is projected to be in the 45+ age category, has alternative housing for this aging population been considered so that the existing homes might be made available for young families? Particularly since this age category will likely have more disposable income than a young family, determine if it may be practical to build more upscale townhouse and condominium type housing units with lower maintenance requirements for retirees. These households may want to have more freedom and live nearer the golf course or Recreation areas and have the financial resources to pay for such accommodations. Or upscale housing is not affordable, is land available or is it feasible to develop land for placement of a Governor's House in the community for seniors who are ready to be free from the cost in time and money involved with maintaining their older home?
7. Is there a need for independent apartments, congregate units or assisted living units for the elderly? If so, it is important to determine which income levels of the population are to be served prior to assuming that housing assistance will be required. If there is a need for elderly congregate or assisted living units in the community, is there an existing facility that can be retrofitted to address the need, or is there a need to convert an existing building or construct a new facility?

SDHDA considered these issues on a state-wide basis in formulating the list of housing activities outlined on page 14, of the Update to the Consolidated Plan.

Exhibit 5
Qualified Census Tracts and Difficult Development Areas

<u>IRS Section 42(D)(5)(C) Qualified Census Tracts:</u>

Reference: Federal Register, page 21246, May 1, 1995

Metropolitan Areas:

Rapid City	Tract 0101.00
Sioux Falls	Tract 0007.00

Nonmetropolitan Areas

Brown County	Tract 9515.00
Buffalo County	Tract 9746.00
Clay County	Tract 9656.00
Jackson County	Tract 9912.00
Shannon County	Tract 9936.00 and 9937.00
Todd County	Tract 9927.00
Ziebach County	Tract 9871.00

<u>IRS Section 42(D)(5)(C) Difficult Development Areas:</u>

Reference: Federal Register, page 55540, October 25, 1996; Effective December 31, 1996

Metropolitan Areas
- None

Nonmetropolitan Areas
- Butte County
- Lawrence County
- Meade County

<u>This exhibit is subject to change based on updates from the Department of Housing and Urban Development.</u>

Exhibit 6
Development Characteristics

<u>*Indicate if project will include each characteristic by circling points</u>**

Units: (Maximum of 10 points allowed)	
Existing multifamily developments.	**10 points**
Family projects having 24 units or less, with buildings containing no more than 8 units.	**10 points**
Independent Elderly project having 16 units or less.	**10 points**
Independent Elderly project having more than 16 units, but having an elevator.	**5 points**
Assisted Living projects having 15 or less units.	**10 points**
Congregate units having an elevator.	**10 points**
Parking:	
At a minimum, the parking lot shall be engineered asphalt, having concrete curb and gutter where the wheels come to a stop, when parked. All parking shall be located on site, having a minimum of one and one-half parking spaces for each one and/or two bedroom units, and a minimum of two parking spaces for a three or more bedroom unit. In the event the City requirement is more, that requirement shall be followed. A garage is not counted as a parking space.	
Concrete surfaced parking lot.	**25 points**
General Construction:	
Sidewalks:	
A concrete sidewalk shall be provided from each entrance door to a public way. Where possible combine sidewalks. In the event the City requires additional sidewalks, that requirement shall be followed.	
Exterior Construction:	
Entire exterior of the building(s) is constructed of brick or brick and/or stucco.	**30 points**
Or if at least 25% of the exterior of the building(s) is constructed of brick or brick and/or stucco.	**10 points**
Insulation:	
The exterior wall construction shall be a minimum of 2" x 6" with R-19 fiberglass insulation, and the ceiling of not less that R-36 fiberglass insulation.	

