

# 2019 Tax Credit Program Bulletin # 2

February 28, 2019

## **Income Averaging:**

The Authority is currently piloting an income averaging policy with a non-competitive 4% tax credit development. Until we have completed the pilot and evaluated the effectiveness of our policy, the Authority will not allow tax credit developments applying in the 2019 tax credit cycle to elect income averaging. If the Authority determines that income averaging will be an eligible election in its tax credit program, policies and specific guidelines for income averaging will be available at such time.

## **Lead-Based Paint Requirements:**

**The 2019 Tax Credit Manual, pg. 10, Item (j), currently reads as follows:**

The Applicant must provide at the Tax Credit Application submission a Phase I Environmental Site Assessment Report prepared by a third party independent licensed environmental professional and addressed to the SC State Housing Finance & Development Authority. For developments with existing buildings, a report must also be included that contains the results from lead-based paint testing...

**Further clarification is needed to this language; therefore the 2019 Tax Credit Manual, pg. 10, Item (j) is changed to read:**

The Applicant must provide at the Tax Credit Application submission a Phase I Environmental Site Assessment Report prepared by a third party independent licensed environmental professional and addressed to the SC State Housing Finance & Development Authority.

For developments with existing buildings that were constructed before 1978, a report must also be included that contains the results from lead-based paint testing. If the proposed development site has existing structures that are not and will not be used for human residential habitation or where the structures are unoccupied and will be demolished, lead-based paint testing is not required. The applicant must complete form M-7B and mark the appropriate exemption.

The Phase I ESA must be prepared in accordance with the American Society for Testing and Materials Practice Standards E-1527-05, or as may be amended. If the Phase I indicates that there are environmental issues at the site which will require a Phase II ESA then the applicant must submit not only a Phase I ESA but also a Phase II ESA with the Application submission. The report must be accompanied by a certification from the Applicant stating that any issues raised in the environmental report(s) have been reviewed. HOME funds will not be awarded to developments which require mitigation for

hazardous materials, other than lead-based paint and/or asbestos, found on, within, or adjacent to the proposed site.

### **Entity Information:**

The 2019 LIHTC Application Checklist, Tab 6, Entity Information requires the following information to be submitted with the Tax Credit Application:

Exhibit P - Identity of Interest Certification

Form LP

Form LLC

Form CORP

Valid Certificate of Existence for each Ownership Entity (all LPs, LLCs and Corps) from the SC Secretary of State.

Articles of Incorporation or Charter or By-Laws for ALL entities that make up any part of the general partner ownership entity.

The Form LP, Form LLC, and Form CORP state that the applicant is required to complete these forms for any entity involved in the development. This includes the Owner and the Developer. Further, the forms state that the appropriate form must also be completed for any entity (LP, LLC, or Corporation) included on a form so the Authority can ascertain the Principals of the development.

A Certificate of Existence from the SC Secretary of State is required for each ownership entity, which includes the Owner and its Managing Member/General Partner. For the entities making up the Managing Member/General Partner, a Certificate of Existence from the SC Secretary of State is not required but the applicant must provide the filed Articles of Incorporation/ Charter/ Bylaws from the state in which the entities are formed and registered.

### **Scattered Sites:**

**The 2019 Tax Credit Manual, pg. 6, item 7, currently reads as follows:**

**Scattered Sites** – scattered site developments are not allowed for the competitive 9% tax credit funding cycle.

**Further clarification is needed to this language; therefore the 2019 Tax Credit Manual, pg. 6, Item 7 is changed to read:**

**Scattered Sites** – scattered site developments are not allowed for the competitive 9% tax credit funding cycle. A scattered site is defined as a development that is comprised of buildings located on noncontiguous parcels.

Scattered site developments will be allowed for applications for non-competitive 4% tax credits if the development meets all requirements of the Internal Revenue Code and the following requirements:

- All buildings must be under the ownership of one entity;
- All units must be managed by one management entity;
- All buildings must be developed under one plan of financing and considered a single development by all funding sources;
- The development must be appraised as a single proposed development;
- Each noncontiguous parcel must be located within the same county; and
- Each noncontiguous parcel must contain at least four (4) units per parcel.

Where the applicant is pooling together multiple properties for acquisition/rehabilitation under one bond issuance, a separate application must be submitted for each property and include an appraisal for that single property. The pooled bond deal will not be considered a scattered site development, but must meet all of the following requirements:

- All buildings must be developed under one plan of financing and considered a single development by all funding sources;
- All units must be managed by one management entity;
- Each property must contain at least twenty-four (24) low-income units.

### **Submission of Market Study:**

**The 2019 Tax Credit Manual, pg. 11, item 1(d), currently requires the following with respect to Market Studies:**

- (i) Market Study: full report electronically; only S1 and S-2 in binder;

**Further clarification is needed to this language; therefore 2019 Tax Credit Manual, pg. 11, item 1(d), is changed to read the following with respect to Market Studies:**

- (i) Market Study: full report electronically; only Exhibit S-2 2019 Primary Market Area Analysis Summary and Exhibit S-2 2019 Rent Calculation Worksheet in binder;

**All other language in 2019 Tax Credit Manual, pg. 11, item 1(d) remains unchanged.**