

South Carolina State Housing Finance and Development Authority
Low-Income Housing Tax Credit Program
2000 Qualified Allocation Plan

I. INTRODUCTION

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 the 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 14,000 low-income rental housing units in South Carolina.

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 will use in evaluating and monitoring developments submitted to it by the Sponsor/Applicant for consideration in making an allocation of the LIHTC. The Sponsor/Applicant is hereinafter referred to as (the “Applicant”). The QAP must be approved by the Governor 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’s Manual. All defined terms not found in this QAP are contained in the Manual. All provisions of the Manual not directly in conflict with the provisions herein, are incorporated by reference into this QAP.

II. ALLOCATION PROCESS

A. General Program Guidelines

1. 2000 Program Schedule

The 2000 LIHTC Program will be operated according to the following Schedule:

November 15, 1999

A public hearing will be held at the Sheraton Hotel and Conference Center in Columbia, S.C.

January 26, 2000

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 or Windows 98.

February 9, 2000

A one-day training workshop will be held in Columbia, S.C. from 9:00 a.m. until 4:00 p.m. Authority staff will review the current year's tax credit program and application including the QAP. Changes from the previous program year will be highlighted. After the training workshop, specific questions regarding the tax credit program and/or application must be faxed to Authority staff at (803) 253-6882. Depending upon the complexity of the explanation, the Authority, in its sole discretion, may choose to respond in writing or by telephone.

April 17, 2000 through April 21, 2000

The Authority will begin accepting LIHTC Applications from 9:00 a.m. (EST), April 17, 2000 until 4:00 p.m. (EST), April 21, 2000. No tax credit application will be accepted, under any circumstance, after 4:00 p.m. (EST), on April 21, 2000.

Carryover and Placed-In-Service Application Dates

Placed-In-Service Applications are due on or before November 1, 2000, and Carryover Applications are due on or before November 20, 2000. Applications must be in the Authority's office not later than 5:00 p.m., (EST).

Placed-In-Service Applications and Carryover Applications not received by the Authority on the respective due dates stated above, may be submitted up to twenty-one (21) days thereafter only upon payment of a penalty fee equal to \$100.00 per calendar day. Such penalty fee must be paid to the Authority at the time the late application is submitted.

2. Application Submission Fees

The application submission fee for developments competing in the Nonprofit and Hope VI Set-asides is **\$1,100.00** per application. The application submission fee for developments competing in the General Pool and RHS Set-asides is **\$2,100.00** per application. All fees are non-refundable. The fee must be in the form of a cashier's check or certified funds made payable to the South Carolina State Housing Finance and Development Authority.

3. Application Submission Procedures

One original hard copy of the LIHTC Application must be submitted for each development. If State HOME funds are being applied for in conjunction with the tax credit application cycle, then the original LIHTC Application and one copy, with all applicable attachments, exhibits, certifications, opinions etc., must be provided.

Applicants may, during the first three days of the tax credit application cycle (i.e., April 17-19, 2000) submit an application for Authority staff to perform a completeness review. Applications will be reviewed on a first-come first serve basis. The purpose of the completeness review is to provide the Applicant the opportunity to review its application along with Authority staff for completeness, and completeness **only**. The completeness review will consist of Authority staff reviewing (a) the organization of the application and (b) the “check-off” of all documents listed on the Authority’s application checklist. Applications will not be reviewed for point ranking. If an application is deemed complete, the Applicant can leave the application, along with the appropriate application fee, with Authority staff to be point ranked. If the application is not complete, then the Applicant can keep the application, make the application complete, and return the completed application along with the application fee by the end of the application cycle deadline. No points will be deducted for missing and/or incomplete documents found during the April 17th, 18th, and 19th completeness check, if, and only if, the missing and/or incomplete documents are corrected and submitted by the application submission deadline of 4:00 p.m. (EST) on April 21, 2000.

