

Technical Amendments to the 2015-2016 Tax Credit Manual

1. Table of Contents- Addendums (page 2)

All 2015 dates changed to 2016 and all 2014 dates changed to 2015.

2. General Guidelines (page 3)

- **Fees:** Reconsideration Fee is \$1,000.
- **Document Timeliness:** All supporting documentation required for the 2016 Tax Credit Application must not be dated prior to September 1, 2016.
- **Fractional Rounding:** Fractional rental units must be increased to the next whole unit.

3. Program Suspension/Debarment (page 5)

Section 1, item (e) language change as follows:

Applicant(s) may not interfere with a tax credit application for which it is not an owner or principal under any circumstance. This type of action could undermine the tax credit program in general and could cause ongoing consequences that can damage the reputation of the tax credit program.

4. Definitions (page 6)

“Scattered site” is defined as a development that is comprised of separate buildings located on noncontiguous parcels, meets all requirements of the Internal Revenue Code and meets the following requirements:

- a) All buildings must be under the ownership of one entity;
- b) All buildings must be developed under one plan of financing and considered a single development by all funding sources;
- c) All units must be managed by one management entity;
- d) The development must be appraised as a single proposed development;
- e) Positive site characteristics will be measured from the parcel with the longest distance (i.e. if parcel A is within 0.5 miles and parcel B is within 1.0 miles of a positive site characteristic, the development will receive points based on parcel B);
- f) Detrimental site characteristics will be measured from the parcel with the closest distance (i.e. if parcel A is within 500 feet of a detrimental site characteristic and parcel B is within 1,000 feet of a detrimental site characteristic, the development will receive negative points based on parcel A);
- g) Consist of no more than three (3) noncontiguous parcels within a ½ mile radius of each other and within the same county and market area; and
- h) Each noncontiguous parcel contains at least four (4) units per parcel.

5. Special Allocation of Noncompetitive Tax Credits (page 7)

All 2015 dates changed to 2016.

6. Set-Asides (page 8)

General Set-Aside: \$5,100,000

Underserved Counties Set-Aside: \$1,900,000

- Counties amended for new construction areas not having a LIHTC award in the past four (4) years: Abbeville, Allendale, Barnwell, Calhoun, Cherokee, Chester, Chesterfield, Colleton, Edgefield, Fairfield, Georgetown, Jasper, Lancaster, Lee, Marion, Marlboro, McCormick.

Rehabilitation Set-Aside: \$1,200,000

Rural Housing Service: \$900,000

Nonprofit Set-Aside: \$2,200,000

- Item (b): between items 1 and 2, **AND** will be added.

7. **Combination with Other Authority-Administered Programs (page 9):**

State HOME Funds: As of October 19, 2015, the Authority is uncertain as to the availability of HOME funds for the 2016 LIHTC competition. Once a final determination as to the availability of HOME funds has been made, the Authority will issue a bulletin. However, assuming sufficient availability, the Authority expects to offer HOME funds as outlined below:

- Item (a): State HOME funds up to \$4.5 million will be available in the LIHTC competition.
- Item (b): The maximum state HOME award any one (1) development can request is \$450,000.
- Item (c): HOME funds will be provided to the set-asides as follows: General- \$2,016,000; Underserved Counties- \$778,000; Rehabilitation \$640,000; RHS- \$192,000; and Nonprofit- \$874,000.
- Item (k):

For the purposes of this section, Applicant(s) means any person associated with the 2016 LIHTC Application and any prior HOME awards. In order to receive a reservation of LIHTC in conjunction with state HOME funds, each of the following provisions is applicable and must be met by the Applicant by February 5, 2016:

- i. All 2013 and previous state HOME awards must be officially closed out; and
- ii. All 2014 HOME awards must have a minimum of seventy-five percent (75%) of the funds drawn or seventy-five percent (75%) of the development completed; and
- iii. The completion percentage for previous HOME awards must be met by February 5, 2016. Written confirmation regarding HOME award completion percentages must be provided with the Tax Credit Application submission from the Awards Management Manager (Form M-47T).

8. **Application Submission Process (page 10-11)**

- Item 1: Completed Tax Credit- The application and all attachments, exhibits, certification, opinions, etc. must also be submitted on a Flash Drive or CD in PDF format and the Flash Drive or CD must have each section tabbed to match the application tab system.
- Item 9(f): For all developments requesting HOME funds the following language **must be** included in any purchase option, purchase contract, or long term lease or included as an executed addendum attached to one of these documents and dated on or before March 4, 2016.
- Item 13 Market Study: 2015 date changed to 2016.
- Item 16 Physical Needs Assessment Report (PNA):
 - The PNA report must not be dated prior to September 1, 2015.
 - Item (c): Date changed to January 1, 2009.
 - Item (g): Date changed to September 1, 2015

9. **Application Review (page 16)**

- Item 3 Market Study Review: Dates changed from 2015 to 2016.

10. Utility Allowances (page 18)

- Item 1 (e) revised: The S.C. State Housing Finance and Development Authority’s statewide utility allowance calculation. For developments built to meet, at a minimum, the Version 3.0 Energy Star Certification (as per Exhibit G form), EarthCraft, LEED, or another Energy Star Certified Program the Energy Star Statewide Utility Allowance may be used in determining the development’s utility allowance.

