

**South Carolina State Housing Finance and Development Authority  
Low-Income Housing Tax Credit Program**

**2004 Qualified Allocation Plan**

**I. INTRODUCTION and PURPOSE**

The Low-Income Housing Tax Credit ("LIHTC") Program was created by Congress in 1986 to promote the development of affordable housing for low-income individuals and families. The LIHTC Program replaced earlier federal tax incentives for the production of affordable rental housing. Rather than a direct federally appropriated subsidy, low-income housing tax credits encourage investment of private capital by providing a tax credit to offset an investor's federal income tax liability. These federal income tax credits provide the private housing development community the incentives to develop affordable housing by offsetting development acquisition, new construction, or substantial rehabilitation costs. The amount of tax credit received is based on the costs of the development and the number of qualified low-income units, and can be subtracted on a dollar-for-dollar basis from federal tax liability. The tax credit is received each year for ten years--the period the taxpayer claims the tax credit on its federal income tax return. Since 1987, the South Carolina State Housing Finance and Development Authority (the "Authority") has administered the Low-Income Housing Tax Credit Program to facilitate the development of over 20,100 low-income rental housing units in South Carolina.

The housing that is created throughout the state must be affordable for low-income individuals and families. These individuals or families must have an income that is at or below 60 percent of the Area Median Income (AMI). The units must remain in compliance for a minimum period of 30 years. Section 42(m) of the Code requires the Authority to allocate tax credits giving preference to projects that:

- 1. Serve the lowest income tenants.**
- 2. Serve qualified tenants for the longest periods.**
- 3. Contribute to a concerted community revitalization development plan.**
- 4. Are intended for eventual tenant ownership.**
- 5. Are intended to serve individuals with children.**
- 6. Give preference to those on public housing waiting lists.**

The following are other criteria that must be considered in the selection process:

- 1. Site Characteristics**
- 2. Location Characteristics**
- 3. Development Characteristics**
- 4. Sponsor/Applicant Characteristics**
- 5. Targeting/Extended Use Characteristics**
- 6. Financial Characteristics**

As the Housing Credit Agency responsible for allocating the LIHTC in the State of South Carolina, the Authority must adopt a Qualified Allocation Plan (the "QAP"). The purpose of the QAP is to set forth the criteria that the Authority may consider in evaluating and monitoring developments applying to receive allocations of the LIHTC. The Governor must approve the QAP after the public has had the opportunity to comment through a public hearing.

The Internal Revenue Service (IRS) regulations for the Low-Income Housing Tax Credit Program can be found under Section 42 of the Internal Revenue Code (IRC). Although this QAP has been prepared to comply with Section 42(m)(1)(B) of the Internal Revenue Code of 1986, as amended, (the "Code"), its provisions are not necessarily limited to those contained in the Code. Additional procedures and policies used in the administration of the LIHTC are described in the QAP as well as in the Authority's User Manual. Typically, housing credits will be awarded to the highest scoring applications in accordance with the guidelines and procedures contained within the QAP and the Authority's User Manual.

The Authority reserves the right to resolve all conflicts, inconsistencies or ambiguities which may arise in administering, operating or managing the reservation and allocation of credits for South Carolina's Low-Income Housing Tax Credit Program. The Authority, in its sole discretion, reserves the right to allocate housing tax credits in a manner not in accordance with this QAP. At such time, or either a reasonable time thereafter, the Authority shall, as required by Section 42(m)(1)(A)(iv) of the Code, provide a written explanation to the general public of its reasons for making such allocation. The Authority, in its sole discretion, reserves the right to make a forward commitment of the next year's tax credits in an amount necessary to fully fund developments with a partial award or to any development that meets all the minimum requirements of the Plan in the year in which the development was submitted.

## II. ADMINISTRATION and PROCEDURES

### A. Documents

1. **Documents Incorporated by Reference** - Documents described in this QAP are incorporated by reference in this QAP.
2. **Document Timeliness** - All supporting documentation required for the 2004 Tier One and Tier Two Applications must not be dated before November 14, 2003. The only exception will be for Site Control Documents.

### B. General Program Guidelines

1. **Fees** - Payment of **all** fees, with the exception of # b) below, must be in the form of a cashier's check made payable to the South Carolina State Housing Finance and Development Authority. All fees are nonrefundable.
  - a) **Tier One Application Fee** – Application submission fees for each Tier One Application will be \$500.00.
  - b) **Market Study Fee** – Third-party market studies will be commissioned by the Authority for the 2004 tax credit competition. By March 30, 2004, a cashier's check in the amount of \$4,000.00 made payable to the applicable market analyst/market analyst firm will be due. If the market study fee is not paid by the due date, the Tier One Application will be disqualified from the 2004 competition.
  - c) **Tier Two Application Fee** - Application submission fees for each Tier Two Application will be \$3,000.00
  - d) **Reservation Fee** – The reservation fee will be due within 7 business days after the date of the reservation letter. If the reservation fee is not received by the stated deadline, the Authority may withdraw the reservation of tax credits from the Applicant. The reservation fee is 7% of the reserved tax credits.
  - e) **Compliance/Monitoring Fee** – The Authority will not issue a Form 8609 until the compliance/monitoring fee for the first year is paid in full. The fee is due upon submission of the Placed-in-Service Application. The annual compliance/monitoring fee is \$25.00 for each low-income unit in the development.
  - f) **Penalty Fees** – All penalty fees are \$1,000.00 per business day.
2. **Deadlines** – Any additional information requested by the Authority will be due within seven (7) business days from the date the information was requested.
3. **Tax Credit Amount Available** – The amount of tax credits available in South Carolina in each calendar year reflects the sum of the amounts allowed under IRC Section 42(h)(3)(C). This amount may be increased by returned tax credits from prior years, tax credits allocated from the National Pool or by new legislation increasing the amount of tax credits distributed to each state.
4. **Tax Credit Cap for Single Applicant/ Related Parties/ Principal/ Owner**
  - a) The Authority will not allocate more than \$1.5 million in tax credits to a single Principal with multiple developments (see "Definitions" located on page 5 of this QAP). Any partnership formation and/or Developer agreement, whether written or otherwise, that attempts to circumvent Authority requirements will result in the recapture of credits and debarment of all parties involved from participation in South Carolina's Tax Credit Program for a period of up to five (5) years, regardless of when discovered.
  - b) In the event any Principal exceeds the imposed tax credit dollar limitation, the tax credit award to that Principal will be reduced so that the imposed tax credit dollar limitation is not exceeded. The reduction will be applied to the development with the lowest point score that would be awarded if the imposed tax credit dollar limitation were not exceeded. This development may still be awarded,

but only if the tax credits for that development, as calculated by the Authority, are at least 90% of the unreduced amount that the development would have otherwise received. If this development does not reach 90% funding as a result of the reduction to meet the imposed tax credit dollar limitation, it will not be awarded.

- c) Regardless of the percentage of participation a Principal has in the development, one hundred percent (100%) of the project's tax credit allocation will count toward the imposed tax credit dollar limitation per Principal

**5. Tax Credit Cap for Single Development and Maximum Number of Applications**

- a) The Authority will not allocate more than \$400,000 in annual tax credits to any one project in the Nonprofit Set-aside.
- b) The Authority will not allocate more than \$500,000 in annual tax credits to any one project in the Rural Housing Service (RHS) Set-aside or the General Pool.
- c) A principal not competing exclusively within the RHS Set-aside may not be associated with or submit more than five (5) applications/projects.
- d) The Authority reserves the right, in its sole discretion, to determine whether submitted applications received, during either the Tier One or Tier Two process, reflect a single development or multiple developments for purposes of applying the maximum tax credit dollar amount per development limitation and/or any other limitations or purposes stated or intended by the Authority.
  - i. Such other purposes include, but are not limited to, not allowing the dividing of a single development into two or more developments in order to maximize competitive points based on the number of unit criterion located under Development Characteristics of this QAP.
  - ii. Such applications will be disqualified and those individuals/entities responsible for the submission of such an application will be debarred from participation in all Authority programs for a period of not less than five (5) years.

**6. Material Changes Prohibited**

- a) If, upon the submission of the Tier Two Application, the Carryover Document, the Verification of 10% Expenditure Information or the Placed-in-Service Application, it is determined that the development is not substantially the same as the development described in the Tier One Application, the development will not receive an allocation of low-income housing tax credits. Changes in the following are deemed to be material, and are not permitted.
  - i. General partners
  - ii. \*Total number of tax credit units
  - iii. \*Total number of units
  - iv. \*Number of bedrooms per unit mix
  - v. \*Special needs targeting
  - vi. \*Tenant mix (low-income/market rate)
  - vii. An increase in net rents from Tier One to Tier Two
  - viii. Site
- b) \*Changes in total number of tax credit units, total number of units, number of bedrooms per unit mix, special needs targeting, and/or tenant mix (low-income/market rate) will be allowed between Tier One and Tier Two submittal dates, if, and only if, the market analyst contracted by the Authority recommends such changes.
- c) Changes in the number of buildings and units contained in each building will be allowed only if changes are required by local regulatory codes and those local regulatory codes were changed after the Tier One submittal deadline.

**7. Transfers**

- a) Neither Reservations nor Carryover Allocations are transferable without the prior written consent of the Authority. Examples of situations in which such consent may be given include, but are not limited to:
  - i. Bankruptcy
  - ii. Receivership, or
  - iii. Cessation of business operations of a general partner.
- b) No change in the makeup or identity of general or managing partners in a partnership or its equivalent in a limited liability company are permitted without the prior written consent of the Authority. Without limitation, this prohibition includes indirect transfers through the admission of "special limited partners" under a scheme that leads to the eventual exit of a general or managing partner or its equivalent in a limited liability company.

- c) Any person or entity, including syndicators, that attempts to circumvent this provision, will be subject to debarment from further participation in all programs of the Authority for a period of not less than five (5) years.
  - d) LIHTCs allocated to developments whose ownership is altered in violation of this provision shall be subject to revocation by the Authority.
- 8. Fractional Rounding** - Fractional units must be increased to the next whole unit.
- 9. ADA Requirements and Certification**
- a) The Authority will not allocate any tax credits to a development unless the Applicant submits, with its Tier Two Application, a certification signed by an architect or professional engineer licensed to practice in the state of South Carolina, which states that the architect or engineer will review the plans and specifications of the proposed development to ensure that such plans and specifications will comply with the accessibility and other requirements of Section 504 of the Rehabilitation Act, the Fair Housing Amendments to the Civil Rights Act of 1968, the American With Disabilities Act, and any other applicable State or Federal legislation.
  - b) As part of its Placed-in-Service Application, a certification must be included which is signed by an architect or professional engineer licensed to practice in South Carolina which contains an statement that the development has been constructed in accordance with the accessibility and other requirements of Section 504 of the Rehabilitation Act, The Fair Housing Amendments to the Civil Rights Act of 1968, the American With Disabilities Act, and any other applicable State or Federal legislation, and that the development, as built, complies with U.S. Department of Housing and Urban Development "*Fair Housing Act Design Manual*."
  - c) Failure to provide the above statements will disqualify a development from ever receiving any tax credits.
  - d) A false or inaccurate statement that a development meets the above standards when, in fact, it does not, will result in the debarment of the Developer, the general contractor, and the architect for a minimum period of five (5) years and the filing of a complaint against the architect with the S.C. Department of Labor, Licensing and Regulation.
- 10. Return of Credits and Returned Credit Allocation Procedures** - Allocations of credit may only be returned in accordance with applicable U.S. Treasury Regulations on a date agreed upon by the Authority and the Applicant(s). Amounts that are not accepted or are returned will be made available as follows:
- a) Amounts awarded in the 2004 competition and returned prior to December 13, 2004, will be offered to qualified projects submitted in the 2004 tax credit funding cycle that are capable of meeting carryover requirements. Projects competitively scored and ranked in the 2004 tax credit funding cycle that did not receive a reservation of credits, were not rejected, or were not disqualified will be placed on a waiting list in highest point score order regardless of set-aside. Reservations of returned amounts will be offered to projects in the order in which they appear on the waiting list if the amount offered is at least 90% of the credit amount for which the project is qualified. If no project can be funded to at least 90% of its qualified amount, such amounts shall be carried forward to the following tax credit year. Tax credit projects receiving a reservation of 2004 credits at a later date in 2004 will be required to meet all carryover qualifications by December 31, 2004.
  - b) Any amounts returned after December 13, 2004, will be carried forward into the 2005 tax credit year.

**C. General Program Information** – The Authority maintains a web page that contains general as well as year specific information about the LIHTC Program. That web page address is: [http://www.sha.state.sc.us/Programs/Rental/Tax\\_Credit/tax\\_credit.html](http://www.sha.state.sc.us/Programs/Rental/Tax_Credit/tax_credit.html). From time to time, the Authority will post bulletins or public notices to the web page dealing with questions and requested clarifications submitted regarding the tax credit program. This page also contains lists of past LIHTC awards and existing developments. General program information may also be obtained by calling 803-734-1348, emailing [laura.nicholson@sha.state.sc.us](mailto:laura.nicholson@sha.state.sc.us), faxing 803-734-2390, or writing SCSHFDA, LIHTC, 919 Bluff Road, Columbia, SC 29201.

**D. LIHTC Program Disqualification**

- 1. Any person/entity who provides false or misleading information to the Authority with regard to a project seeking LIHTCs will be disqualified from further participation in the Authority's programs, in any capacity whatsoever, for a period of not less than five (5) years, regardless of when such false or misleading information is discovered. Any reservation or allocation obtained on the basis of such false

or misleading information shall be void. Each person/entity shall be given written notice by the Program Director stating the reason for which the sanction of disqualification was based.