Once the application cycle has closed, applications will be reviewed for completeness. Any application with a missing and/or incomplete document will lose one (1) point for each missing and/or incomplete document. A list of missing and/or incomplete documents will be provided to the Applicant. The Applicant will have seven (7) business days from the date of mailing to provide the missing and/or incomplete document to the Authority. The Applicant may not regain the missing points. **Any application, which after the (7) business days remains incomplete, will be rejected.**

Additionally, as part of the final application submittal, the Applicant will self-score the application using **Exhibit B** provided in the application package. During the evaluation process, Authority staff will independently rank the application and then compare the ranking the Authority determined the development earned to the self-scoring the Applicant submitted. The Applicant will be advised of any discrepancy and will be allowed to come in and discuss the Authority’s ranking before a final ranking is determined for the application. In the event that an Applicant disagrees with the score earned by its application, it may make that fact known along with those facts that are the basis of its disagreement. During this meeting the Applicant may be represented by counsel. Once this process is concluded with all Applicants, a final point ranking for all applications submitted in the application cycle will be released.

4. Set-asides and General Pool (for competitive cycle only)

- **\$300,000.00** of the State Ceiling is reserved for the exclusive use of developments financed through the Rural Housing Service (RHS). Developments proposing to utilize the RHS 538 Loan Guarantee Program are not eligible to compete in this set-aside. Should this amount exceed demand, the Authority will use the excess to fund developments in the General Pool.

- **\$600,000.00** of the State Ceiling is reserved for the exclusive use by recipients of a HOPE VI Award. Should this amount exceed demand, the Authority will use the excess to fund developments in the General Pool.
- **\$900,000.00** of the State Ceiling is reserved for the exclusive use by eligible nonprofit organizations. The Authority will not allocate more than \$300,000.00 in annual credits to any one development within this set-aside. Additionally, within the Nonprofit Set-aside, the Authority will limit the number of reservations given to developments in a single county to (2) two. Should this amount exceed demand, The Authority will use the excess above 10% to fund developments in the General Pool.

In order to compete within the Nonprofit Set-aside, the nonprofit organization(s) must be designated as a tax-exempt organization(s) under Section 501(c)(3) or 501(c)(4) of the Code, and the managing general partner must have among its exempt purposes the development of low-income housing. The Nonprofit Applicant must meet all qualifications contained in section 42 of the Internal Revenue Code of 1986, as amended, and must also meet the requirements for material participation contained in Section 469 of the Code. If the ownership entity of the development is a limited partnership, the ownership interest of the nonprofit general partner(s) must be 100%. The nonprofit general partnership may be an association or alliance of two or more eligible nonprofit organizations, but may not contain any for-profit members or participants. The qualified nonprofit organization(s) must retain 100% of the developer's fees. Fees paid by the nonprofit to third party development consultants, evidenced by the cost certification, must not exceed \$75,000.00.

The Nonprofit Applicant must be authorized to do business in South Carolina and at least one of the nonprofit general partners, must be based in the community in which the proposed development will be located, or if not based in the community, it must have three years of experience in providing nonprofit tenant services. 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. **Joint ventures between a for-profit entity and a nonprofit entity are not eligible within the Nonprofit Set-aside.**

- **\$3,000,000.00** of the State Ceiling is reserved for any type of development. In order to qualify to compete in the General Pool, the Applicant must be qualified to do business in the State of South Carolina and must have previous experience in the development of LIHTC developments. "Experience in the development of Low-Income Housing Tax Credit developments," means coordinating the development team in planning, financing and constructing a development through its receipt of a Certificate of Occupancy.

The Authority will not allocate more than \$500,000.00 in annual credits to any development within the General Pool. Additionally, within the General Pool, the Authority will limit the number of reservations given to developments in a single county to (3) three.

5. Development Ranking

The Authority staff will evaluate all LIHTC Applications to determine if the proposed developments meet the State's housing needs and priorities. All development applications will

be financially evaluated and ranked prior to consideration for a reservation or allocation of tax credits. Specific priorities and preferences will be used in development ranking as defined in Section C.

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). Those developments determined not to be financially feasible or determined not to need the tax credit will be eliminated.

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.

