

**SOUTH CAROLINA STATE HOUSING FINANCE AND
DEVELOPMENT AUTHORITY**

**MULTIFAMILY TAX-EXEMPT BOND FINANCE
PROGRAM**

MANUAL

Effective 12/20/2012

The South Carolina State Housing Finance and Development Authority (the “Authority”), through its Multifamily Tax-Exempt Bond Finance Program, provides financing for the development of multifamily rental property through the sale of its tax-exempt revenue bonds. Such financing is available to either for-profit or non-profit Housing Sponsors. A for-profit Housing Sponsor may be a general or limited partnership, corporation, or limited liability corporation. The development team must have sufficient experience in the development of multifamily rental housing designed for use by low-to-moderate-income tenants to assure the successful completion and operation of the development.

The procedures and requirements described herein are applicable to proposals for new money bond issues submitted by for-profit Housing Sponsors. Provisions applicable to Refunding Requests, 501(c)(3) bonds, or bonds with non-competitive Low Income Housing Tax Credits are identified in separate sections of this Manual. Unless otherwise stated, the requirements for new money bond issues also apply to refundings and 501(c)(3) bonds. The current year’s Qualified Allocation Plan (QAP) and Low Income Housing Tax Credit (LIHTC) Program Manual contain additional requirements for the Multifamily Tax-Exempt Bond Finance Program.

Program Guidelines

Submission Period: Housing Sponsors that are seeking an allocation of Bond Volume Cap may submit an application to the Authority during any submission period as may be approved by the Authority’s Board of Commissioners. Information regarding such submission period is posted on the Authority’s website (www.schousing.com). Regardless of any submission period requirements, the Authority may, in its discretion, accept applications at such other times as it deems appropriate. If no submission period is utilized, applications may be accepted on an on-going basis. Applications are not considered submitted until all required documents and fees are submitted to the Authority.

Eligibility: Tax-exempt bond financing may be used by for-profit Housing Sponsors for new construction, acquisition with rehabilitation, and rehabilitation. New construction is the creation of housing on vacant land, and may include the acquisition and demolition of existing property on the site. Acquisition with rehabilitation is the purchase of an existing property and the subsequent substantial improvement of the structures or property. Rehabilitation is the substantial improvement made to existing structures or property. All rehabilitation must meet existing Building Code requirements. Additionally, a unit-by-unit physical needs assessment prepared by an independent third party licensed engineer or architect is required to justify the work to be performed. Projects that do not utilize non-competitive Low Income Housing Tax Credits must meet the minimum rehabilitation requirements contained in Section 147(d) of the Internal Revenue Code of 1986, as amended. Projects seeking to utilize non-competitive Low Income Housing Tax Credits must meet the minimum rehabilitation requirements

contained in the QAP. The Authority reserves the right to inspect the development periodically, or to have it inspected by a designee, to verify the project is as proposed and is proceeding in a timely manner. Tax-exempt revenue bond financing may be used for acquisition without rehabilitation to existing developments only if they are owned and operated by qualified 501(c)(3) Housing Sponsors.

The mandatory design criteria specified in the QAP are required for all bond-financed developments unless a request for waiver is granted prior to the Bond Committee adopting a preliminary resolution. The application must include the “Qualified Allocation Plan (QAP) and Low-Income Housing Tax Credit (LIHTC) Manual Mandatory Design Compliance Certification” form. Any waivers requested after the adoption of the preliminary resolution must be due to changed circumstances. Compelling evidence must be submitted to demonstrate the need for the waiver and must explain why the waiver was not requested prior to the adoption of the preliminary resolution.

Applicable provisions of the Internal Revenue Code and other applicable federal laws must be complied with in the financing, construction, rent-up and operation of the development.