2. All projects that receive carryover allocations under the 2004 program are expected to meet their 10% Expenditure Test on the date specified in the Carryover Allocation Document, and to be Placed-In-Service by the Section 42 deadline. Failure of a project to achieve either of these goals will disqualify the Principals of said project from participation in the LIHTC program for a period of two (2) years. Every person shall be given the opportunity to be represented by counsel and to present evidence as to why the sanction of disqualification should not be imposed.
3. All General Partners of a limited partnership and the equivalent in a limited liability corporation that receive a Carryover Allocation under the 2004 program are expected to remain in the development until the development places in service. Exceptions due to death or bankruptcy will be allowed. All other removals whether voluntary or involuntary will result in debarment for not less than three (3) years to all General Partners in a limited partnership and the equivalent in a limited liability corporation.

#### **E. Definitions**

1. Applicant - As used in the context of this QAP, "Applicant" includes each person, corporation, partnership, joint venture, association, or other entity that has an ownership interest in the entity that is the owner of the project for which the application is submitted.
2. Developer - any individual or entity responsible for initiating and controlling the development process and ensuring that a material portion of the development process is accomplished.
3. Material Participation - the regular, continuous and substantial involvement in the operation of the project throughout the compliance period, as defined by the Code.
4. Participants - the Applicant, owner, Developer, property management entity, consultants, or syndicators proposed to be involved with the project for which an application is submitted.
5. Principal - With the exclusion of syndicators, consultants, property management entities, unrelated general contractors, architects, and market analysts; any Applicant, owner, Developer, or any other person, corporation, partnership, joint venture, association, or other entity, including any affiliate thereof, that either directly or indirectly receives a portion of the development fee (whether or not deferred) for development services with respect to a project and/or receives any compensation with respect to such project.
6. Related Parties - Notwithstanding anything to the contrary contained herein, the Authority will not reserve 2004 credits in an amount in excess of \$1.5 million to any general partner(s) or principal(s) of such general partner(s), directly or indirectly. Applicants will be deemed to be related if any Principal in an Applicant or Principal is a Principal in any other Applicant or Applicants. The Authority's determination of "related parties" could impose limitations including the number of applications to be submitted and/or awarded. For the purpose of determining whether any person or entity is related to the Applicant or Principal, persons or entities shall be deemed to be related if the Authority determines that any substantial relationship existed, either directly between them or indirectly through a series of one or more substantial relationships (e.g., if party A has a substantial relationship with party B and if party B has a substantial relationship with party C, then A has a substantial relationship with both party B and party C), at any time within five years of the filing of the application for Credits. In determining in any credit year whether or not an Applicant has a substantial relationship with another Applicant with respect to any application for which Credits were awarded in any prior year, the Authority shall determine whether or not the Applicants were related as of the date of the filing of such prior year's application or within five years prior thereto and shall not consider any changes in relationships subsequent to such date.

#### **The following is a *partial* list of relationships that are deemed to be substantial:**

- a) The persons are members of the same immediate family (including without limitation, a spouse, children, parents, grandparents, grandchildren, siblings, uncles, aunts, nieces and nephews);
- b) The entities have one or more common general partners or members (including related persons and entities), or the entities have one or more common owners;
- c) The entities are under the common control (e.g., the same person or persons and any related persons serve as a majority of the voting members or the boards of such entities or as chief executive officers of such entities) of one or more persons or entities (including related persons and entities);

- d) The person is a general partner or member in the other entity or is an owner (by himself or together with any other related persons and entities) of a five (5%) percent or greater ownership interest in the entity);
- e) The entity is a general partner or member in the other entity or is an owner (by himself or together with any other related persons and entities) of a five (5%) percent or greater ownership interest in the entity); or
- f) The person or entity is otherwise controlled in whole or in part, by the other person or entity.

A limited partner or other similar investor shall not be determined to be a Principal and shall not be excluded unless it is determined that such limited partner or investor will, directly or indirectly, exercise control over the Applicant or participate in matters relating to the ownership of the project substantially beyond the degree of control or participation which is usual and customary for a limited partner or other similar investor with respect to the project for which an application is submitted. **It is not intended that the above represent an all-inclusive listing of those relationships that may be determined to be substantial. The Authority will make determination as to whether or not a particular relationship is deemed to be substantial. The determination made by the Authority in response to such request shall be final.**

Each Applicant and Principal therein shall make such certifications, shall disclose such facts and shall submit such documents to the Authority as shall be required to determine compliance with the above provisions.

**F. Disclaimer** - The fact that an application is accepted for processing or that a development may receive a reservation or allocation of Tax Credit dollars shall not be construed to be a representation or warranty by the Authority as to the feasibility, viability, or lack thereof, of any development.

### III. Criteria for the 2004 Competition

**A. Site Criteria** – The Authority reserves the right, in its sole discretion to reject a site based on the analysis of information submitted or information obtained from other sources that, in the Authority's determination, render the site unsuitable for development.

**1. Positive Site Characteristics:**

- a) Relatively flat;
- b) Integrated into a residential community;
- c) Should not be isolated in areas with large amounts of undeveloped land; and
- d) Surrounded by land uses that are compatible with the proposed project.

**2. The following Detrimental Site Characteristics are not allowed.** This list is not all inclusive:

- a) Sites located within ½ mile of a storage area for hazardous or noxious materials, a sewage treatment plant or other solid waste facility.
- b) Sites where any portion or boundary of proposed site is located on or touching any portion or boundary of an easement containing an electric or communications substation. In addition, no portion or boundary of proposed site can be within 300 feet of any actual substation, regardless if it is active or inactive.
- c) New Construction sites where any portion or boundary of the proposed site contains any easements for overhead electric power lines, regardless of voltage, and/or such electric power lines run through areas of the proposed site other than the outside perimeter of the site to distribute power to locations not located within any portion or boundary of proposed site.
- d) Sites where any portion or boundary of proposed site is within 1000 feet of an operating industrial plant that may pose a safety risk, hazard, nuisance or other negative impact.
- e) Sites where a nearby active railroad causes excessive noise and vibration. An Applicant submitting a proposed development within 300 feet of an active, in use railroad(s) is required, to submit, from a qualified professional, an objective third party noise study that addresses the impact of the nearby railroad on the proposed development. The study must contain analysis based on HUD's environmental criteria and standard for noise abatement regulation, which states the maximum acceptable day/night average decibel level is 65 dBA for exterior noise, along with any other analysis deemed pertinent to the noise study and its conclusion. The study must state the average decibel level on the site is less than 65 dBA and must support the placement of the

development on the proposed site. Those sites where exterior noise is above 65 dBA but not exceeding 75 dBA may be submitted; however, a noise mitigation plan must also be submitted. The mitigation plan must specifically state what measures will be used to reduce the noise levels at the site and the noise study must indicate that the measures to be used will bring the unacceptable noise level at the site down to the acceptable noise level of less than 65 dBA. The Authority, in its sole discretion, will approve or reject sites and may reject the site regardless of conclusions reported in the study as other site criteria will be considered.

**3. Detrimental Site Characteristics** for which **negative points** will be assessed:

- a) Sites located within 500 feet of pipelines (excluding low pressure natural gas distribution lines, water and sewer lines).
- b) Sites where any portion or boundary of the proposed site is located within the engineering fall distance of any pole, tower or support structure of a high voltage transmission power line, communications transmission tower, microwave relay dish or tower, or commercial satellite dish (radio, TV cable, etc.). For field analysis, the Authority will use tower height as the fall distance. For the purpose of this QAP, a high voltage electric transmission line is a power line that carries high voltage at any given moment greater than 60KV (kilovolts).
- c) Rehabilitation, Acquisition/Rehabilitation, or Adaptive Reuse sites where any portion or boundary of the proposed site contains any easements for overhead electric power lines, regardless of voltage, and/or such electric power lines run through areas of the proposed site other than the outside perimeter of the site to distribute power to locations not located within any portion or boundary of proposed site.
- d) Sites where the Authority determines there are unacceptable levels of noise, odor, and/or other nuisance pollution.
- e) Sites where the Authority determines the slope/terrain is not suitable for development and contributes to excessive site preparation costs. Examples of such are where the 100 year flood zone covers the entire site, excessive fill dirt is required for construction, blasting of rock is required for construction, etc.
- f) Sites where there are existing wetlands (jurisdictional or non-jurisdictional), streams, ravines, drainage and/or waterways on the site.
- g) Sites within 300 feet of an active railroad.
- h) Sites where any portion or boundary of the proposed site is within 300 feet of a junkyard, trash heap, and/or dump pile.
- i) Sites located within ½ mile of an active sanitary landfill.

**B. Market Criteria:**

1. **Limits on Developments Awarded Per County** - Adaptive Reuse proposals will be considered New Construction development. In the event there are more New Construction developments in one county than allowed, only the highest scoring applications will be eligible for tax credits. In the event there are more Rehabilitation developments in one county than allowed, only the highest scoring applications will be eligible for tax credits. The tiebreaker provisions will be utilized, if necessary:
  - i. MSA counties in South Carolina will not be awarded more than two (2) New Construction developments and three (3) Rehabilitation developments.
  - ii. Non-MSA counties in South Carolina will not be awarded more than two (2) New Construction developments and two (2) Rehabilitation developments.
2. The Authority will award no more than one (1) development that serves the same tenant population within a specific QCT. In such instances, only the application that receives the highest point score will be eligible for tax credits. The tiebreaker provisions will be utilized, if necessary.
3. The Authority will award only one (1) development of any two (2) or more developments within one (1) mile by public paved road of each other for the same tenant population in the same year. In such instances, only the application that receives the highest point score will be awarded. The tiebreaker provisions will be utilized, if necessary.
4. The Authority will not approve or consider Tier One Applications for proposed developments in the same market for the same tenant population as previously funded tax credit developments that have placed-in-service but have not reached stabilized occupancy. The Authority defines "same tenant population" as older persons (aged 55 and up) or elderly (aged 62 and up) or SRO or family. "Family" will not be differentiated based on bedroom size for making this determination. As such, a one and two bedroom development is the same tenant population as a three and four bedroom development if you are targeting families. The Authority will make exceptions to the above

requirement if the Authority determines, in its sole discretion, that the reason for the existing development not reaching stabilized occupancy is not an issue of an "existing market" for the tenant population, but other characteristics that may or may not be resolvable (e.g. location, physical appearance, etc.).

5. The Authority will not approve or consider applications for proposed developments within a half-mile of existing Authority funded developments (tax credit, tax exempt bonds, HOME, etc.) for the same tenant populations that have a history of vacancy rates greater than ten percent (10%). The Authority will make exceptions to the above requirement if the Authority determines, in its sole discretion, that the reasoning for the existing development having a history of vacancy rates greater than 10% is not an issue of an "existing market" for the tenant population, but other characteristics that may or may not be resolvable (e.g. location, physical appearance, etc.).
6. Except for projects located in Beaufort County, the Authority will not award any new construction developments consisting of greater than 40 low-income tax credit units in areas defined as rural by the Rural Housing Service.
7. The Authority has entered into a Memorandum of Understanding with the Rural Housing Service to exchange information to insure the economic viability of developments funded by our agencies' resources. The Authority will not approve or consider Tier One Applications for proposed developments that threaten the economic viability of existing developments funded by either agency. The Authority will have sole discretion in making this determination.
8. The construction of new residential units within an acquisition/rehabilitation development is prohibited.
9. The division or subdivision of existing developments into two or more developments is prohibited.
10. The Authority will not approve or consider subsequent phased developments in which the previous phase has not been completed, Placed-In-Service, and reached stabilized occupancy or in which the previous phase has had a history of vacancy rates greater than ten percent (10%). The occupancy of the previously funded development must be verified through a certified rent roll prepared by the project's Management Company. Additionally, in order for an allowed subsequent phase development to be considered, the quality, financial health, and market of the previous phase of a subsequent phase application will be considered.

**C. Parking Space Criteria** - In localities that **do not** have their own parking space regulatory code/requirement, the Authority requires that all proposed developments provide adequate parking spaces available to all tenants without additional charges to the tenants. If tenants are to pay for parking, these charges must be included in the rental fees and are subject to the LIHTC allowable rent limitations. The Authority requires a minimum of parking spaces as follows (again, in those localities that DO NOT have their own regulatory code/requirement):

1. For each unit in an older persons development – a minimum of one half (.5) parking spaces per unit is required.
2. For each unit in a homeless/transitional development – a minimum of one (1) parking space per every 10 beds is required in addition to sufficient parking for all center workers.
3. For developments not considered older persons or homeless/transitional, each unit that consists of three (3) or more bedrooms – a minimum of two (2) parking spaces per unit is required.
4. For developments not considered older persons or homeless/transitional, each unit that consists of two (2) or fewer bedrooms – a minimum of one (1) parking space per unit is required.

#### **D. Underwriting Criteria**

##### **1. Operating Reserves**

- a) Developments must establish and maintain minimum operating reserves equal to six (6) months of projected operating expenses. These reserves must be established at the time the development places in service and must be maintained at the required level throughout the compliance period unless a reduction has been granted pursuant to #1, b, below.
- b) The Authority will allow owners to apply for a release of three (3) months of these reserves. This application may be submitted after the end of the fifth calendar year following the year in which the development places in service.
- c) The Authority will exercise sole discretion, based on a review of the application and the property, in determining whether any operating reserves may be released.