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:

- When the initial application is made;
- When the allocation of the tax credit is requested; and
- When the 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.” **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.**

6. Combination with Authority Administered HOME Program

LIHTCs can be combined with funding from the Authority’s HOME program only during the Combined Rental Housing Application competition. LIHTCs will not be allocated to any development that has submitted a Combined Rental Housing Application unless the development has obtained its requested amount of funding from the HOME Program.

Private activity bond-financed developments which receive non-competitive tax credit allocations are not eligible to receive funding from any other Authority-administered program.

7. Material Changes Prohibited

If, upon the submission of the Carryover or the Placed-in-Service Application, it is determined that the development is not substantially the same as the development described in the Initial Application, the development will not receive an allocation of Low-Income Housing Tax Credits. Changes in the total number of tax credit units, number of bedrooms per unit mix, special needs targeting, tenant mix (low-income/market rate), and site are deemed to be material, and are not permitted. Changes in the number of buildings and units contained in each building will be allowed if changes are required by local regulatory codes. It is expected that the

developments to which Low-Income Housing Tax Credits are allocated will be the same as those developments that were originally scored against this **QAP**.

8. Transfers

Reservation and Carryover Allocations are not transferable. Placed-in-Service Allocations will be issued only in the name of the entity named in the Initial Application. Transfers subsequent to the issuance of the Placed-in-Service Allocation are subject to provisions of section 42(j)(6) of the Code.

9. Returns of Credit

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).

10. Fractional Rounding

Fractional units must be increased to the next whole unit.

11. ADA Requirements and Certification

The Authority will not allocate any LIHTC dollars to a development unless the Applicant submits, with its Initial 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. 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 unqualified 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 Standard A117.1 - 1986 of the American National Standard Institutes, Inc. (ANSI), or such other standard or standards as may be specifically referred to as have been accepted by the appropriate State or Federal agency as meeting the requirements of the statutes referred to in this paragraph, as they then exist.

12. Document Timeliness

All supporting documentation required for the 2000 program year must be no more than 180 days old (dated not sooner than November 1, 1999) on the date that the Initial Application is submitted to the Authority.

13. Underwriting Criteria

Operating and Replacement Reserves

Developments are required to establish and maintain minimum operating reserves equal to six (6) months of projected operating expenses.

Developments are required to establish and maintain minimum replacement reserves of **\$200.00** per unit annually for new construction and **\$300.00** per unit annually for rehabilitation. Replacement reserve requirements for elderly rehabilitation developments are **\$200.00** per unit annually.

Developer Fees

The development costs are evaluated for reasonableness, necessity, and eligibility. 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 and Developer Overhead are as follows:

- New Construction – The sum of Developer Fees plus Developer Overhead may not exceed **15 %** of the Total Development Costs (excluding Developer Fees and Developer Overhead).
- Rehabilitation without a change in ownership – The sum of Developer Fees plus Developer Overhead may not exceed **15%** of the Total Development Costs (excluding Developer Fees and Developer Overhead).
- Acquisition/Rehabilitation
 - a) Acquisition – For acquisition/rehabilitation developments, the sum of Developer Fees plus Developer Overhead may not exceed **5%** on the acquisition cost portion of the Total Development Costs (excluding Developer Fees and Developer Overhead).
 - b) Rehabilitation – The sum of Developer Fees plus Developer Overhead on rehabilitation costs may not exceed **15%** of the Total Development Costs (excluding Developer Fees and Developer Overhead).

Contractor Cost Limits

Contractor Cost Limits are as follows:

- Contractor Profit is limited to a maximum of **6%** of the Hard Construction Costs.
- Contractor Overhead is limited to a maximum of **2%** of Hard Construction Costs.
- General Requirements are limited to a maximum of **6%** of Hard Construction Costs

Operating Costs

Applicants must provide a detailed explanation of the methodology used in determining operating costs. Annual operating costs are expected to range from a minimum of **\$1,800.00** to a

maximum of **\$3,200.00** per unit. Annual operating costs per unit are to be calculated excluding reserves.