Windows:	
Window constructed with a permanent exterior finish and Low-E insulated glass. Aluminum or Steel Framed windows will receive no points.	**15 points**
Roofing:	
A shingled roof constructed with a minimum of a 235 lb. asphalt shingle or a single ply 60 mil rubber roof system for flat roofs.	**15 points**
Fiberglass shingles and built-up roof systems will receive no points.	
Floor Coverings:	
Floor covering shall consist of carpeting and/or sheet vinyl. Carpeting shall have a minimum face weight of 24 oz. While sheet vinyl shall have a wear surface of 25 mill or greater (Floor tile is not considered sheet vinyl.).	
Exterior Entrance Doors:	
The exterior door(s) shall be insulated metal with glass or a 180-degree peephole and shall include a separate dead bolt with one-inch throw.	
Family projects with separate unit entrances accessible directly from the outside. (Not available to Single Family Projects)	**35 points**
Interior Entrance Doors:	
The unit entrance door shall be designed as required by the UBC. The door shall be equipped with dead bolt with one-inch throw and 180-degree peephole.	
Community Room:	
Elderly projects that have a community room (minimum of 15 square feet per occupant, assuming 1.5 person occupancy per unit, in addition to the square footage necessary for the kitchen area) including a fully functional kitchen.	**35 points**
Main Entrance Area:	
If applicable, the main entrance area shall be designed with a foyer and equipped with a security system to gain access to the common area(s).	**10 points**
Laundry:	
A common laundry room must be located within each building of a development and contain a fire window within or near the door.	
A common laundry room per each building floor or washer and dryer hook-ups in each unit.	**10 points**

Window Covering:	
Window coverings shall be provided. A window shade is not considered a window covering.	
Refrigerator:	
A minimum of 14 cu. ft. frost free refrigerator for elderly projects.	
A minimum of 18 cu. ft. frost-free refrigerator for family projects.	
Special Features:	
A building designed with a drain tile system.	**5 points**
Single Family Projects that include individual exterior storage units.	**35 points**
Roll in shower is required for all handicap-adapted units.	
Heating: (Maximum of 10 points allowed)	
Gas or electric forced air system.	**10 points**
Hot water heat.	**10 points**
Air Conditioning:	
All multifamily units must be equipped with through wall air conditioning or central air.	
Projects with central air.	**25 points**
Variances will be allowed for rehabilitation projects.	
Signage:	
The project must have permanent signage installed with the Equal Housing Opportunity logo and identification of the developer and South Dakota Housing Development Authority. This requirement may be waived by SDHDA for Single Family Projects and/or Small Projects	
Total Points	

I certify that the above indicated characteristics will be incorporated into the final working drawings and that they must be provided prior to occupancy of the development.

Owner Date

Exhibit 7
Nonprofit Eligibility Questionnaire

A. Nonprofit Involvement – Points Only

Part VII, Section A, Paragraph 9 of the Allocation Plan for the allocation of tax credits available under §42 of the Internal Revenue Code, as amended (the "Code") assigns points to each application for tax credits for participation of a nonprofit organization in the development of qualified low-income housing.

1. General Information.

Name of Development: ____
Name of Applicant: ____
Name of Nonprofit Entity: ____
Principal Place of Business of Nonprofit Entity: __________________________

________ 501 (c) (3)
________ 501 (c) (4)
________ exempt from taxation under 501 (a)

a. Date of legal formation of Nonprofit:_____________________________________
evidenced by the following documentation (include Articles of Incorporation):
____

b. Date of IRS 501(c)(3) or 501(c)(4) determination letter: ______________________
copy attached _____Yes _____No If no, why: _____________________________
____

(Note: If the information requested in a. and b. above are not yet available because the Nonprofit is not yet formed, such information must be submitted prior to an allocation of credits.)

c. Expected life (in years) of Nonprofit:_____________________________________
Charitable Purposes (must include provision of low-income housing):
____
____
____

2. Nonprofit Involvement.

a. Is the Nonprofit assured of owning an interest in the Development (either directly or through a wholly owned subsidiary) throughout the Compliance Period (as defined in §42(i)(1) of the Code)? _______Yes _______No

If yes, describe the Nonprofit's ownership interests with particularity:
____
____
____
____

b. Is the Nonprofit participating in the construction or rehabilitation, operation or management at the proposed Development? _______Yes ______No

If yes, (i) describe the nature and extent of the Nonprofit's proposed involvement in the construction or rehabilitation of the Development: ____________________________
____
____

(ii) Describe the nature and extent of the Nonprofit's involvement in the operation of the Development throughout the Extended Use Period (the entire time period of occupancy restrictions on the low-income units in the Development): _________
____
____
____

(Note: If the Applicant is only seeking points under the Allocation Plan's ranking system for Nonprofit involvement, stop here. If Applicant wishes to compete for Credits from the Nonprofit Pool, complete Section B of this questionnaire.)