2. **Replacement Reserves** - Developments are required to establish and maintain at all times minimum replacement reserves of **\$250** per unit annually for new construction and rehabilitation serving older persons (aged 55 and up). Replacement reserve requirements for rehabilitation developments are **\$300** per unit annually. **Note:** The Debt Coverage Ratio is calculated as Net Operating Income divided by Annual Debt Service. For this purpose, Net Operating Income is net of **Replacement Reserves**.
  3. **Developer Fees** - Development costs are evaluated for reasonableness. Cost standards are a significant factor in evaluating the reasonableness of certain fees and overhead items represented for tax credit basis purposes. Limits on Developer Fees, Developer Overhead, and Consulting Fees are as follows:
    - a) **New Construction** – The sum of Developer Fees, Developer Overhead, and Consulting Fees may not exceed **15 %** of Adjusted Development Costs\*.
    - b) **Rehabilitation without a change in ownership** – The sum of Developer Fees, Developer Overhead, and Consulting Fees may not exceed **15%** of Adjusted Development Costs\*.
    - c) **Acquisition/Rehabilitation**
      - i. **Acquisition** - For acquisition/rehabilitation developments, the Developer Fees that can be earned on the acquisition costs are limited as follows:
        1. **Acquisition costs up to \$500,000** - The sum of Developer Fees, Developer Overhead, and Consulting Fees may not exceed **8%** of **Adjusted Development Costs**\*.
        2. **Acquisition costs from \$500,001 to \$1,000,000** - The sum of Developer Fees, Developer Overhead, and Consulting Fees may not exceed the **greater of \$40,000** or **7%** of **Adjusted Development Costs**\*.
        3. **Acquisition costs from \$1,000,001 to \$1,500,000** - The sum of Developer Fees, Developer Overhead, and Consulting Fees may not exceed the **greater of \$70,000** or **6%** of **Adjusted Development Costs**\*.
        4. **Acquisition costs greater than \$1,500,000**- The sum of Developer Fees, Developer Overhead, and Consulting Fees may not exceed the **greater of \$90,000** or **5%** of **Adjusted Development Costs**\*.
        5. Under no circumstance will Developer Fees + Developer Overhead + Consulting Fees on acquisition costs be allowed to exceed \$150,000.
      - ii. **Rehabilitation** - The sum of Developer Fees, Developer Overhead, and Consulting Fees on rehabilitation costs may not exceed **15%** of Adjusted Development Costs\*.
- \*Adjusted Development Costs** - Line numbers refer to pages 10-11 in the Tier Two, Verification of 10% Expenditure, and Placed-in-Service Applications.
- Total Development Costs (Line 51)
  - Less Land (Line 1)
  - Less Consulting Fees (Line 20)
  - Less Developer Fees (Line 45)
  - Less Developer Overhead (Line 46)
  - Less Other Developer Costs (Line 47)
- d) For all tax credit proposals, **Total Developer Fees + Total Developer Overhead + Total Consulting Fees** will be **limited to \$1,000,000.00**.
4. **Deferred Developer Fees** - Developer fees can be deferred to cover a gap in funding sources when:
  - a) The entire amount will be paid pursuant to the standards required by the IRS to stay in basis.
  - b) The deferred portion does not exceed fifty percent (50%) of the total amount in the Tier Two Application.
  - c) Payment projections do not jeopardize the operation of the project.
  - d) Nonprofit organizations must include a resolution from the Board of Directors allowing such a deferred payment obligation to the project.
  - e) Applicants must include with the application a statement describing the terms of the deferred repayment obligation to the project, including any interest rate charged and the source of repayment.
  - f) The Authority will require a note evidencing the principal amount and terms of repayment of any deferred repayment obligation to be submitted at the time of the placed-in-service cost certification.

g) Each of these will be determined by the Authority.

5. **Contractor Cost Limits** - The combined total of Contractor Profit, Overhead, and General Requirements (hereinafter "Contractor Fees") shall be limited to **fourteen percent (14%)** of Hard Construction Costs. The structure of these fees will be limited to the following:

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

If there is an identity of interest between the Developer and contractor as defined in the Authority's User Manual, then the Authority may, at its sole discretion, require a cost certification on construction costs performed by an independent certified public accountant. The Authority will hire the CPA and the associated accounting fees will be charged to the Developer.

6. **Operating Costs**

- a) Applicants must provide a detailed explanation of the methodology used in determining operating costs.
- b) Annual operating costs are expected to range from a minimum of **\$2,400** to a maximum of **\$3,200** per unit.
- c) Annual operating costs per unit are to be calculated excluding reserves.
- d) The Authority may, in its sole discretion, consider operating costs outside of this range. In such a case, the Applicant must present support for these costs and provide the calculations used to estimate each line item of operating cost. Authority staff will exercise discretion when deciding to accept or reject these costs.

7. **Development Cost Limit** - The Authority will limit Eligible Basis Per Heated Square Foot (EBHSF) to \$100.00. Applications projecting Eligible Basis Per Heated Square Foot greater than \$100.00 will be disqualified.

8. **Debt Coverage Ratio**

- a) LIHTC dollars will not be reserved or allocated to developments that are not made financially feasible by the credit or which are financially feasible without the credit. Therefore it follows that the development's initial Debt Coverage Ratio must fall within the range of **1.15** to **1.35**.
- b) The DCR is calculated as Net Operating Income divided by Annual Debt Service. For this purpose, Net Operating Income is net of Replacement Reserves.
- c) For the purpose of determining the appropriate amount of tax credits to be allocated to a development, the Authority assumes that each development will bear its maximum feasible level of permanent debt. **When calculating the tax credit amount, the Authority will limit the maximum Debt Coverage Ratio to 1.35. A proposed development may exceed the 1.35 maximum Debt Coverage Ratio for financial feasibility purposes, but when calculating the credit to be allocated, the Authority will limit the Debt Coverage Ratio to 1.35. In the event that the development Debt Coverage Ratio, as submitted, is greater than 1.35, the Authority will increase debt based on the terms submitted in the application in order to reduce the Debt Coverage Ratio to 1.35 for the calculation of the credit amount. This increase in debt will be included in the equity gap calculation.**
- d) Applicants receiving "soft loans" (e.g. HOME, Deferred Developer Fees, AHP, Housing Trust Fund, etc.) must adequately explain in their applications the repayment schedule of these loans.

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

- a) Development rents will trend at a **3%** annual increase.
- b) Operating expenses will trend at a **4%** annual increase.
- c) For the vacancy rate, the Authority will utilize the **greater of 7% or the vacancy rate used in the market study.**
- d) The pro-forma financial statements must substantiate that the development will maintain a positive cash flow for the full fifteen (15) year period.

**10. Minimum Hard Cost Requirement** - The Authority requires minimum hard costs of no less than **65%** of total development costs.

**11. Minimum Rehabilitation Requirements**

- a) The Authority requires a minimum rehabilitation expenditure of **\$12,000** per unit in hard construction costs for an acquisition and/or rehabilitation development as supported by a physical needs assessment approved by the Authority.
- b) The following documents are required for all acquisition and/or rehabilitation developments submitted at the Tier Two Application cycle:
  - i. A unit-by-unit Physical Needs Assessment prepared and certified (**Exhibit R**) by a 3<sup>rd</sup> party independent licensed engineer or architect is required. The assessment must include, in detail, a list of the immediate needed repairs as well as the costs of the immediate needed repairs. All repairs listed in the assessment must be needed and necessary repairs. Additionally, the remaining “useful life” of major systems including the HVAC and roofing must be estimated. Replacement of major systems that have been replaced within the past seven (7) years are not allowable rehabilitation expenditure items for meeting the \$12,000 in hard construction costs per unit requirement or for obtaining points under the Development Characteristics \_\_\_ criteria. The overall structural integrity of each existing building must also be addressed. **Those developments that do not reflect at least \$12,000 per unit hard construction costs will be rejected from consideration of LIHTC funding. If the Physical Needs Assessment represents needed repairs in excess of \$12,000 per unit, then the rehabilitation costs must reflect the higher amount required by the Physical Needs Assessment.** **Note:** Projects applying in the RHS set-aside may submit the rehabilitation assessment utilized by RHS. Adaptive re-use projects are not required to submit a Physical Needs Assessment.
  - ii. Preliminary plans showing all proposed changes to existing buildings, parking, utilities, etc.
  - iii. A termite inspection report for each building.

**12. Alternative Plan for AHP Funding Source** - Applications that compete for tax credits and also represent in the tax credit application that Affordable Housing Program (AHP) funds will be sought from the Federal Home Loan Bank (FHLB) as a funding source **must** provide a narrative **in the Tier Two Application** detailing how the funding gap will be filled if not awarded AHP funds. **Additionally**, a revised page 6 (rental income section only), 7, 8, 9, and 13 (rental income section only) of the tax credit application **must** be attached to the narrative. **The only changes allowed are changes in funding sources and rental income. Changes not allowed, include but are not limited to, operating expenses, total development costs, total number of units, and unit mix.** This information will be required under **Tab \_\_\_** at submittal of the Tier Two Application.

**13. Appraisals**

- a) The Authority reserves the right to require appraisals on all development proposals.
- b) If the Authority deems submitted acquisition costs of land and/or buildings to be unusual or excessive, an appraisal will be required.
- c) In such a case, the Authority will hire the appraiser at the expense of the applicant.
- d) The land value and building(s) value will be appraised “as is” and reported separately.
- e) The Authority will use discretion in allowing acquisition costs in excess of appraised value.
- f) These situations will be reviewed on a case-by-case basis and applicants will be allowed to provide justification to support acquisition costs in excess of the appraised value.
- g) If the Authority finds the justification offered to be unacceptable, the acquisition cost in excess of the appraised value will be removed from the development’s eligible basis.
- h) Proposals found not to meet underwriting requirements or found to be financially infeasible as a result of this reduction will be disqualified.

**E. Mandatory Design Criteria** – The following are mandatory design criteria that must be included at no extra cost to the tenants:

- 1. Developments must utilize at least 10 SEER HVAC units. If a Physical Needs Assessment does not recommend replacement of HVAC units in a rehabilitation proposal, this mandatory criterion may be waived.
- 2. Full-sized refrigerator having a minimum of 18 cubic feet in every unit.

3. Stove with exhaust fan in every unit
4. Laundry Facility containing at least one commercial washer and one commercial dryer per 18 units.
5. Recreational area for proposed tenant base:
  - i. **Non-older persons developments only** - Playground for children located away from automobile traffic patterns with commercial play equipment and at least two (2) benches that are permanently anchored, weather resistant, and have backs;
  - ii. **Or** an exercise room with a minimum of three (3) nautilus type work-out machines (this room's square footage cannot be included in the minimum 1,200 sq. ft. community building) and an adult recreational area with at least two (2) benches that are permanently anchored, weather resistant, and have backs and two (2) or more grills that are permanently anchored and weather resistant.
6. Window coverings with the exception of all metal blinds in every unit
7. Ceiling Fans with light kit in living room in every unit.
8. Ceiling light fixture in each bedroom in every unit.
9. A development sign at the entrance of the complex.
10. Exterior lighting at all entry doors and parking area.
11. Enclosed trash dumpsters and/or compactors:
  - a) The dumpster must be enclosed by solid fencing.
  - b) The pad and approach pad to the dumpster must be concrete and not asphalt.
12. All (kitchen and bathroom) interior cabinets to be solid wood or wood/plastic veneer products with dual slide tracks on drawers.
13. Free standing shelters in appropriate locations such as the mail center, recreation areas and/or transportation stops.
14. For New Construction developments, units having three or more bedrooms must have a minimum of two (2) full bathrooms.

#### F. Set-Asides and General Pool

##### 1. Rural Housing Service (RHS)

- a) **\$500,000** of the State Ceiling is reserved for the exclusive use of developments financed through the **Rural Housing Service (RHS)**.
- b) In order to compete within the RHS set-aside:
  - i. The proposed development must have been selected for RHS funding in fiscal year 2002 or 2003 or 2004 as evidenced by a letter from the RHS State Multifamily Housing Director.
  - ii. The Applicant must be qualified to do business in the State of South Carolina, as evidenced by receiving a status of "Good Standing" from the South Carolina Secretary of State's Office.
  - iii. The Applicant must have previous experience in the development of LIHTC developments or other successful multifamily rental developments of at least 48 units. This other multifamily rental development experience must be the experience gained in the completion of at least two (2) developments containing at least 24 units each. "Experience in the development of Low-Income Housing Tax Credit developments or other successful multifamily rental developments of at least 48 units," means coordinating the development team in planning, financing and constructing a development through its receipt of Certificates of Occupancy and reaching stabilized occupancy.
- c) Developments proposing to utilize the RHS 538 Loan Guarantee Program are not eligible to compete in this set-aside.
- d) Should this amount exceed demand, the Authority will use the excess to fund developments in the General Pool.
- e) \$1.2 million in State HOME funds of the \$5 million available in State HOME funds for the 2004 competition will be made available to applications awarded a reservation of tax credits and applying for State HOME funds under the RHS 515 Set-Aside. The maximum State HOME award such RHS projects can request is \$400,000.

##### 2. Eligible Nonprofit Organizations

- a) **\$1,400,000** of the State Ceiling is reserved for the exclusive use by **eligible nonprofit organizations**.
- b) The Authority will not allocate more than \$400,000 in annual credits to any one development within this set-aside.