Debt Coverage Ratio

LIHTC dollars will not be reserved or allocated to developments which are not made financially feasible by the credit or which are financially feasible without the credit. Hence, the development’s Debt Coverage Ratio must fall within the range of **1.10 to 1.30**.

Annual Rent, Expense Trends and Vacancy Rates

Development rents will trend at a **3%** annual increase, while operating expenses will trend at a **4%** annual increase. All developments will be underwritten with a minimum vacancy rate of **7%**. The pro forma financial statements must substantiate that the development will maintain a positive cash flow for the full fifteen (15) year period.

Minimum Rehabilitation Requirement

The Authority requires a minimum rehabilitation expenditure of **\$6,000.00 in hard construction costs** per unit for an acquisition and/or rehabilitation development.

14. Developments Financed With Private Activity Bonds

Developments financed by private activity bonds **may** be eligible to receive a 4% tax credit without being required to participate in the regular competitive allocation process. 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.

In order to receive a non-competitive allocation, developments financed with the proceeds of an issue of private activity bonds must be eligible to receive a LIHTC allocation under the QAP for the year in which the bonds used finance the development received an allocation of the State’s Private Activity Bond Ceiling pursuant to §146 of the Code. At the time an allocation of Private Activity Bond Ceiling is received for a development, evidence of the receipt of said allocation, together with information sufficient to make a preliminary determination as to whether or not the development might qualify for funding under the then-current QAP may be submitted to the Authority. Following the submission and review of the above-described information, the Authority will provide a preliminary, non-binding opinion as to whether the development, if completed as described to the Authority, could be capable of receiving funding the then-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 verified; (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.

Applications for non-competitive tax credits will be accepted 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 non-competitive 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 reserves the right to undertake its own underwriting review of 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 will 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 utilize a non-competitive tax credit allocation. Such notice must have been attached to the application for bond financing filed with the Authority.

Applications for non-competitive allocations of tax credits may be submitted at any time prior to the placed-in-service application deadline specified in the QAP for the year in which the private activity bonds used to finance the development received a portion of the State's Private Activity Bond Ceiling.

As previously noted in section 6 of this QAP, **private activity bond-financed developments that receive non-competitive tax credit allocations are not eligible to receive funding from any other Authority-administered program.**

B. Threshold Requirements

The following requirements **must** be included in the Application Package submitted to the Authority for the consideration of a reservation/allocation of credits. Applications will not be scored against the QAP if documents evidencing these requirements are not included in the Application Package.

- **Site Suitability**

The site must be suitable for the proposed development. The Authority requires a narrative description of the current use of the subject property, all adjacent property land uses, the surrounding neighborhood, and identification and proximity of services available to the proposed property, including transportation. Labeled photographs (or color copies) of the proposed property and all adjacent properties must be provided as well as a clear map identifying the exact location of the development site.

Authority staff will conduct site evaluations on each proposed site. If any detrimental site characteristics exist on, or adjacent to, the site, **the Authority will reject the application**. The following represents some, but not all, detrimental site characteristics:

- Sites located within ½ mile of pipelines (excluding low pressure natural gas distribution lines, water and sewer lines) or storage areas for hazardous or noxious materials, sewage treatment plant or other solid waste facility; or
- Sites where the slope/terrain is not suitable for development, i.e. there must not be problems with drainage, existing wetlands, steep slopes and/or waterways on the site; or
- Sites where there are obvious physical barriers to the development; or
- Sites that are isolated and therefore not well integrated into an existing community;
- Sites which are located within ½ mile of a sanitary landfill or sites which were previously used as a sanitary landfill.
- **Site Control**

At the time of application submittal, the Applicant must have site control. Both the buyer and seller must show evidence of site control by having executed documents. The following may be proper evidence of site control:

- a) The Applicant holds title to the property on which the development will be constructed by a properly executed and recorded Deed;
- b) The Applicant has an executed purchase option with date certain performance;
- c) The Applicant has an executed purchase contract; or
- d) The Applicant has an executed 99-year land lease or option on a long-term lease.