B. Application for Nonprofit Pool

Part III, Section B, of the Allocation Plan imposes several requirements for eligibility for receiving credits from the Nonprofit Pool.

Answers to the following questions will be used in the evaluation of whether or not an applicant meets such requirements (attach additional sheets as necessary to complete each question).

1. Substantial Nonprofit Ownership Interest.

The Nonprofit must have a substantial ownership interest in the Development.

a. Does the Nonprofit own an interest in the Development which constitutes not less than 10% interest in both the income and profit allocated to all of the general partners and in all items of cashflow distributed to the general partners of the Development (or will it own such an interest prior to allocation of credits)? _______Yes _______No

b. Is the Nonprofit assured of receiving not less than 10% of all fees paid to all of the general partners in connection with the Development? ______Yes ______No

2. Affiliation With or Control by a For-Profit Entity.

The Nonprofit may not be affiliated with or controlled by any for-profit organization.

a. Has any for-profit organization (including the Owner of the Development or any individual or entity directly or indirectly related to such Owner) appointed any directors to the governing board of the Nonprofit? ______Yes _____No If yes, explain
____
____
____

b. Does any for-profit organization have the right to make such appointments? _______Yes _______No

c. Does any for-profit organization have any other affiliation with the Nonprofit or have any other relationship with the Nonprofit in which it exercises or has the right to exercise any other type of control? ______Yes ______No If yes, explain

____
____

3. Purpose of Formation of the Nonprofit.

The Nonprofit may not be or have been formed by any individual(s) or for-profit entity for the principal purpose of being included in the Nonprofit Pool. (The answers to these questions may also be relevant to #2 above.)

a. Past experience of the Nonprofit including, if applicable, the past experience of any other nonprofit organization(s) ("Related Nonprofit(s)") of which the Nonprofit is a subsidiary or to which the Nonprofit is otherwise related (by shared directors, staff, etc.):

____
____
____

b. If you included in your answer to the previous question information concerning any Related Nonprofit, describe the date of legal formation thereof, the date of IRS 501(c)(3) or 501(c)(4) status, its expected life, its charitable purposes and its relationship to the Nonprofit: ____
____
____

Anticipated future activities of the Nonprofit: ______________________________
____
____

d. Number of full-time staff members of the Nonprofit and, if applicable, any Related Nonprofit (please specify): ____
Describe their duties: ____
____
____

e. Number of volunteers of the Nonprofit and, if applicable, any Related Nonprofit (please specify): ____
Describe the type and extent of their activities:___________________________
____
____
____

f. Sources and manner of funding of the Nonprofit (you must disclose all financial arrangements with any individual(s) or for-profit entity, including anyone or any entity

related, directly or indirectly, to the Owner of the Development): ____________________
____
____
____

g. List all general partners of the Owner of the Development (one must be the Nonprofit) and the relative percentages of their interests: ____________________________________
____
____
____

h. List all directors of the Nonprofit and their occupations: _________________________
____
____
____

i. Disclose any business or personal (including family) relationships that any of the staff members, directors or other principals involved in the formation or operation of the Nonprofit have, either directly or indirectly, with any persons or entities involved or to be involved in the Development on a for-profit basis including, but not limited to, the Owner of the Development, any of its for-profit general partners, employees, limited partners or any other parties directly or indirectly related to such Owner: _______________________
____
____
____

The undersigned Owner and Nonprofit hereby each certify that, to the best of its knowledge, all of the foregoing information is correct, complete and accurate.

______________________________ ____
Date Applicant

By:____
Its:____

______________________________ ____
Date Nonprofit

By:____
Its:____

(Note: If the Nonprofit is not yet formed at the time this questionnaire is submitted, this questionnaire must accompany the Allocation Application with the information requested in A (1) (a) and (b) and signed by the Nonprofit.).