- c) Should this amount exceed demand, the Authority will use the excess above 10% to fund developments in the General Pool.
- d) \$1.2 million in State HOME funds of the \$5 million available in State HOME funds for the 2004 competition will be made available to applications awarded a reservation of tax credits and applying for State HOME funds under the Nonprofit Set-Aside. The maximum State HOME award such projects can request is \$400,000.
- e) In order to compete within the Nonprofit set-aside:
  - i. The nonprofit organization(s) must be a South Carolina based tax-exempt organization(s) under Section 501(c)(3) or 501(c)(4) of the Code. A South Carolina based tax exempt organization is defined as:
    - 1. An entity that has and has had a base of operations in South Carolina for at least two years including offices and full-time staff.
    - 2. An entity that has full-time staff whose responsibilities include the development of housing in South Carolina.
    - 3. Entities that are merely registered with the South Carolina Secretary of State as a nonprofit, but whose staff works and lives in another state, do not meet the definition of a South Carolina based tax-exempt organization.
  - ii. The nonprofit organization(s) must have among its exempt purposes the fostering of low-income housing.
  - iii. The nonprofit organization(s) must also meet the requirements for Material Participation contained in Section 469 of the Code.
    - 1. Each nonprofit must submit a narrative statement, certified by a resolution of the nonprofit's Board of Directors, describing the nonprofit's plan for Material Participation during the development of the project and compliance period.
    - 2. The Authority will review the narrative statement to determine whether or not the participation of the nonprofit in the ongoing operation of the development will be deemed material. Such determination shall be made in the sole discretion of the Authority.
    - 3. Participation found to be material must be continuous and ongoing throughout the compliance period.
    - 4. In the event that the requirement for continuous and ongoing material participation is breached, such breach will be reported to the Internal Revenue Service as noncompliance.
    - 5. In the event that the requirement for continuous and ongoing material participation is breached, the nonprofit and all of its officers and directors shall be debarred from participation in all programs of the Authority for a minimum of three (3) years.
  - iv. If the ownership entity of the development is a limited partnership, the general partner(s) must either be nonprofit entities or their wholly owned single-asset entity subsidiary.
  - v. If the ownership entity of the development is a limited liability company, the managing member(s) (having similar powers to a general partner in a limited partnership) must be comprised of nonprofits. The nonprofit general partners of the limited partnership or its equivalent in a limited liability company may be an association or alliance of two or more eligible nonprofit organizations, but may not contain any for-profit members or Principals.
  - vi. The qualified nonprofit organization(s) must retain 100% of the Developer's fees, exclusive of a maximum \$35,000 consultant fee. Fees paid by the nonprofit to third party development consultants, evidenced by the cost certification, must not exceed \$35,000. The consultant fee is for legitimate, needed consulting services and must not be used to have contract Developers run, control or carry out nonprofit responsibilities as described within this set-aside.
  - vii. The Applicant must be qualified to do business in the State of South Carolina, as evidenced by receiving a status of "Good Standing" from the South Carolina Secretary of State's Office.
  - viii. The Applicant must have previous experience in the development of LIHTC developments or other successful multifamily rental developments of at least 48 units. This other multifamily rental development experience must be the experience gained in the completion of at least two (2) developments containing at least 24 units each. "Experience in the development of Low-Income Housing Tax Credit developments or other successful multifamily rental developments of at least 48 units," means coordinating the development team in planning, financing and constructing a development through its receipt of Certificates of Occupancy and reaching stabilized occupancy.

- f) At least one of the nonprofit general partners, or its equivalent in a limited liability company, must have Placed-In-Service and materially participated in at least two tax credit developments located in South Carolina. The qualified nonprofit organization(s) must not be affiliated with or controlled by a for-profit organization and no staff member, officer or member of the board of directors of such qualified nonprofit organization(s) will materially participate, directly or individually in the proposed development as a for-profit entity.
- g) Joint ventures between a for-profit entity and a nonprofit entity are not eligible within the Nonprofit set-aside.
- h) Only the nonprofit organization(s) that is (are) the general partner(s), or their functional equivalent in a LLC, shall be permitted to exercise substantial and ongoing continuous control over the application submission process and over the subsequently produced development. All functions and responsibilities normally performed or undertaken by a general partner shall be performed only by the nonprofit general partner(s). No limited partner or other investor shall be permitted to exercise control, either directly or indirectly over the nonprofit general partner(s) or to participate in matters relating to the ownership or operation of the development beyond the degree of participation that is usual and customary for limited partners.
- i) In the event that the requirement for continuous and ongoing control over the development is breached, such breach will be reported to the Internal Revenue Service as noncompliance, and the nonprofit and all of its officers and directors shall be debarred from participation in all programs of the Authority for a minimum of three (3) years.
- j) Developments that submit within and meet all criteria for competing in the Nonprofit set-aside, but do not achieve a point score high enough to receive consideration for an allocation of credits **or** receive a point score high enough for consideration but will not receive consideration because the remaining credits within the Nonprofit set-aside make it impossible for the development to achieve its required 90% of funding, will roll into the general pool for consideration of an allocation of credits. The exact point score achieved for the development within the Nonprofit set-aside will be the point score carried to the general pool for consideration. All general pool criteria and limitations will apply unless otherwise noted within this QAP.

### 3. General Pool

- a) **A minimum of \$5,000,000** of the state's tax credit amount is reserved for developments competing in this set-aside.
  - i. **25%** of the General Pool will be set-aside for Rehabilitation developments.
  - ii. **75%** of the General Pool will be set-aside for New Construction developments. Adaptive Reuse is considered New Construction.
  - iii. Should the amount in either set-aside exceed demand, the Authority will use the excess to fund the other General Pool set-aside.
  - iv. \$2.6 million in State HOME funds of the \$5 million available in State HOME funds for the 2004 competition will be made available to applications awarded a reservation of tax credits and applying for State HOME funds in the General Pool. The maximum State HOME award such projects can request is \$400,000.
- b) In order to qualify to compete in the General Pool, the Applicant must:
  - i. Be qualified to do business in the State of South Carolina, as evidenced by receiving a status of "Good Standing" from the South Carolina Secretary of State's Office.
  - ii. Have previous experience in the development of LIHTC developments or other successful multifamily rental developments of at least 48 units. This other multifamily rental development experience must be the experience gained in the completion of at least two (2) developments containing at least 24 units each. "Experience in the development of Low-Income Housing Tax Credit developments or other successful multifamily rental developments of at least 48 units," means coordinating the development team in planning, financing and constructing a development through its receipt of Certificates of Occupancy and reaching stabilized occupancy.

### G. Combination with Other Authority Administered Programs

#### 1. State HOME Funds

- i. State HOME funds in the amount of \$5 million will be available in the 2004 LIHTC competition.
- ii. State HOME funds can be applied for and combined with tax credits only in conjunction with the tax credit application competition.

- iii. State HOME funds may be awarded to any tax credit development located in an MSA, if, and only if, at least 50% of the development's total units are rent-restricted at 50% AMI.
  - iv. Only one State HOME award will be allocated per development.
  - v. Tax credits will not be allocated to any development that applies for State HOME funds but does not receive a State HOME award.
  - vi. Tax credits will not be awarded to developments that apply for State HOME funds if the proposed development will necessitate permanent relocation.
  - vii. In order to receive a reservation of 2004 tax credits in conjunction with State HOME funds, each of the following provisions are applicable:
    - 1. All 2000 State HOME and earlier awards must be officially closed out; and
    - 2. All 2001 State HOME awards must have a minimum of 75% of the funds drawn down or 75% of the project completed; and
    - 3. All 2002 State HOME awards must have a minimum of 50% of the funds drawn down or 50% of the project completed; and
    - 4. All 2003 State HOME awards must have a minimum of 25% of the funds drawn down or 25% of the project completed.
  - viii. **RHS 515 HOME Set-Aside** - \$1.2 million in State HOME funds of the \$5 million available for the 2004 competition will be made available to applications awarded a reservation of tax credits and applying for State HOME funds under the **RHS 515 Set-Aside**. The maximum State HOME award such RHS projects can request is \$400,000. State HOME funds will be awarded first to those projects with the highest competitive tax credit point score and then awarded in descending point score order (highest to lowest) until the State HOME funds are exhausted.
  - ix. **Nonprofit HOME Set-Aside** - \$1.2 million in State HOME funds of the \$5 million available for the 2004 competition will be made available to applications awarded a reservation of tax credits and applying for State HOME funds under the **Nonprofit Set-Aside**. The maximum State HOME award such projects can request is \$400,000. State HOME funds will be awarded first to those projects with the highest competitive tax credit point score and then awarded in descending point score order (highest to lowest) until the State HOME funds are exhausted.
  - x. Projects are not allowed to apply to receive funding from the Authority's HOME program after the conclusion of the 2004 tax credit application cycle.
- 2. \*\*Hard-to-Develop County Housing Trust Fund Set-Aside**
- i. \$4 million in Housing Trust Funds will be made available to applications awarded a reservation of tax credits and seeking to develop in hard-to-develop counties.
  - ii. The maximum award such projects can request is \$500,000.
  - iii. Only one HTF award will be allocated per development.
  - iv. Tax credits will not be allocated to any development that applies for HTF funds but does not receive a HTF award.
  - v. HTF will be awarded first to those projects with the highest competitive tax credit point score and will be awarded in descending point score order (highest to lowest) until the funds are exhausted.
  - vi. Developments in the following hard-to-develop counties that have not had tax credit developments in the past two (2) years and that have current vacancy rates less than 14% (including new development) are eligible to receive HTF in this set-aside:

Abbeville	Calhoun	Fairfield	Marlboro
Allendale	Cherokee	Hampton	McCormick
Bamberg	Chester	Jasper	Saluda
Berkeley	Clarendon	Laurens	Pickens

\*\*The preference given to the above hard-to-develop counties should not be interpreted as assurance from the Authority that a market exists for rental housing development in each of these counties. The Applicant is responsible for determining that a market exists for the proposed development. If the Authority determines that there is an insufficient market to support the development, the application will be rejected.

- vii. All HTF awards will be made as a 1% loan with a 30-year amortization schedule.
- viii. No State HOME funds will be awarded to developments located in any of the counties listed in the above \*\*Hard-to-Develop County HTF Set-aside.

3. Applicants cannot apply for State HOME and HTF for the same development.

**H. Tier One Application Requirements** - The following items must be included in the Tier One Application package submitted to the Authority:

1. **Completed Tier One Application** - All pages of the Tier One Application must be completed and the application certification page executed. All required signatures must be originals. Faxes will not be accepted. The Authority reserves the right to determine whether any omission on a page of the Tier One Application is material or non-material for purposes of the satisfaction of the criteria.
2. **Tier One Application Fee** - A **\$500** Tier One Application fee is due at the time of application submittal.
3. **Developer Certification for Project Rejection Form** - The Developer consents to the Authority's review of its application to determine whether or not it meets requirements, and agrees that a determination made that an application fails to meet requirements is final and is not subject to further appeal (**Form 1**).
4. **Developer Environmental Certification Form** - The Developer will be required to complete and execute an Environmental Certification Form (**Form 2**) that provides the Authority with information regarding floodplains, wetlands, etc. that may be located on, adjacent, or near the development site.  
**Note:** The Developer Environmental Certification form is for the tax credit program only and is not meant to replace any environmental certifications or requirements that may be required by the State HOME program.
5. **Development Narrative** - The Authority requires a narrative description of:
  - a) The current use of the subject property;
  - b) All adjacent property land uses;
  - c) The surrounding neighborhood; and
  - d) Identification and proximity of services available to the proposed property, including transportation services.
    - i. If claiming points for having a project located within two (2) miles by public paved road to no less than three (3) services appropriate to its tenant population:
      1. A map must be included with the Tier One Application identifying the development site and the location of services
      2. Written directions from the site to each service
      3. The services must be identified by name on the map and in the written directions. If the services are not identified by name, points will **not** be awarded.
      4. All services must exist or, if under construction, must be at least 50% complete by the Tier One Application submittal date.
6. **Site Control Documents** - At the time of the Tier One Application submittal, the Applicant must have site control. The Applicant must show evidence of site control by having one of the following executed documents:
  - a) The Applicant holds title to the property on which the development will be constructed by a properly executed and recorded Deed; or
  - b) The Applicant has an executed purchase option (the Authority will not accept options on other options) with date certain performance; or
  - c) The Applicant has an executed purchase contract with date certain performance; or
  - d) The Applicant has an executed 99-year land lease or option on a long-term lease.
  - e) With the exception of **a)** above, the Applicant must also submit the current deed recorded for the property in order to verify the seller.
7. **Site Suitability Determination and General Site Information** - The Applicant must provide:
  - a) **Labeled photographs** (or color copies) of the proposed development site and all adjacent properties; and
  - b) A **map clearly identifying the exact location** of the development site.
  - c) A **map with directions** to the development site from 919 Bluff Road, Columbia, S.C.

**I. Tier Two Application Requirements** – The following items must be included in the Tier Two Application package submitted to the Authority:

1. **Completed Tier Two Application** - All pages of the Tier Two Application must be completed and the application certification page executed. All required signatures must be originals. Faxes will not be accepted. The Authority reserves the right to determine whether any omission on a page of the Tier Two Application is material or non-material for purposes of the satisfaction of the criteria.