- **Zoning and Locational Standards**

The Applicant must demonstrate that the zoning for each site on which the development will be located allows for the use(s) proposed by the Applicant. A letter from the local jurisdiction must be submitted with the application stating the proposed development meets all zoning requirements and no further variances will be required. If the proposed development is located in a county or jurisdiction that does not have zoning requirements, a letter from the local jurisdiction must be submitted attesting the fact that no zoning regulations are in effect.

The Applicant must submit with the application a locational standards letter from the appropriate local official 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. In the event that the development is proposed to be located in an area that has not adopted such standards or ordinances a letter from the local official so stating is required. (see **Exhibit O** for sample letter)
The letter must include:

- a) Address and Tax Map #, and;
- b) Total number of low-income units and total number of market rate units.

- **Utilities**

The Applicant must provide evidence of the availability of utilities (water, sewer and electric/gas) to the proposed site.

- **Market Study Requirements**

All developments requesting LIHTCs must have a market study submitted with the application. Developments with 10 or fewer units are exempt from this criteria but a narrative must be provided which demonstrates the market need for the existing units at the proposed rents. The market study must be conducted by an independent, third party, professional market analyst. The independent third party market analyst must be someone other than the parties listed as development team members in the application. The market analyst should have, at a minimum, the following qualifications:

1. Be experienced in the areas of market demand and feasibility studies, particularly as it relates to multifamily developments; and
2. Have conducted market studies on a regular basis for multifamily mortgage lenders, syndicators and investors.

Any misrepresentation in the market study may result in the denial of future participation for the general partner(s) as well as the market analyst in the Authority's rental housing programs. No developments with market studies that contain negative conclusions will be considered for a reservation of tax credits.

Prior to the time it grants a reservation of LIHTCs, the Authority reserves the right to require an additional market study by an analyst chosen by the Authority. The study, if requested, will be at the expense of the Applicant. If the second market study does not support the conclusions made by the first market study, the Authority may reject the application.

The market study must include and/or address all of the following items:

- A certification that the analyst has visited the site and has consulted with individuals familiar with the local housing market in the proposed development area.
- A statement by the market analyst that attests to the ability of the market area to support the proposed development.
- A statement as to how the proposed rents will meet the current market demand.
- A narrative addressing the problem of substandard housing in the market area.
- A statement as to how the targeted population is identified in the market area and the need for the type of housing proposed for that population. If the targeted population is a special needs population then provide a narrative identifying that market and specifically state that there is an adequate demand for these units by the targeted special needs population.
- A description of the geographical boundaries from which you expect the prospective tenants to come. Identify whether potential tenants will come from substandard housing, subsidized or market rate developments.
- Include the total number of tax credit eligible households from the market area that would qualify to be tenants in the project. Also, discuss the household trends in the area including

average household income, average household size, and renter versus homeowner households.

- Provide a narrative on the population trends of the market area. Include the total population count of the proposed project area as well as past and future population growth and/or decline patterns.
- Provide an analysis of the current and future estimates (over the next three years) of supply and demand of units and compute the new demand for units in the market area.
- Provide an analysis of the impact the proposed development will have on all existing units (ex. market rate, subsidized, and tax credit).
- Provide a list of current and proposed tax credit developments in the defined market area. Also, provide an analysis as to the impact the proposed tax credit development would have on these existing tax credit developments. The market study must conclude that there is not over development of tax credit properties within the market.
- Include a map with the location of the proposed site clearly marked as well as the location of all other apartment complexes in the area, as well as apartments coming on the market within the next year. Location of nearby services such as schools, grocery stores, pharmacies, etc., must be shown on a map.
- Provide a table that includes a breakdown by unit size, bedroom count, monthly rent, monthly utilities, development age, amenities, vacancy rates and distance from the proposed development of all market rate and subsidized developments.
- A description of the development's design and location and how the development will be beneficial to the targeted tenants.
- A description of the proposed project, including details regarding the number of buildings and units, units per building, floors per building and unit, type of heating and cooling system, etc. Also include the type of framing and exterior to be used in construction.
- List all assumptions and methods used by the market analyst including data sources.
- A disclosure statement regarding the relationship between the analyst and the Applicant.
- An identity of interest statement regarding any interest the analyst may have in the development other than the preparation of the market study.
- A resume summarizing the analyst's educational background, professional experience and a list of business references.
- A final conclusion and recommendation statement must be provided. The conclusion statement should summarize the competitiveness and viability of the proposed development in the market area, whether the analyst thinks the development should proceed or not, and list any concerns the analyst has with the proposed development. All statements and recommendations must be supported by the facts presented in the market study.