Targeting Requirements For New Money Bond Issues: All developments financed by the issuance of new tax-exempt revenue bonds must meet the following tenant income occupancy requirements:

Type “A” Tenants: The owner must make an irrevocable election to set aside either (i) twenty percent (20%) or more of the residential units in such development for occupancy by households whose combined gross income is fifty percent (50%) or less of the U.S. Department of Housing and Urban Development’s (“HUD”) area median gross income adjusted for family size, or (ii) forty percent (40%) or more of the residential units in such development for occupancy by households whose combined gross income is sixty percent (60%) or less of HUD’s area median gross income adjusted for family size.

Type “B” Tenants: The remaining units must be set aside for households whose combined gross income does not exceed 150% of the State’s median income, as determined by the U.S. Census Bureau, adjusted by the addition of an amount equal to the personal exemption for federal income tax purposes for each household member.

Type “C” Tenants: Non-qualified tenants (Type “C”) may be admitted in the event that sufficient qualified Type “B” tenants cannot be found after a reasonable marketing effort. The lease to a Type “C” tenant may not exceed one year and may not be renewed if a qualified Type “B” tenant is on the waiting list. The Authority’s Non-Qualified Tenant Certification must be completed prior to admission of any non-qualified tenant.

Units reserved for low-income tenants must at all times be occupied by or held vacant for low-income tenants during such period. Units designated as low-income units must be representative of the type bedroom mix in such development and may not be restricted to

any specific unit type. Low-income units must be designated by apartment number. The units may not be restricted to one building or the same floor in multi-story buildings.

Public Offering or Private Placement: State law requires that bonds used to finance a development that are offered for sale to members of the general public must have either (i) an external credit enhancement that ensures the timely payment of principal and interest to the bondholders or (ii) an insured mortgage securing the Authority's financing. The bonds must also be rated by one of the nationally recognized bond rating agencies. The minimum rating requirement for publicly offered bonds is "A" without regard to subcategories. Bonds that are privately placed with an institutional investor or sold for investment purposes to a limited number of sophisticated investors do not require either the rating or the external credit enhancement.

Credit Enhancement/Underwriting: As stated above, bonds offered for sale to members of the general public must be credit enhanced and rated. The Authority requires that applications for all such bonds must be reviewed and approved by a Delegated Underwriter/Servicer ("DUS Lender") of the entity that provides the credit enhancement. If a "lower floater" bond structure is to be used, the application must be reviewed and approved by the entity that will provide the letter of credit ("LOC Provider") that supports the bonds. Collectively, the DUS Lender, LOC Provider, and other credit enhancer or bond placement agent are referred to hereafter as the "Credit Enhancer." Unless bonds are to be privately placed (in which case no credit enhancement is required), a conditional commitment for credit enhancement or LOC must be submitted to the Authority as part of the application package. A copy of the firm commitment from the Credit Enhancer must be provided to the Authority before it will adopt a final resolution authorizing the issuance of bonds.

Prior to submitting its application to the Authority, the Applicant should submit a preliminary application to the Credit Enhancer it selects to assist in the financing of its project. Application may not be made to the Authority until the Applicant has received a conditional commitment from the Credit Enhancer selected. Subject to the approval of the Authority, the Credit Enhancer selected by the Applicant will be used in the issuance of the Authority's bonds. Once these selections have been made and approved, they may not be changed without the prior written consent of the Authority.

At the time the application is submitted to the Authority, the Applicant will also indicate its preference for an Investment Banker to assist in the structuring and sale of the bonds, if one is required, and its preference for Bond Counsel. See "Bond Counsel" below. If the Investment Banker requested has not worked with the Authority in the past three years, the Banker will be asked to provide information as to its experience, financial capability, and regulatory history. The Authority reserves the right to approve the Investment Banker.

Other Authority Funding: At any given time, the Authority may have additional funding sources available to Housing Sponsors applying under the Multifamily Tax-

Exempt Bond Finance Program. The Authority will post on its website the status or availability of any additional funding sources.

Bond Counsel: Bond Counsel shall be selected for each issuance of Tax-Exempt Revenue Bonds in the manner prescribed by the State Budget and Control Board (the “State Board”). The Housing Sponsor’s Bond Counsel selection is subject to approval by the Authority.