2. **Tier Two Application Fee** - A **\$3,000** Tier Two Application fee is due at the time of application submittal.
3. **Site Control** - A notarized letter from the Applicant stating there have been no changes in site control since the Tier One Application submittal is required.
4. **Zoning** – The Applicant must demonstrate that the zoning for each site on which the development will be located allows for the use(s) proposed. A letter from the local jurisdiction is required that states the proposed development meets all zoning. If the proposed development is located in a county or jurisdiction that does not have zoning, a letter from the local jurisdiction must be submitted stating such. See **Exhibit M** for the **required** letter and **required** content.
5. **Locational Standards** – The Applicant must submit a locational standards letter from the appropriate local official (Chief Planning/Zoning official or higher) certifying that the proposed development will comply with all local standards or ordinances governing the location of assisted housing within the municipality or county (in unincorporated areas) in which the proposed development will be located. See **Exhibit O** for **required** letter and **required** content.
6. **Utility Letters** - The Applicant must provide evidence that utilities (water, sewer and electric/gas):
  - a) Are **available** to the proposed site by the date of the Tier Two Application submittal.
  - b) The **utilities have the capacity** to serve the proposed development by the date of the Tier Two Application submittal.
  - c) The **source of those utilities has the capacity** to serve the proposed development by the date of the Tier Two Application submittal.
7. **Physical Needs Assessment Report** - A unit-by-unit Physical Needs Assessment prepared by a 3<sup>rd</sup> party independent licensed engineer or architect is required. The assessment must include, in detail, a list of the immediate needed repairs as well as the costs of the immediate needed repairs. All repairs listed in the assessment must be needed and necessary repairs. Additionally, the remaining “useful life” of major systems including the HVAC and roofing must be estimated. Replacement of major systems that have been replaced within the past seven (7) years are not allowable rehabilitation expenditure items for meeting the \$12,000 in hard construction costs per unit requirement or for obtaining points under the Development Characteristics criteria. The overall structural integrity of each existing building should also be addressed. Those developments which do not reflect at least \$12,000 per unit hard construction costs will be rejected for LIHTC funding. If the Physical Needs Assessment represents needed repairs in excess of \$12,000 per unit, then the rehabilitation costs must reflect the higher amount required by the Physical Needs Assessment.
  - a) Projects applying in the RHS set-aside may submit the rehabilitation assessment utilized by RHS.
  - b) Exhibit R must be submitted along with the Physical Needs Assessment.
  - c) Adaptive Reuse projects are not required to submit a physical needs assessment.
8. **Developer Relocation Certification and Tenant Profile Form** - Projects must minimize the displacement of low-income households.
  - a) No more than 50% of the existing tenants may be displaced temporarily.
  - b) No more than 10% of the existing tenants should be displaced permanently.
  - c) Should permanent or temporary displacement occur, a relocation plan must be furnished with the application describing how the tenants will be relocated and the costs and source of relocation expenses (**Form 3**).
  - d) Projects involving permanent relocation of tenants are discouraged and will only be funded with an adequate relocation plan for the ten percent (10%) allowed.
9. **Preliminary Development and Site Plans** - The Applicant must provide:
  - a) **Preliminary Development plans**. Plans must include the front, rear and side elevations of the buildings as well as detailed unit floor plans for each bedroom size; and
  - b) **A site plan** that shows how the project is to be built. This plan must indicate the placement of buildings on the site, parking areas, sidewalks, planned landscaping, amenities, easements, trash dumpsters, buffers, etc.; and
  - c) **Schematic Site plans** must show the site boundaries and include the location of any streams, ravines, gullies, drainage problems or other construction deterrents, as well as the slope of the site and all calculations used in determining the slope of the site, as applicable. All utility locations such as water, sewer, gas, electric, and phone lines must be shown, however, if these services are not currently located at the site then the plan must reflect the distances from the required services. An **aerial photograph** could be used in conjunction with this requirement; and
  - d) A **USGS Topography Map** of the site.

All required plans and maps must be presented in a format that will fit in a 3-ring binder, neatly folded if necessary, and utilize a scale in which one (1) inch equals 100 feet or less.

- 10. Opinions, Certifications and Exhibits** – All opinions, certifications and exhibits submitted by attorneys, the Applicant, or other professionals must be based on an independent investigation into the facts and circumstances surrounding the proposed development. All certifications must be in the form specified by the Authority. **No application will be accepted if a certification has been materially altered, amended, or changed. In the event opinions, certifications, exhibits, etc., have been submitted but not properly executed, the Authority will assess one negative point for each document not properly executed.** Changes in professionals hired by the development team, i.e. attorneys, architects, and certified public accountants are allowed; however, any new professionals added must adhere to the original certifications made by previous professionals. Attorneys, architects, and certified public accountants must each be third party independent professionals and be licensed to do business in the State of South Carolina.
- 11. A Total Competitive Score of at least ??? Points** - Each application must earn at least ??? points in the combined Tier One and Tier Two Competitive Review or it will be disqualified.

#### **J. Developments Financed with Multifamily Tax-Exempt Bonds**

Developments financed by private activity bonds **may** be eligible to receive an approximate 4% tax credit without competing for an allocation of tax credits. In order to be considered for a non-competitive allocation, a development must satisfy the requirements of Sections 42(h)(4), 42(m)(1)(D) and 42(m)(2)(D) of the Code and must also comply with the requirements and provisions of this section of the QAP. The housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period.

In order to receive an allocation of tax credits, bond-financed developments must be eligible to receive a tax credit allocation under the QAP for the year in which an application for bond financing is filed with the Authority. If the Authority's Board of Directors approves a Preliminary Bond Resolution, the Authority will provide a preliminary, non-binding statement as to whether the development, as described to the Authority, is capable of receiving funding under the current QAP. The preliminary opinion provided by the Authority shall state: (i) that it is based upon information provided to the Authority regarding the development, the accuracy of which has not been finalized; (ii) that it assumes that the development as Placed-In-Service will exactly match the project described to the Authority; and (iii) that the opinion is preliminary, non-binding, and may not be relied upon by any party.

For bond-financed properties that are claiming tax credits, tax credit applications must be submitted to the Authority only in the year in which the development is Placed-In-Service. At the time of application, the Applicant must submit evidence that the issuer of the bonds used to finance the development (a) was aware at the time of financing that an application for tax credits would be submitted to the Authority, and (b) has made a calculation (taking into account the sources and uses of all funds available to be utilized by the development, including all sums which might reasonably be expected to be available from syndication of the tax credit) to determine the smallest tax credit dollar amount that could be allocated to the development without impairing its financial viability. If the development is financially viable without tax credits, the amount certified by the issuer of the bonds must be \$0. The above-described calculation must be attached to the application, together with a certification from the chief financial officer of the governmental unit that issued the private activity bonds, stating that the calculation was made by the issuer, was not supplied by the Applicant or any person or entity affiliated with the development, and certifying as to the reasonableness of the assumptions upon which the calculation was based. The certification must identify the issuer of the private activity bonds; the name, date, and amount of the bond issue; and the percentage of the aggregate basis of the development financed with bond proceeds. The Authority will underwrite all applications. In the event that the Authority determines that fewer, or no tax credits are required for the financial viability of a development, the value of tax credits allocated to that development would be reduced accordingly. Before such a reduction is made, the Applicant shall be notified and given an opportunity to submit additional information in support of the issuer's tax credit calculation. If the Authority was the issuer of the private activity bonds used to finance the development, the Applicant must have given the Authority written notice of its intent to request a tax credit allocation. Such notice must have been attached to the application for bond financing filed with the Authority.

Applications for bond financing must be submitted to the Authority as outlined below:

Multifamily Tax-Exempt Bond Applicants who are seeking low-income housing tax credits must submit an application to the Authority between January 1 and April 1 of the year in which the issuance of bonds is requested.

Following review of an application, Authority staff may make a recommendation to the State Budget and Control Board ("State Board") to approve qualified applications and grant an allocation of the State Private Activity Bond Ceiling, if required. At least 60 days will be required to review, process and score an application before it can be submitted to the State Board. During this period, the Sponsor (Developer) must secure the required credit enhancement or other suitable surety and lender.

All applications will be scored using the score sheet included in the Tax Exempt Bond Application. The issuance of ALL bonds must be approved by the State Board. The State Board will review and select those projects that will be financed through the issuance of bonds.

#### IV. COMPETITIVE REVIEW - POINTS SUBJECT TO CHANGE!

##### A. Tier One Competitive Review

1. Preference will be given to projects located within two (2) miles by public paved road to no less than three (3) services appropriate to its tenant population. Only one (1) service of each type listed below will count towards the points. A map must be included with the Tier One Application identifying the development site and the location of services, as well as written directions from the site to each service. The services must be identified by name on the map and in the written directions. If the services are not identified by name, points will **not** be awarded. All services must exist or, if under construction, must be at least 50% complete by the Tier One Application submittal date.

<b>Services:</b>	Full Service Grocery Store	Police Station
	Convenience Store	Hospital / Health Department
	Pharmacy	Doctor's Office (General Practitioners Only)
	Restaurant	Public Library – No School Libraries accepted
	Fire Station	Public Schools <b>10 points</b>

2. Preference will be given to a development site that is bordered by a paved road on at least one side. Main access to the development must be from the paved road and must consist of at least 50 feet of frontage. **10 points**
3. Negative points will be assessed to developments for each of the following detrimental site characteristics:
  - a) Sites located within 500 feet of pipelines (excluding low pressure natural gas distribution lines, water and sewer lines). **-2 points**
  - b) Sites where any portion or boundary of the proposed site is located within the engineering fall distance of any pole, tower or support structure of a high voltage transmission power line, communications transmission tower, microwave relay dish or tower, or commercial satellite dish (radio, TV cable, etc.). For field analysis, the Authority will use tower height as the fall distance. For the purpose of this QAP, a high voltage electric transmission line is a power line that carries high voltage at any given moment greater than 60KV (kilovolts). **-12 points**
  - c) Rehabilitation, Acquisition/Rehabilitation, or Adaptive Reuse sites where any portion or boundary of the proposed site contains any easements for overhead electric power lines, regardless of voltage, and/or such electric power lines run through areas of the proposed site other than the outside perimeter of the site to distribute power to locations not located within any portion or boundary of proposed site. **-5 points**
  - d) Sites where the Authority determines there are unacceptable levels of noise, odor, and/or other nuisance pollution. **-5 points**
  - e) Sites where the Authority determines the slope/terrain is not suitable for development and contributes to excessive site preparation costs. Examples of such are where the 100 year flood zone covers the entire site, excessive fill dirt is required for construction, blasting of rock is

required for construction, etc.

**-10 points**

- f) Sites where there are existing wetlands (jurisdictional or non-jurisdictional), streams, ravines, drainage and/or waterways on the site. **-5 points**
- g) Sites within 300 feet of an active railroad. **-5 points**
- h) Sites where any portion or boundary of the proposed site is within 300 feet of a junkyard, trash heap, and/or dump pile. **-10 points**
- i) Sites located within ½ mile of an active sanitary landfill. **-5 points**

**B. Tier Two Competitive Review**

**1. Site Characteristics**

- a) Preference will be given to development sites that have water and sewer capable of serving the site at the time of Tier Two Application submittal. Water and Sewer service must be of adequate size to serve the development, must be within 300 feet of the site boundary, and cannot be contingent upon annexation of the property, improvement of infrastructure (for this purpose, "improvement of infrastructure" means the water and/or sewer providers must expand their service area or expand their current plant), or funding to the utility provider from an outside source. The availability and capacity should only be contingent upon extension of an already existing line or addition of a lift station(s). The availability and certification of the capacity of public water and sewer adequate to serve the site must be documented by letter(s) (see **Exhibit \_\_\_\_** for required letter and required content) from the local public water and sewer authorities in which it also clearly states that the water and sewer are within 300 feet of the site boundary. **Exhibit \_\_\_\_** must be submitted as part of the Tier Two Application in order to claim points and cannot be altered or amended in any way.

**10 points**

**2. Location Characteristics**

- a) Preference will be given to developments located in federally designated empowerment zones or enterprise communities. To receive this preference, a letter is required from the local government identifying the site within the designated area or from the federal agency that made the designation. **1 point**
- b) Preference will be given for the addition to or upgrade of the State's residential rental housing stock in rural areas designated by the Rural Housing Service. A letter must be submitted from the RHS State Multifamily Housing Director. **1 point**
- c) Preference will be given to developments located in counties where there have not been tax credit awards in the past 2 years (2002, 2003).

**Those counties are:**

Abbeville	Chester	Marion
Allendale	Clarendon	Marlboro
Bamberg	Dorchester	McCormick
Berkeley	Fairfield	Oconee
Calhoun	Hampton	Pickens
Cherokee	Jasper	York
	Laurens	

**5 points**

- d) Preference will be given to developments located in Qualified Census Tracts (QCTs) that contribute to a concerted community revitalization plan. To receive this preference, a letter from the local government must be submitted stating that the development contributes to such along with a copy of the community revitalization plan. **1 point**
- e) Preference will be given to developments **not** located within any town or city limits that received two or more awards in 2003. **5 points**
- f) Preference will be given to developments located in an MSA that designate a minimum of 10% to a maximum of 20% of the units as market rate. Developments not located in an MSA are also eligible for these points. **5 points**

**3. Development Characteristics**

- a) Preference will be given to applications with the least number of total units in the development as follows:

- i. Up to forty-eight (48) units **12 points**
- ii. Forty-nine (49) units up to seventy-two (72) units **10 points**
- iii. Seventy-three (73) units up to one hundred four (104) units **5 points**
- b) Preference will be given to developments based on the energy efficiency of the units and the utilization of durable construction. To receive this preference, the Architect and/or Professional Engineer Certification (**Exhibit G**) must be correctly submitted with the application. **10 points**
  - i. Developments that insulate attics to R-38. **10 points**
  - ii. Brick Veneer or Brick Veneer (40%) and remaining exterior siding fiber cement; **or** **30 points**
  - iii. Brick Veneer (40%) and remaining exterior siding to be vinyl siding with a thickness Of at least .044 mils; **or** **20 points**
  - iv. Full fiber cement or cedar siding; **or** **15 points**
  - v. Full vinyl siding with thickness of .044 mils. **10 points**
  - vi. Roof shingles that are architectural, dimensional and are warranted for a minimum of 30 years **10 points**
  - vii. Gutter system for all residential buildings **5 points**
  - viii. Interior doors that are six paneled colonist or solid core birch or solid core lauan. **4 points**
- c) Preference will be given to developments that provide, at a minimum, three (3) supportive services. Services must be appropriate to the project's targeted tenant population, must be ongoing for at least three (3) years, on-site, and provided for the benefit of the tenants. To receive points, programs must be of a regular, ongoing nature and provided to tenants free of charge, except for day care services. In order to receive these points, **Exhibit Q** (one for each service) must be properly completed, executed and submitted with the application. Services must begin once the development has met its tax credit minimum set-aside. **15 points**

**Family Supportive Services/ Tenant Ownership:**

- Licensed Day Care Services
- After-School Programs (Name specific activity in **Exhibit Q**)
- Parenting Skills Seminars
- Credit Counseling
- Financial and Budgeting Seminars
- Continuing Education and/or Job Training
- Homebuyer Training & Seminars
- Supervised recreational activities for children (Name specific activity in Exhibit Q)
- Preventive Health Care Programs targeting families
- Computer Lab / Internet hookup and Tutor
- Social & Recreational Programs planned and overseen by the Project Manager (monthly birthday parties/holiday dinner and/or parties/potluck dinners/movie nights/bingo)

**Older Persons Supportive Services**

- Meal Services
- Wellness Monitoring
- Preventive Home Health Services
- Prescription Management Classes
- Weekly Exercise Class
- Continuing Education
- Grandparent Mentoring Programs
- Reading Service or On-Site Library
- Senior Counseling
- Homemaker or Housekeeping Services
- Grocery Pick-up and/or Delivery
- 24 hour Security/Neighborhood Watch Programs
- Social & Recreational Programs aimed at older persons tenant interests and planned and overseen by the Project Manager (monthly birthday parties/holiday dinner and/or parties/potluck dinners/movie nights/bingo)
- Weekly "day trips" to shopping centers/specialty shopping
- Transportation to facilitate access to social services/doctors

**Homeless/At Risk Tenant Services**

- Specialized Counseling
- Credit Counseling
- Financial & Budgeting Seminars

**Note:** Supportive services on these lists will be accepted towards claiming points. The Authority may allow exceptions in its sole discretion for other supportive services appropriate to tenant population.