The items listed above are the minimum required to meet the Authority's market study requirements. Additional information appropriate to the market area and the proposed development should be included in the market study.

• **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. No opinion submitted by an attorney that is not based on an independent investigation of the facts and circumstances surrounding a proposed development will be accepted. All certifications must be in the form specified by the Authority.

No Application will be accepted if a certification has been altered, amended, changed or not signed.

Attorneys, Architects, and Certified Public Accountants must be licensed to do business in the State of South Carolina.

- **Public Notification**

The Applicant must notify, in writing, the following officials:

- a) Chief Executive Officer (political jurisdiction in which the proposed development is located);
- b) State senator (district in which proposed development is located); and
- c) State representative (district in which proposed development is located).

The notification must be sent via certified mail, return receipt requested, **and dated no later than two (2) weeks prior to the submission deadline date for LIHTCs**. A copy of the return receipt for certified mail and copies of your notification letters must be submitted with the application. The letter must include the following: (see **Exhibit M** for sample letter)

- a) The proposed development address;
- b) The total number of units;
- c) A statement regarding the recipient's right to submit comments; and
- d) The address of the Authority and to who comments should be sent.

C. Competitive Review

The Authority has developed an allocation scoring system based on the identified housing needs for South Carolina as well as federal mandates for the LIHTC program. Points are awarded based on the criteria below:

- a) Location Characteristics;
- b) Development Characteristics;
- c) Sponsor/Applicant Characteristics;
- d) Targeting/Extended Use Characteristics;
- e) Financial Characteristics.

Location Characteristics

1. Preference will be given to developments located in federally designated empowerment zones, enterprise communities or champion 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. **25 points**

2. Preference will be given to developments located in a active community-designated targeted revitalization areas other than empowerment zones, enterprise communities and champion communities evidenced by an existing written community revitalization plan. The community revitalization plan must have been adopted by city or county council and include a provision for

the fostering of the development of affordable rental housing. To receive this preference, the Applicant must submit a copy of the community revitalization plan showing evidence of its adoption as well as a letter from the local government dated no later than the application submission date documenting the designation of the area and the location of the development site within the designated area. **15 points**

3. 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 (RHS). A letter must be submitted from the RHS State Multifamily Housing Director. **5 points**

4. Preference will be given to developments located in Qualified Census Tracts (QCT’s). **5points**

Development Characteristics

1. Preference will be given to Applicants with the least number of units in the development as follows:

- a) Up to seventy-five (75) units **75 points**
- b) Seventy-six (76) up to one hundred (100) units **50 points**

2. Preference will be given to the rehabilitation of existing rental developments or the conversion (adaptive reuse) of existing buildings to preserve or create affordable housing. The rehabilitation or conversion must result in an expenditure of at least **\$6,000.00** per unit in Hard Construction Costs. **25 points**

3. Preference will be given to developments based on energy efficiency of the units. To receive this preference, the Architect and/or Professional Engineer Certification (**exhibit G**) must be submitted with the application.

- a) Developments that insulate attics to R-38. **20 points**
- b) Developments that utilize at least 10 SEER HVAC units. **20 points**
- c) Developments that utilize an exterior wall system that consists of: 2x6 studs, 7/16” OSB exterior wall sheathing, Tyvek or equal housewrap, R-19 wall insulation, ½” gypsum board or interior paneling, or replace 7/16” OSB and Tyvek with ½” isocyanurate (e.g. R-Max). **10points**

4. Preference will be given to developments based on utilization of Durable Construction. To receive this preference, the Architect and/or Professional Engineer Certification (**exhibit G**) must be submitted with the application.