11. Underwriting Standards (pages 20-23)

- Item 3 Developer Fees, Developer Overhead, and Consultant Fees (the “Fees”):
 - *Adjusted Development Cost line item numbering has been changed to match the line item numbers listed in the tax credit application as follows:

Total Development Costs (Line 51)	_____
Less Land (Line 1)	- _____
Less Consulting Fees (Line 19)	- _____
Less Developer Fees (Line 45)	- _____
Less Developer Overhead (Line 46)	- _____
Less Other Developer Costs (Line 47)	- _____
Less Excess Reserves (Lines 48-50)	- _____

- Item 5 Contractor Cost Limits:
 - ***Hard Construction Costs line item numbering has been changed to match the line item numbers listed in the tax credit application as follows:

- Line 3 – Demolition
- Line 5 – On Site Improvement
- Line 6 – Off Site Improvement
- Line 7 – Other (Site Work)
- Line 8 – New Building
- Line 9 – Rehabilitation
- Line 10 – Accessory Building
- Line 14 – Contractor Contingency

- Item 15 Minimum Hard Cost Requirement:
 - Hard Costs line item numbering has been change to match the line item numbers listed in the tax credit application as follows:

- Line 1 – Land
- Line 2 – Existing Structure
- Line 3 – Demolition
- Line 4 – Other (Land & Buildings)
- Line 5 – On Site Improvement
- Line 6 – Off Site Improvement
- Line 7 – Other (Site Work)
- Line 8 – New Building
- Line 9 – Rehabilitation
- Line 10 – Accessory Building
- Line 14 – Contractor Contingency

- Item 16 Rent Allowance Increases for Project Based Rental Developments, revised as follows: Developments with HUD approved HAP contracts or RHS approved RA contracts will be allowed to increase the current HAP and RA contract rents by up to ten percent (10%) over the current

approved HAP and RA contract rents in effect at the time of the initial application submission. The market study submitted with the application must support the increased rents. If at the time of initial application submission the Applicant submits an approval letter from the Columbia HUD or Columbia RHS Office approving and setting rents above the approved contract rents, the Authority will rely on said letter and use rents as indicated in the HUD or RHS letter. At the submission of a placed in service application, a new HAP or RA contract must be submitted or an approval letter from the Columbia HUD or Columbia RHS Office approving the placed in service rents.

12. Reservation/Carry-Over Allocation Procedures (page 25)

Notification of Reservation Award- Reservation Certificate

- The amount of tax credits reserved for the 2016 tax credit funding cycle will be calculated based on the **greater of** the tax credit applicable percentage (%) in effect for the month of credit reservation or the applicable percentage (%) in effect for the month of the initial Tax Credit Application submission.

13. Compliance Monitoring Procedures (page 31)

Annual HOME Rent Amounts

- The HOME Final Rule requires approval of **all** rents annually on developments with HOME units. The approval process will be handled by the Compliance Monitoring Department.
- Any rent increases outside of the annual approval process should be provided to the Compliance Manager before the increases are enacted.

Record Keeping

- Item 7:Income verifications are valid for one hundred twenty (120) days from the date of the receipt by the Owner or Owner’s Representative.....

14. Development Utilizing Non-Competitive Tax Credits with Tax Exempt Bond Financing (page 35-36)

Allocation for an Allocation of Non-Competitive LIHTC:

- Item 2 Developer Fees:
 - Adjusted Development Costs line item numbering has been change to match the line item numbers listed in the tax credit application as follows:

Total Development Cost (Line 51)
Less Land (Line 1)
Less Consulting Fees (Line 19)
Less Developer Fees (Line 45)
Less Developer Overhead (Line 46)
Less Other Developer Costs (Line 47)
Less Reserves (Lines 48-50)

- Additional Requirements-
 4. Relocation: Development must minimize the displacement of low income households.
 - a) Should permanent or temporary displacement occur, a detailed, step by step relocation plan must be furnished with the Application describing how displaced persons will be relocated, including a description of the costs of relocation. The Applicant is responsible for all relocation expenses, which must be included in the development budget. All Applicants applying for acquisition/rehabilitation developments must complete **FORM 3**, Developer Relocation Certification and Tenant Profile Form;

- b) Developments involving permanent relocation of tenants are discouraged. No more than ten percent (10%) of the existing tenants may be permanently displaced. A detailed, step by step relocation plan must be furnished with the Application describing how permanently displaced persons will be relocated, including a description of the costs of relocation. The Applicant is responsible for all relocation expenses, which must be included in the development budget.
5. Rent Allowance Increases for Project Based Rental Developments: Developments with HUD approved HAP contracts or RHS approved RA contracts will be allowed to increase the current HAP and RA contract rents by up to ten percent (10%) over the current approved HAP and RA contract rents in effect at the time of the bond application submission. The market study submitted with the application must support the increased rents. If at the time of initial application submission the Applicant submits an approval letter from the Columbia HUD or Columbia RHS Office approving and setting rents above the approved contract rents, the Authority will rely on said letter and use rents as indicated in the HUD or RHS letter. At the submission of a placed in service application, a new HAP or RA contract must be submitted or an approval letter from the Columbia HUD or Columbia RHS Office approving the placed in service rents.