- d) Preference will be given for the following Design Quality Standards:
  - i. Sidewalk access to all parking spaces.
  - ii. Curbing for paved areas throughout the development site including the parking areas. For proposed single-family developments paved driveways are eligible if provided for each residence.
  - iii. All units have balconies, patios or sunrooms.
  - iv. All grass areas fully sodded.
  - v. Irrigation/Sprinkler System serving entire development site.
  - vi. A minimum 1,200 sq. ft. community building that includes a leasing office.
  - vii. All windows will have insulated or double pane glass such as quality vinyl or aluminum for new construction. Wood windows with insulated glass for renovation construction.
  - viii. All closet doors are side-hinged (no bi-fold or sliding doors). **4 points each**
- e) Preference will be given for developments that include the following extra amenities:
  - i. Washer/Dryer hookups in all units.
  - ii. Microwave oven in all units.
  - iii. Garbage disposal in all units.
  - iv. Dishwasher in all units.
  - v. Range hood or comparable extinguishing system over stove.
  - vi. Ceiling fan with attached light in all bedrooms in all units.
  - vii. Integration of existing vegetation with new plantings, clearly delineated on the schematic site plan. These areas shall be designed to create spaces such as seating areas or shading for playground and/or other recreation uses.
  - viii. Additional landscaping (for new construction developments only) which include the planting of 5" diameter trees throughout the development site. There must be at least one tree planted for every eight (8) units in the development. The trees must be integrated with other areas of planting throughout the development
  - ix. Equipped computer center with Internet access (this room's square footage can be included in the minimum 1,200 sq. ft. community building).
  - x. All units pre-wired for cable television hook-ups in the living room and a minimum of one (1) up to two (2) bedrooms. **4 points each**
- f) Preference will be given to developments that are recipients of a **HOPE VI Award**. **10 points**
- g) Preference will be given to developments that utilize the following minimum design criteria. Both point items can be claimed for competitive points:
  - i. Preference will be given for providing at least the minimum square footage per unit size based on the following table:
 

Bedrooms per unit	Square Footage per unit
One	725
Two	950
Three	1225
Four	1400

**7 points**
  - ii. Preference will be given for providing the minimum bathrooms per unit based on the following table:
 

Bedrooms per unit	Bathrooms per unit
One	One
Two	Two
Three	Two
Four	Two and one half

**3 points**

#### 4. Sponsor/Applicant Characteristics

- a) **\*\*Preference will be given to Applicant(s) who have previous experience as general partners (or the equivalent in a limited liability company) in the development and successful implementation of Low-Income Housing Tax Credit developments. Experience points will be based on the demonstrated experience and qualifications of the Principal(s) (for which experience points are sought) of the proposed development. For this preference, "demonstrated experience and qualifications" includes the provision that each Principal (for which experience points are sought) has never been removed and/or asked to voluntarily withdraw from a South Carolina LIHTC partnership and/or has never returned an entire award of low-income housing tax credits in South Carolina. Each Principal(s) (for which experience points are sought) must be a material Participant in the proposed development as well as a material Participant in the developments submitted for point consideration. All developments that count under this category must have received 8609's for all buildings at the time of the Tier Two Application. Experience points will be awarded to Applicant(s) based on the experience of the general partner or in joint ventures on the basis of their combined experience. The Applicant(s) must complete the Previous Participation Certificate (see **Exhibit K**). A copy of the Development Agreement for the proposed development indicating the partnership interest of its Participants in the development and the extent of its participation (including financial) in the development throughout the "compliance period" must be submitted with the application. Preference will be based on the experience as follows:**

1-3 developments:	<b>3 points</b>
4-6 developments:	<b>5 points</b>
7 + developments:	<b>8 points</b>

**\*\*Note:** These Sponsor/Applicant Characteristics preference points are not available to those Principals (for which experience points are sought) who are unable to participate in any other states' or any other allocating agencies' LIHTC Program. The Applicant must certify to such in **Exhibit K**.

#### 5. Targeting/Extended Use Characteristics

- a) Preference will be given to those developments designating rental housing for special needs tenant populations. In order to receive this preference, the development as a whole as well as the units must be designed and equipped to serve the special needs of their designated tenant population. Such design and equipment must be in addition to the minimum design requirements necessary to comply with State and Federally mandated accessibility requirements and must be fully described in the application.

A supportive services plan must be submitted to receive this preference. The written plan must include the following:

- Type of services to be provided
- Commitments of resources (including funds, personnel and/or contracted services)
- A sources and uses operating budget.

A marketing plan must be submitted to receive this preference. The written plan must describe the following:

- Outreach methods to be used to attract special need populations.
- Marketing methods to be used to attract special need populations.
- Advertising methods to be used to attract special need populations.

- i. Only one of the following can be claimed for competitive points:

- 1. 100%** of the development is designed for families. To receive this preference, 25% of **20 points** the project's units must contain three (3) or more bedrooms.

2. At least **80%** of the units are designed, equipped and occupied by older person(s) **20 points**  
fifty-five (55) years of age or older. The remaining **20%** of units must be designed, equipped, and occupied by special needs populations. All such new construction developments are limited to one or two bedroom units. All such new construction developments must be one-story structures, or if greater than one story, all additional stories must be accessible by elevators. Acquisition/Rehabilitation developments may also have more than one-story, provided that **existing** elevators that have been receiving regular maintenance and are in good working condition as of the Tier Two Application submittal date service all upper level rental units. **Note: 100%** Older person developments are eligible for these points.
  3. **100%** single room occupancy units or transitional housing units. Occupancy of these units must be restricted to homeless or at risk individuals or families. **5 points**
  4. **Rehabilitation developments** - Existing occupied family developments cannot be converted into older persons developments and existing occupied older persons developments cannot be converted into family developments. **20 points**
- ii. Preference will be given to developments that convert to tenant ownership at the end of the initial 15-year compliance period. In order to receive this preference the Applicant must submit a detailed plan outlining the procedure. **10 points**
  - iii. Projects intended for occupancy by individuals with children as evidenced by the marketing plan. **Note:** Older persons developments are **not** eligible to receive points under this criterion. **1 point**
  - iv. Adaptive reuse or infill new construction developments that are viable and economically sound are encouraged. Only one of the following can be claimed for competitive points: **5 points**
    1. **Adaptive Reuse Projects** - For this preference, the definition of "adaptive reuse" is the conversion of a non-residential building(s) into a residential building(s) that constitutes the entire project.
    2. **Infill New Construction Projects** - For this preference, the definition of "infill new construction" is new construction on a site that has all of the following attributes:
      - a) Located within city limits.
      - b) Vacant land fronting on a curbed street. The Authority will allow buildings on the land if the buildings are to be demolished to make way for the development and there is documentation submitted with the Tier One Application certifying to such.
      - c) Utilities present at site in sufficient capacity to serve the intended use.
      - d) At least 75% of the site perimeter adjoins parcels that are developed with urban uses (or on streets adjoining such parcels).
- b) Preference will be given to applications that elect to target, for the entire term of the tax credit compliance period, 25% of their low-income units to households with incomes at 50% or less of area median income. **15 points**  
**Note:** Developments utilizing State HOME funds must adhere to the HOME targeting requirements.
  - c) Preference will be given to proposals seeking, for the entire term of the tax credit compliance period, to restrict greater percentages of their low-income units to the 50% rent limits. Points will be awarded to proposals based on the percentage of low-income units restricted to the 50% rent limits divided by 10. All calculations related to this point criterion will be rounded to two decimal places. For the purpose of awarding these points:

The 50% rent limits = the maximum rents allowed under IRS Section 42(g)(2) for individuals whose income is 50% or less of area median gross income.

**Note:** This is a rent restriction, not an income restriction. Therefore, units for tenants whose income is at or below 60% or less of area median gross income are eligible to achieve these points if the rents are restricted to the 50% rent limits.

The % of low-income units restricted to the 50% rent limits =  $\frac{\text{Number of units restricted to the 50\% rent limits}}{\text{Total number of low-income units}}$

Points awarded under this preference =  $\frac{\text{percentage (\% of low-income units restricted to the 50\% rent limits)}}{10}$

10

**For example:** If the percentage (%) of low-income units restricted to the 50% rent limits = **63%**, then the points awarded to the proposal = **6.3 points** (63/10 = 6.3).

**d) Public Housing Waiting Lists:** Preference will be given to applications that elect to serve individuals on waiting lists for public housing. To receive this preference, the Applicant must include in their marketing plan a description of outreach, marketing and advertising methods used to attract individuals on public housing waiting lists as well as evidence that the public housing agencies have been contacted (i.e. copy of the **certified** letter sent to the PHA).

**Note:** Applicants must not use minimum income criteria to reject Section 8 Housing Choice Voucher Participants when their income reflects that they can pay their portion of the rent. The site's minimum income needed for a household to pay the rent on the unit will be based on the actual amount that the Section 8 Housing Choice Voucher Participants would have to pay after the subsidy rather than the entire rent on the unit. **10 points**

**e) Extended Use Preference:** Preference will be given to those developments that voluntarily extend their "compliance period" for an additional term of twenty or more years.

**Note:** Applications receiving points on Targeting/Extended Use Characteristics # a) ii. are not eligible for these points. **10 points**

## 6. Financial Characteristics

**a)** While the Authority does not seek to discourage quality construction, the Authority must insure that development costs are held to reasonable levels. As a result, negative points will be assessed when costs are determined to be higher than typically warranted. The Authority will apply costs standards for Eligible Basis per Heated Square Foot (EBHSF). The point structure will be as outlined in **Chart A** unless the development qualifies as listed below for **Chart B**.

**Chart B** will be used for developments that are:

1. 100% detached single family or duplex developments; or
2. \*\*100% special needs housing; or
3. 24 units or less; or
4. HOPE VI developments.

\*\*For this purpose, "100% special needs housing" includes the homeless, older persons (ages 55+), persons with a developmental or physical disability, persons with mental illness, and persons with HIV/AIDS.

<b>CHART A</b>	EBHSF is above <b>\$78</b> and up to <b>\$79</b>	<b>(-1) point</b>
	above <b>\$79</b> and up to <b>\$80</b>	<b>(-2) points</b>
	above <b>\$80</b> and up to <b>\$81</b>	<b>(-3) points</b>
	above <b>\$81</b> and up to <b>\$82</b>	<b>(-4) points</b>
	above <b>\$82</b> and up to <b>\$83</b>	<b>(-5) points</b>
	above <b>\$83</b> and up to <b>\$84</b>	<b>(-6) points</b>
	above <b>\$84</b> and up to <b>\$85</b>	<b>(-7) points</b>
	above <b>\$85</b> and up to <b>\$86</b>	<b>(-8) points</b>
	above <b>\$86</b> and up to <b>\$87</b>	<b>(-9) points</b>
	above <b>\$87</b> and up to <b>\$88</b>	<b>(-10) points</b>
	above <b>\$88</b> and up to <b>\$90</b>	<b>(-15) points</b>
	above <b>\$90</b> and up to <b>\$100</b>	<b>(-20) points</b>
	over <b>\$100</b>	<b>Disqualification</b>

<b>CHART B</b>	EBHSF is above <b>\$85</b> and up to <b>\$86</b>	<b>(-1) point</b>
	above <b>\$86</b> and up to <b>\$87</b>	<b>(-2) points</b>
	above <b>\$87</b> and up to <b>\$88</b>	<b>(-3)points</b>
	above <b>\$88</b> and up to <b>\$89</b>	<b>(-4)points</b>
	above <b>\$89</b> and up to <b>\$90</b>	<b>(-5)points</b>
	above <b>\$90</b> and up to <b>\$91</b>	<b>(-6)points</b>
	above <b>\$91</b> and up to <b>\$92</b>	<b>(-7)points</b>

above \$92 and up to \$93	(-8)points
above \$93 and up to \$94	(-9)points
above \$94 and up to \$95	(-10)points
above \$95 and up to \$97	(-15)points
above \$97 and up to \$100	(-20)points
over \$100	Disqualification

#### IV. DEVELOPMENT TIE BREAKER

A. In the event that there are LIHTC applications that receive the same point score, the Authority will use the following priorities in order, beginning with # 1, until the point score tie is broken:

1. Application with the highest total score in the Competitive Review Section, Location Characteristics.
2. Application with the highest total score in the Competitive Review Section, Development Characteristics.
3. Application with the highest total score in the Competitive Review Section, Applicant Characteristics.
4. The development that represents the lowest eligible basis per heated square foot.
5. The development with the lowest Authority calculated annual tax credit award per low-income unit.

#### V. ALLOCATION PROCESS

A. **2004 Program Schedule** - The 2004 LIHTC Program will be operated according to the following Schedule:

**September 19, 2003**

A Developer's Roundtable discussion will be held at Embassy Suites at 200 Stoneridge Drive in Columbia, SC, from 8:30 a.m. until 1:00 p.m. (EST).

**November 7, 2003**

A public hearing will be held at the SC State Housing Finance & Development Authority's Board Room in Columbia, S.C. from 2:30 p.m. until 4:30 p.m. (EST).