- a) Brick Veneer or Brick Veneer (40%) and remaining exterior siding to be fiber cement; or **25 points**
- b) Brick Veneer (40%) and remaining exterior siding to be vinyl siding with a thickness of at least .044 mils; or **20 points**

- c) Full fiber cement or cedar siding; or **15 points**
- d) Full vinyl siding with thickness of .044 mils. **10 points**
- e) Architectural anti-fungal shingles or equivalent. **15 points**
- f) Interior doors that are six paneled colonist or solid core birch or solid core lauan. **10 points**
- g) All interior cabinets to be solid wood or wood/plastic veneer products with dual slide tracks on drawers. **10 points**
5. Preference will be given to developments that are located by public road within one (1) mile of two or more of the following services: grocery stores, pharmacies, convenience stores, family medical facilities, or schools. **10 points**
6. Preference will be given to developments that have among its general partner(s) within the limited partnership (or its equivalent in a limited liability company) an established Community Development Corporation (CDC) that is a member of the South Carolina Association of CDC's or a Community Housing Development Organization (CHDO) that is state designated and/or Participating Jurisdiction (PJ) designated. The development must be located within the service area of the CDC or CHDO. To receive this preference, the Applicant must pay a portion of the developer fee to the CDC or CHDO. Additionally, the Applicant must submit a tenant supportive services plan, as well as, enter into a supportive services contract with the CDC or CHDO to provide tenant services appropriate for the target population such as: credit and family budget counseling; homebuyer counseling; establishment of an individual development account program; development maintenance services; etc. **20 points**
- Note:** South Carolina Nonprofit organizations that have previously been a general partner in developments that have received 8609's regardless of whether they joint venture with a CHDO or CDC as described above, will be awarded these points if they are to be a general partner in the proposed development and retain 51% of the developer fee.
7. Preference will be given to developments within the **Rural Housing Service Set-aside that have been selected for RHS funding in fiscal year 2000**. To receive this preference, a letter must be submitted showing evidence of the selection from the RHS State Multifamily Housing Director. **50 points**
8. Preference will be given to developments within the General Pool that have been selected for funding for the RHS 538 Loan Program. To receive this preference, a letter must be submitted showing evidence of the selection from the RHS State Multifamily Housing Director. **10 points**
9. Preference will be given for the following Design Quality Standards: **2 points each**
- a) Sidewalk access to all parking spaces.
 - b) Curbing for paved areas throughout the development site including the parking areas.
 - c) A development sign at the entrance of the complex.
 - d) Exterior lighting at all entry doors and parking area.

- e) Enclosed trash dumpster or compactor.
- f) All units have balconies, patios or sunrooms.
- g) All grass areas must be sodded.
- h) A minimum 1,200 sq. ft. community building that includes a leasing office.

10. Preference will be given for developments that include the following extra amenities:

2 points each

- a) Window coverings.
- b) Washer/Dryer hookups in all units.
- c) Microwave ovens in all units.
- d) Garbage disposal in all units.
- e) Dishwasher in all units.
- f) Living room ceiling fan in all units.
- g) Playground with commercial play equipment.
- h) Free standing shelters in appropriate locations such as the mail center, recreation areas or transportation stops.
- i) 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.

Sponsor/Applicant Characteristics

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 of Low-Income Housing Tax Credit developments. Experience points will be based on the demonstrated experience and qualifications of the general partner(s) (for which experience points are sought) of the proposed development. Each general partner (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 application. Experience points may be awarded to Applicant(s) in joint ventures on the basis of their combined experience. The Applicant(s) must complete the Previous Participation Certificate (see **exhibit ###**). 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 demonstrated general partner(s) experience as follows:

- | | |
|-------------------|------------------|
| 1-4 developments: | 40 points |
| 5+ developments: | 50 points |

Targeting /Extend Use Characteristics

1. 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. In addition, a supportive

services plan is required 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) and a sources and uses operating budget. A marketing plan must be submitted describing outreach, marketing, and advertising methods to be used to attract special need populations.