**No later than December 31, 2003**

Application packages will be posted on the Authority's web site at: [www.sha.state.sc.us](http://www.sha.state.sc.us)

**No later than January 9, 2004**

Printed application packages will be available at no charge. A separate application package must be submitted for each development. The Authority will be offering fill-in applications on diskette. These fill-in applications do not require any special system requirements or programs to operate correctly on a PC running Windows 95, Windows 98, Windows 2000, Windows NT, or Windows XP.

**January , 2004**

A one-day workshop will be held at \_\_\_\_\_ in Columbia, S.C. from 9:00 a.m. until 4:00 p.m., (EST). Authority staff will review the 2004 tax credit program and application including the QAP. Changes from the previous program year will be highlighted. Although attendance is not mandatory, it is strongly recommended. After the workshop, specific questions regarding the tax credit program and/or application should be faxed to Authority staff at (803) 734-2390. Depending upon the complexity of the explanation, the Authority, in its sole discretion, may choose to respond in writing or by telephone.

**February 24, 2004**

Tier One Applications are due. No Tier One Application will be accepted, under any circumstance, after 5:00 p.m. (EST), on February 24, 2004.

**By April 30, 2004**

The Authority will inform the contact person for each Tier One Application whether or not their project will be invited to continue in the 2004 competition.

**May 24, 2004, through May 28, 2004**

The Authority will begin accepting Tier Two Applications from 9:00 a.m. (EST), May 24, 2004, until 5:00 p.m. (EST), May 28, 2004. No tax credit application will be accepted, under any circumstance, after 5:00 p.m. (EST), on May 28, 2004.

**B. Tier One Submission Procedure** – One original hard copy of the Tier One Application and all applicable attachments, exhibits, certifications, opinions, fees, etc. must be submitted for each development. Tier One Applications must be:

1. Typed;
2. Submitted in a three-ring binder; and
3. Organized using corresponding tabs according to the **Exhibit A -Tier One Application Checklist** provided in the application package.

**C. Tier One Application Review**

**1. Internal Completeness Review**

- a) Tier One Applications will be reviewed for completeness after the submittal deadline.
- b) If the application is not submitted exactly as outlined in this QAP, the application will be disqualified.
- c) The Authority will make the final determination if applications are complete.
- d) The Authority will notify Applicants as soon as possible if their application has been disqualified from the 2004 competition due to an incomplete application.

**2. Third Party Site Review**

- a) Authority staff or contract consultants will conduct evaluations for each Tier One Application site.
- b) If any Authority determined detrimental site characteristics exist on, adjacent to, or within unallowable distances from the site, the Authority will reject the application or assess negative points depending on the discovered detrimental site characteristic.
- c) Site scores will be released to Applicants as soon as possible.

**Note:** It is the objective of this Plan to select the best available sites for projects awarded under the plan. The Authority's determination of negative site characteristics should not be construed as a finding that a site is not a buildable site under any circumstances.

**3. Third Party Market Study**

- a) Market Analysts under contract with the Authority will be given information from the Tier One Application to conduct market evaluations for each site.
- b) No one market analyst or market analyst company will be given more than 15 market studies to complete. Market studies will be due to the Authority on April 9, 2004.
- c) This will be the general process followed upon receipt of an application's market study:
  - i. A copy will be forwarded to the contact person listed in the Tier One Application.
  - ii. Authority staff will review all market studies.
  - iii. If a market analyst recommends alterations to a development, the Applicant may interact with the analyst in order to discuss those recommendations.
  - iv. The Applicant may revise their project based on the market analyst's recommendations.
  - v. If, in a market study, an analyst concludes that a market does not exist for a project as proposed and that there are no changes that will reverse that conclusion, the application will be disqualified from the 2004 competition.
  - vi. By April 16, 2004, the contact person for each Tier One Application must submit in writing to the Authority and market analyst that they have received and reviewed their project's market study. If alterations were recommended, the contact person must also include an explanation of the alterations that will be made to the project. If the Applicant chooses to ignore a/all recommendation(s), a statement justifying why the recommendation(s) will be ignored will be required.
  - vii. By April 23, 2004, market analysts will submit in writing to the Authority and the Applicant their comments about a project's alterations or lack of alterations.
  - viii. The Authority will consider the market study, the market, marketability factors, as well as any other additional information available to determine if a market exists for each development as proposed. The Authority is not bound by the conclusions or recommendations of the market analysts and reserves the right to disqualify any application in the 2004 competition if it determines a market does not exist.

- ix. By April 30, 2004, the Authority will inform the contact person for each application its decision on whether or not a market exists for their proposal.
4. **Final Determination** – Based on the outcome of a), b), and c) above, and unless otherwise notified, the Authority will inform the contact person for each Tier One Application whether or not their project will be invited to participate in the Tier Two Application process by April 30, 2004.
  5. **Appeals** - There will be no appeals under any circumstances of the Authority's determinations in the Tier One Application Review.
- D. Tier Two Submission Procedure** – One original hard copy of the Tier Two Application and all applicable attachments, exhibits, certifications, opinions, fees, etc. must be submitted for each development. The only Tier Two Applications that will be accepted must be:
1. For the same Tier One site;
  2. From the same Tier One Applicant/Partnership;
  3. One, which received notification that the project can participate in the Tier Two Competition.
  4. Typed;
  5. Submitted in a three-ring binder; and
  6. Organized using corresponding tabs according to the Exhibit A -Tier Two Application Checklist provided in the application package.
  7. If State HOME funds are being applied for in conjunction with the tax credit competition, an additional copy of the application and all applicable attachments, exhibits, certifications, opinions, fees, etc., must be provided.
- E. Tier Two Application Review**
1. **Internal Completeness Review**
    - a) Tier Two Applications will be reviewed for completeness after the submittal deadline.
    - b) After staff has reviewed all applications for completeness, Applicants will be notified in writing of any documents that are missing and given seven (7) business days to submit said documents.
    - c) Applicants will be assessed negative points for any missing documents as described in the following scale:
      - 1 – 5 missing documents = -5 points
      - 6 – 10 missing documents = -10 points
      - 11 + missing documents = application disqualified
    - d) If all missing documents to be resubmitted are not submitted by the seven (7) business day deadline, the Applicant will not be allowed to participate any further in the 2004 competition.
    - e) Any documents that are determined to be missing and are identified as documents for which competitive points are earned will be accepted but competitive points cannot be earned.
  2. **Financial Feasibility Review**
    - a) All LIHTC applications will be considered in their ranked order to determine the least credit amount required for the financial feasibility of the development throughout the credit period, as required by Section 42 (m)(2)(A).
    - b) Those developments determined not to be financially feasible or determined not to need the tax credit will be eliminated.
    - c) In order to receive an allocation, a development must be underwritten to determine the least amount of credit necessary to be financially feasible at the following times:
      - i. When the initial application is made;
      - ii. When the allocation of the tax credit is requested; and
      - iii. When the last building is Placed-In-Service.

**Note:** Section 42(m)(2)(A) of the Code provides that “The housing credit dollar amount allocated to a project shall not exceed the amount the housing credit agency determines is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project and its viability as a qualified low-income housing project throughout the compliance period.” Unless otherwise provided within this QAP, **in determining financial feasibility, the Authority will disregard all personal or other guarantees that are relied on to supply deficiencies in income required to pay debt service and operating expenses of the development. Developments that are not financially feasible without such guarantees will not be offered a LIHTC reservation.**

3. **Appeals** - Upon notification of a project's final point score, the development's contact person can choose to schedule an appeal if they do not agree with the final score awarded a project. Appeals will take place within 21 days of point score notification.

## VI. NOTICE of the TAX CREDIT AWARD

**A. Reservation Certificate** – Reservation Letters and Certificates will be sent to potential tax credit awardees as soon as point scores have been finalized and tax credit funds have been exhausted by set-aside as described in this QAP. To acknowledge acceptance of the reservation of tax credits, Applicants will be instructed to execute and return the Reservation Certificates. Once all Reservation Certificates have been executed and returned, the 2004 LIHTC Awards List will be released and posted on the agency's website: [www.sha.state.sc.us](http://www.sha.state.sc.us). The date on the Reservation Letter is the "Reservation Date."

**B. Carryover Document(s)** - 2004 Carryover Document(s) will be forwarded to all 2004 awardees with the Reservation Certificate or at a later time designated by the Authority. Carryover Document(s) will be due on the date specified in the 2004 Reservation Certificate. **No extension will be given.**

**C. 2004 Verification of 10% Expenditure Information** - Section 42 requires that the 10% Expenditure Test must be met no later than six (6) months after the date of the Carryover Allocation Document. **No extension of this date can or will be given.**

1. 2004 Verifications of 10% Expenditure Information will be due on the date specified in the Carryover Allocation Document.
2. This date will be three (3) weeks after the date upon which the project is required by the provisions of Section 42 to have met the 10% Expenditure Test.
3. In the event that the three (3) week period does not end on a business day, the delivery period will be extended until 5:00 p.m. (EST) on the next business day.
4. The Verification of 10% Expenditure Information must be complete and correct as of the date on which it is submitted. Failure to submit the Verification of the 10% Allocation Expenditure Information on time will result in a \$1,000 per business day penalty fee due when the 10% Expenditure Information is submitted. Failure to submit the Verification of 10% Expenditure Information within 30 business days of the deadline will result in the cancellation of the tax credit award.
5. 10% Expenditure Information will be reviewed for completeness and accuracy after submission. The completeness and accuracy review will consist of Authority staff reviewing the application against the Authority's application checklist (**Exhibit A-10% Expenditure Information Checklist**). If any of the required documents are found to be missing the following will apply:
  - a) Prior to the application deadline – the document(s) may be submitted without penalty.
  - b) After the application deadline – the document(s) may be submitted upon payment of a \$1,000 penalty fee for each business day after the deadline until the documents are submitted.
6. If the missing documents are **not** corrected and resubmitted to the Authority within 7 business days following the application deadline, the development will lose its allocation of tax credits.
7. Failure of a project to meet the 10% Expenditure Test will disqualify the Principals of said project from participation in the LIHTC program for a period of two (2) years.
8. Costs incurred in meeting the 10% Expenditure Test must be certified by an independent (unrelated third party) certified public accountant no later than the date upon which the Carryover Allocation Document requires the Verification of the 10% Expenditure Information to be delivered to the Authority.

**D. Placed-In-Service Application** - For any year, Placed-In-Service Applications are due on or before the second Monday in December. Applications must be in the Authority's office not later than 5:00 p.m. (EST). The development's first year compliance/monitoring fee must be submitted with the Placed-in-Service Application or the application will not be accepted. That fee is equal to \$25.00 for each low-income unit in the development.

1. Placed-In-Service Applications not received on the due date stated above, may be submitted until 4:00 p.m., (EST) on December 31, upon payment of a non-refundable penalty fee equal to \$1,000 for each business day after the second Monday in December.
2. Such penalty fee must be paid to the Authority at the time the late application is submitted.

3. Placed-In-Service Applications will be reviewed for completeness after submission. The completeness review will consist of Authority staff reviewing the application against the Authority's application checklist (**Exhibit A-Placed-In-Service Checklist**). If any of the required documents are found to be missing, the following will apply:
  - a) Prior to the second Monday in December – the documents may be submitted without penalty.
  - b) After the second Monday in December – the documents may be submitted upon payment of a \$1,000 penalty fee for each business day after the deadline until the documents are submitted.
4. If the Authority does not receive the corrected missing documents and penalty fee within 10 business days following December 31, the development will lose its allocation of tax credits.
5. Failure of a project to Place-in-Service will disqualify the Principals of said project from participation in the LIHTC program for a period of two (2) years.
6. For all projects, the Authority requires that all units in all buildings must be 100% complete and available for immediate occupancy by the placed-in-service deadline. This must be supported by certificates of occupancy or the equivalent provided by the local government entity. Failure to meet this criterion will result in cancellation of the LIHTC allocation.
7. After a development has Placed-In-Service and prior to issuance of 8609's, the Authority will review the Placed-In-Service Application and inspect the development to ensure that the project has been constructed as described in the application and scored by the Authority. As part of its determination, the Authority will inspect to ensure that **Exhibit G** has been adhered to. If the development is found not to have been constructed in accordance with the representations contained in its **Exhibit G**, the Authority will not issue a Form 8609. Form 8609s will only be issued once the development complies with **Exhibit G**.
8. Should the Authority be required to amend Form 8609's due to errors in the application submitted, the Applicant must submit a penalty fee of \$1,000 for each corrected 8609. This penalty fee must be paid prior to the issuance of the corrected 8609's.

## **E. Development Progress Requirements**

### **1. Ten Months after the Reservation Date**

- a) Final project plans and specifications for approved LIHTC projects are due to the Authority on or before 5:00 p.m. (EST) no later than ten months after the tax credit reservation date. Project plans and specifications must incorporate all **Exhibit G** design and amenity items for which points are awarded.
- b) The project architect must include a letter certifying that all design and amenity items for which points have been awarded are incorporated into the plans and specifications.
- c) The land must be purchased by the ownership entity, and the deed recorded as evidenced by a copy of the recorded document.
- d) Failure to meet these requirements will result in a \$1,000 penalty fee for each business day up to 7 business days after the deadline until the required documents are submitted.
- e) Failure to submit the required documents and the appropriate penalty fee within seven business days will result in all of the project's General Partners receiving negative three (-3) points for any tax credit application submitted to the Authority for up to five (5) years.

### **2. Twelve Months after the Reservation Date**

- a) Certified copies of the executed, recorded, FINAL construction mortgage document for 2004 LIHTC projects are due on or before 5:00 p.m. (EST), no later than twelve months after the reservation date. The construction mortgage document must have the recorder's clock mark date stamp showing the date, book, and page number of recording.
- b) The executed binding commitment for syndication for 2004 LIHTC projects is due on or before 5:00 p.m. (EST), no later than twelve months after the reservation date.
- c) Failure to meet these requirements will result in a \$1,000 penalty fee for each business day up to 7 business days after the deadline until the required documents are submitted.
- d) Failure to submit the required documents and the appropriate penalty fee within seven business days will result in all of the project's General Partners receiving negative three (-3) points for any tax credit application submitted to the Authority for up to five (5) years.

### **3. Fifteen Months after the Reservation Date**

- a) All 2004 tax credit developments must be under construction.

- i. New construction developments must have all footings in place, no later than fifteen months after the reservation date, as evidenced by photographs submitted with a progress report that is certified by the project architect or project engineer. The Authority will allow the use of monolithic slabs and will allow a substitute for the footings requirement. The substitution must equate to having progressed to a point equal to having the footings poured.
  - ii. Rehabilitation developments must have begun actual rehabilitation of the units, no later than fifteen months after the reservation date, as evidenced by photographs submitted with a progress report that is certified by the project architect.
- b) Rehabilitation and new construction must be continuous and progressive from this date forward, to completion. If it is determined that the Applicant started the construction or rehabilitation only to technically meet this requirement, then the Authority will determine that these criteria have not been met.
  - c) Failure to meet these requirements will result in a \$1,000 penalty fee for each business day up to 7 business days after the deadline until the required documents are submitted.
  - d) Failure to submit the required documents and the appropriate penalty fee within seven business days will result in all of the project's General Partners receiving negative three (-3) points for any tax credit application submitted to the Authority for up to five (5) years.

#### 4. Progress Reports

- a) Progress reports (**Exhibit L**) will be due to the Authority no later than the 7<sup>th</sup> day of the month following the end of each calendar quarter even if the 7<sup>th</sup> day lands on a weekend or state holiday.
- b) The Authority will accept Progress Reports by fax (803-734-2390).
- c) The first progress report will be due on April 7, 2005, and every quarter thereafter until the development reaches a stabilized occupancy of at least 93%. "Stabilized occupancy" is defined as maintenance of at least 93% occupancy for six consecutive months.
- d) Progress reports must accurately describe the status of the development to date. The Authority will use these reports to track the progress of the development.
- e) All projects are subject to inspection by Authority staff at any time.
- f) A fine of \$1,000 for each business day will be assessed against any project whose progress reports are not received on the date they are due up to seven (7) business days.
- g) Providing false or misleading information on the reports will result in the debarment of the development's **Principals** from further participation in the LIHTC program for a period of not less than five years as defined in the LIHTC Program Disqualification section.

## VII. COMPLIANCE

**COMPLIANCE MONITORING PROCEDURES** (Applicable to all buildings including those receiving low-income housing tax credits by virtue of tax-exempt bond financing). Section 1.42-5 (a) of U.S. Treasury Regulations (the "Regulations") requires that each QAP include a procedure that the housing credit agency will follow in monitoring for noncompliance with the provisions of Section 42 and in notifying the Internal Revenue Service (the "Service") of any noncompliance of which the agency becomes aware. The procedure for monitoring contained in the QAP must contain procedures consistent with the Regulations that address the following areas: record keeping and record retention; certification and review; on-site inspection; and notification as to noncompliance. This section is included in the QAP in order to comply with the mandate of the Regulations. The Authority reserves the right to make such alteration or amendment to its monitoring procedures as may be required. Such alteration or amendment is expressly permitted without further public hearings. Specific procedures that Owners must follow to remain in compliance with Program requirements are outlined in the Low-Income Housing Tax Credit Program Compliance Monitoring Manual. Changes and updates to the manual can be found on the Authority's web site. The web site address is [www.sha.state.sc.us](http://www.sha.state.sc.us).

### A. Record Keeping

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

1. The total number of residential rental units in the building (including the number of bedrooms and the size, in square feet, of each residential rental unit);

2. The percentage of residential rental units in the building which are low-income units;
3. The rent charged on each residential rental unit in the building (including utility allowances);
4. The number of occupants in each low-income unit;
5. The low-income vacancies in the building and information that shows when, and to whom, the next available units were rented;
6. The annual income certification of each low-income tenant per unit. The Household Income Certification (HIC-1) or other Authority approved income certification must be signed and dated by each adult member of the household and executed on or before the date of initial move-in. Thereafter, gross annual household income must be re-certified every twelve (12) months unless the building Owner has applied for and received the Waiver of Annual Income Re-certification as described in IRS Revenue Procedure 94-64.
7. Documentation to support each low-income tenant's income certification consisting of verifications of income from third parties such as employers or state agencies paying unemployment compensation. Such third party verifications may be supported by copies of the tenant's federal income tax returns or W-2 forms. All income verification documentation must be received before the HIC-1 may be executed. Income verifications are valid for ninety (90) days from the date of the verifying party's signature or printout. If the information is orally updated by the source, owners may use these verifications for an additional 30 days. Owners may not rely on verifications that are more than 120 days old to support an annual income certification. Tenant income must be calculated in a manner consistent with the determination of income under Section 8 and not in accordance with the determination of gross income for federal income tax liability. In the case of a tenant receiving housing assistance payments under the Section 8 program, the documentation requirement of this paragraph is satisfied if the public housing authority administering the Section 8 program provides the building owner with a statement that the tenants' income does not exceed the applicable income limit under Section 42(g);
8. The eligible basis and qualified basis of the building at the end of the first year of the credit period;
9. The character and use of the nonresidential portion of the building included in eligible basis under Section 42(d) (for example, (i) tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or (ii) facilities reasonably required by the development);
10. Copies of executed IRS Forms 8609, Schedules A, Forms 8586, or other applicable documentation filed with the IRS for the purposes of claiming the LIHTC. Notwithstanding Section III, paragraph B below, these documents must be retained and available for inspection for the entire "Compliance Period."

#### **B. Record Retention**

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

#### **C. Certification**

The Owner of a low-income housing development must provide to the Authority on or before the first day of February of each year after such development has been Placed-In-Service, an annual Owner's Certification for the preceding calendar year which certifies:

1. The development met the requirements of the 20-50 test under Section 42(g)(1)(A), or the 40-60 test under Section 42(g)(1)(B), whichever set-aside test was applicable to the development;
2. If applicable to the development, the 15-40 test under Sections 42(g)(4) and 142(d)(4)(B) for "deep rent skewed" developments;
3. If the owner elected additional set-asides to earn ranking points according to the QAP, the development met those set-asides.
4. There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the development, or that there was a change and a description of the changes;
5. The Owner has received an annual income certification from each low-income tenant, and documentation which supports the accuracy of that certification, or, in the case of tenants receiving Section 8 housing assistance payments, the statement from the public housing authority described in Section III, paragraph A (7) above, or the owner has a re-certification waiver letter from the IRS in good standing that waives the requirement to obtain third party verification at re-certification and has received an annual income

- certification from each low-income household and documentation to support the certification at their initial occupancy;
6. Each low-income unit in the development was rent-restricted under Section 42(g)(2);
  7. All units in the development were for use by the general public and used on a non-transient basis (except for transitional housing for the homeless under Section 42(i)(3)(B)(iii));
  8. No finding of discrimination under the Fair Housing Act, 42 USC 3601-3619, has occurred for this project. A finding of discrimination included an adverse final decision by the Secretary of Housing and Urban Development, an adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court;
  9. Each building in the development was suitable for occupancy, taking into account local health, safety, and building codes, and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the project;
  10. There was no change in the eligible basis (as defined in Section 43(d)) of any building in the development, or if there was a change, the nature of the change (for example, a common area has become commercial space, or a fee is charged for a tenant facility formerly provided without charge);
  11. All tenant facilities included in the eligible basis under Section 42(d) of any building in the development, such as swimming pools, other recreational facilities, and parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the building;
  12. If a low-income unit in the building became vacant during the year, that reasonable attempts were or are being made to rent that unit or the available unit of comparable or smaller size to tenants having a qualified income before any units in the development were or will be rented to tenants not having a qualifying income;
  13. If the income of tenants of a low-income unit in the development increased above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the development was or will be rented to tenants having a qualifying income;
  14. An extended low-income housing commitment as described in Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Revenue Reconciliation Act of 1989), including the requirement that an owner cannot refuse to lease a unit in the development to an Applicant because the Applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f, and the Owner has not refused to lease a unit to an Applicant based solely on their status as a holder of a Section 8 voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C.1437f;
  15. The development meets the provisions, including any special provisions as outlined in extended low-income housing commitment;
  16. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified nonprofit organizations" under Section 42(h)(5) of the Code and its nonprofit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code;
  17. There has been no change in the ownership or management of the project, or provide details of changes in ownership or management of the project.

#### **D. Review**

The Authority will review the certifications submitted under Section III, paragraph C to determine whether or not the requirements of Section 42 have been complied with by the Owner.

Annually the Authority will inspect at least thirty three percent (33%) of affordable developments to which it has made an allocation under Section 42. In each development selected for review, the Authority will review the low-income certifications, the documentation the Owner has received to support that certification, and the rent record for no fewer than twenty percent (20%) of the low-income units located in each such development. Records relating tenant income, supporting documentation and rent records will be selected at random by the Authority's monitoring officer at the time the review is held. In addition, the Authority's monitoring officer will conduct a physical inspection of each low-income unit that receives a record review. The purpose of the physical inspection will be to determine whether or not the units meet Uniform Physical Condition Standards as defined by Housing and Urban Development. The Owner will be notified prior to the arrival of the Authority's compliance staff conducting the management review.

As necessary, the Authority will review documentation to support the nonprofits continued participation in the development throughout the compliance period as described in the development agreement.

#### **E. Frequency and Form of Certification**

Certifications are required annually covering each year of the credit period under oath and shall be subject to the penalties of perjury provided by law.

The Authority reserves the right to require the submission of the certifications required by Section III, paragraph C and the review required by Section III, paragraph D more frequently than on a twelve (12)-month basis, provided that all months within each twelve (12)-month period are subject to certification.

#### **F. Inspection**

In addition to and separate from the review required by Section III, paragraph D, the Authority reserves the right to perform an on-site inspection from time-to-time of any affordable housing development. The Authority's right to perform such inspection shall be ongoing and shall continue at least through the end of the compliance period and any extended use period.

#### **G. Notification of Noncompliance**

The Authority will provide prompt written notice to the Owner of a affordable housing development if the Authority does not receive the certifications required by Section III, paragraph D or if it is not permitted to review tenant income certifications, supporting documentation and rent records, or if it discovers by inspection, review, or in some other manner, that the development is not in compliance with the provisions of Section 42.

The Authority will file Form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance" with the Internal Revenue Service no later than forty-five (45) days after the end of the correction period described in Section III, paragraph I, below (including any permitted extensions), and no earlier than the end of the correction period, **whether or not the noncompliance or failure to certify has been corrected.** The Authority shall explain on Form 8823 the nature of the noncompliance or failure to certify and shall indicate whether or not the Owner has corrected the noncompliance or failure to certify. Any change in either the applicable fraction or the eligible basis that results in a decrease in the qualified basis of the development under Section 42(c)(1)(A) is noncompliance and must be reported to the Service. Should the Authority report on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the Authority need not file Form 8823 in subsequent years to report that buildings' noncompliance.

#### **H. Authority Retention of Records**

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

#### **I. Cure Period**

The Owner will be given the opportunity to supply any missing documentation or correct physical deficiencies to bring the development into compliance with Section 42 and Program requirements. The Cure Period will not exceed ninety (90) days and will begin on the date of the written notice given by the Authority pursuant to Section III, paragraph G. The Cure Period for violations that threaten the health and/or safety of tenants will not exceed forty-eight (48) hours. The Authority will grant an extension of the ninety (90) day cure period for an additional period not to exceed six (6) months only in the event of judicially caused delays in the eviction of tenants.

#### **J. Compliance Monitoring Fees**

The Owner of each building to which an allocation of the LIHTC has been made by the Authority shall pay to the Authority an annual compliance-monitoring fee of **\$25** for each low-income unit contained in each such building. **All compliance monitoring fees must be paid to the Authority within thirty (30) days of the date on which the building is Placed-In-Service and on or before the first day of February of each succeeding year throughout the remainder of the fifteen (15) year compliance period and any extended use period.** Checks should be made payable to the South Carolina State Housing Finance and Development Authority. The Authority will assess a 10% late fee of the total outstanding balance for payments received after 30 days from the date due. The minimum late fee will be **\$50**. Interest accrues daily

at a rate of 20% (to include the original amount due and the 10% late fee) for fees received in excess of 60 days from the date the fees were due. A **\$20** fee will be assessed for any checks that are returned to the Authority due to insufficient funds. **The Applicant must be in compliance with all Authority-administered programs or any other federal programs.** The Authority reserves the right to make adjustments in the amount of the annual compliance monitoring fee from time-to-time to defray the cost of compliance monitoring. The making of such an adjustment by the Authority shall not be treated as an amendment of the **QAP**.

**K. Liability**

Pursuant to the provisions of Section 1.42-5(g) of the Regulations, compliance with the provisions of Section 42 is the responsibility of the Owner of the buildings to which an allocation of LIHTC has been made. The obligation of the Authority to monitor the Owner's compliance with the provisions of Section 42 does not make the Authority liable for noncompliance on the part of the Owner.

**VIII. APPROVAL BY THE GOVERNOR**

I, Mark Sanford, Governor of the State of South Carolina, do hereby signify my approval of this LIHTC Qualified Allocation Plan for the distribution of Federal Low-Income Housing Tax Credits in this State, in conformance with Section 42 of the Internal Revenue Code, as amended.

The Authority is expressly granted authorization, to the extent it deems necessary, to amend this QAP, without the necessity of further approval, for the purpose of clarification or ensuring compliance with federal law and regulations governing the allocation and use of LIHTCs, as the same may from time to time be amended or promulgated.