- a) **100%** of the units are designed, equipped and occupied by elderly person(s) fifty-five (55) years of age or older. All elderly developments are limited to one or two bedroom units. All elderly developments must be one-story structures. **Exception:** Developments may have more than one-story, provided that elevators service all upper level rental units; or **25 points**
- b) **100 %** of the development is duplex designed for families. The unit size must not exceed three (3) bedrooms; or **20 points**
- c) **100 %** of the development is for detached single-family homes. The development is limited to 30 single-family homes with a minimum square footage of 1,100. Each home must have three (3) bedrooms and two full bathrooms; or **15 points**
- d) **100%** single room occupancy units or transitional housing units. Occupancy of these units must be restricted to homeless or at risk individuals or families. **10 points**

2. Lowest Income Preference

Preference will be given to Applicants who voluntarily elect to target a percentage of their low-income units to households with incomes at **50%** or less of area median income.

- a) 76% up to 100% **15 points**
- b) 51% up to 75% **10 points**
- c) 25% up to 50% **5 points**

3. Public Housing Waiting Lists

Preference will be given to Applicant(s) who have elected 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. **5 points**

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.

4. 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. Single family detached unit developments that

will offer homeownership opportunities to qualified tenants after the initial 15-year compliance period will be awarded points under this criteria. **5 points**

Financial Characteristics

1. a) Preference will be given to developments that represent eligible basis costs per heated square foot (EBHSF) at or below **\$70.00**.

OR

b) Applicants that achieve **1** of the following 3 criteria will be allowed to receive points for representing EBHSF at or below **\$75.00**. Applicants that achieve **2** of the following 3 criteria will be allowed to receive points for representing EBHSF at or below **\$80.00**.

The 3 criteria are:

- 1) receive at least forty five (45) points under the Durable Construction Criteria;
- 2) receive at least ten (10) points under the Design Quality Standards Criteria;
- 3) receive at least fourteen (14) points under the Extra Amenities Criteria.

35 points

2. Preference will be given to developments based on the highest percentage of hard costs relative to the total development cost (i.e., 63% hard costs = 63 points). Hard costs include: land and buildings, site work, new and accessory buildings, and the rehabilitation of existing buildings.

• Development Tie Breaker

In the event that there are LIHTC Applications that receive the same points score, the Authority will give priority to the development that represents the lowest eligible basis per heated square foot.

• LIHTC Program Disqualification

General Partner(s) who provide false or misleading information in their applications will be disqualified from participating in the LIHTC Program for a period of time not to exceed three (3) years. General Partner(s) shall be given written notice by the Program Director of such and shall be afforded an opportunity to present evidence as to why their participation in the program should not be disqualified.

III. 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.

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 recertified every twelve (12) months unless the building Owner has applied for and received the Waiver of Annual Income Recertification as described in IRS Revenue Procedure 94-64.
7. Documentation to support each low-income tenants' 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 tenants' 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 Three, 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-a-sides 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 Three, paragraph A(7);

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. Each building in the development was suitable for occupancy, taking into account local health, safety, and building codes, or, in the absence of such codes, that each building and each of the units contained in each building meets the Authority's program requirements similar to those contained in the housing quality standards of the Section 8 program;
9. 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);
10. All tenant facilities included in the eligible basis under section 42(d) of any building in the development, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;
11. 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;
12. 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;
13. 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).

D. Review

1. The Authority will review the certifications submitted under Section Three, paragraph C to determine whether or not the requirements of section 42 have been complied with by the Owner.
2. Annually the Authority will inspect at least twenty percent (20%) 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 minimum Housing Quality 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.

3. 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

1. 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.
2. The Authority reserves the right to require the submission of the certifications required by Section Three, paragraph C and the review required by Section Three, 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 Three, 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

1. 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 Three, 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.
2. 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 Three, 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 which 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 Three, 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 **\$25.00** 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 **\$50.00**. 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 **\$20.00** 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.

APPROVAL BY THE GOVERNOR

I, James H. Hodges, 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.

Signed: _____

James H. Hodges

Date: _____