Market Study: **THE MARKET STUDY IS SUBMITTED WITH THE KNOWLEDGE THAT IT WILL BE RELIED UPON BY THE AUTHORITY IN THE ISSUANCE OF ITS BONDS. MISREPRESENTATIONS CONTAINED IN THE MARKET STUDY, WHETHER NEGLIGENT OR INTENTIONAL, COULD RESULT IN LIABILITY ON THE PART OF THE APPLICANT AND THE THIRD-PARTY ANALYST.**

Each applicant must provide a Market Study report prepared by an Authority Approved Market Analyst. The Approved Market Analyst List can be found on the Authority’s tax credit web page at www.schousing.com . If the project is to be financed by bonds offered for sale to the public, the Market Study must be ordered by the DUS Lender and prepared by an independent third-party Analyst. If the project is to be financed by bonds that are privately placed or sold as a limited offering to sophisticated investors, the bond purchaser may order a Market Study prepared by an independent third-party Analyst or the Authority will order the Market Study at the applicant’s expense. The Market Study must be included with the application at the time it is submitted to the Authority. The Authority reserves the right to reject a Market Study if in its sole discretion it determines that it was not prepared by an independent third-party Analyst or if it determines the Market Study is flawed. If the Authority rejects the Market Study due to the above described reasons, the Authority may order a Market Study at the applicant’s expense.

The Market Study must begin with a concise statement signed by the Market Analyst that attests to the needs of the market area, the ability of the market to support the proposed project, and a measurable rent advantage in relation to comparable properties in the market area. The statement must include the estimated stable year vacancy rate and the estimated time needed to fully lease-up the proposed project. A detailed explanation must be included if the estimated stable year vacancy rate exceeds seven percent (7%) and/or the estimated lease-up time exceeds one year. Additionally, a written acknowledgement from the developer(s) of the proposed development enabling the Authority to contact the Market Analyst who conducted and prepared the Market Study is required. Finally, the Market Analyst must authorize the Authority to rely upon the Market Study in connection with the issuance of the bonds and must authorize the use of the Market Study as part of the Official Statement or other offering materials pursuant to which the bonds are sold. These statements must be located in the front of the report and signed by the Market Analyst.

The results of formal or informal interviews with property managers, town planning officials or anyone with relevant information relating to the overall demand for the

proposed development should be summarized in a separate section and include telephone numbers.

A final recommendation statement must be provided at the beginning of the report and should summarize the competitiveness and viability of the proposed development in the market area. The statement must include any concerns with the proposed development and the Analyst's determination of whether or not the development should proceed. If the Analyst does not believe that the development, as proposed, is feasible, the Analyst must indicate what modifications would be needed to make it feasible. All statements and recommendations must be supported by the facts presented in the Market Study.

The current year's QAP and LIHTC Manual establish Market Study Threshold criteria. This criteria is also applicable to the Multifamily Tax-Exempt Bond Finance Program. In addition, all market studies must follow the Market Study Guideline Procedures which are included in the applicable year's LIHTC Manual.

Authority Preliminary Review: Following submission of an application, the Authority's staff will review the Market Study submitted with the application to determine whether a market exists for the proposed project. Staff may also visit to determine the suitability of the site proposed for the project. The public hearing (TEFRA Hearing) required by federal law will be held to provide members of the public with an opportunity to comment on the proposed project and the Authority's provision of bond financing under this Program.

Preliminary Bond Resolution: If the preliminary review is favorable, the staff will recommend to the Bond Committee of the Authority's Board of Commissioners that it adopt a Preliminary Bond Resolution. Upon adoption of the Preliminary Bond Resolution, the Housing Sponsor will forward the application and all supporting information and attachments to the Credit Enhancer specified in the application. The Credit Enhancer will finalize its financial and market feasibility analysis of the proposed project. Unless it receives a firm commitment for a credit enhancement, the Authority will not proceed with the financing. With respect to public offerings, upon receipt of the firm commitment, the investment banker will submit the proposed financing to Moody's Investors Services, Standard and Poor's, or Fitch Ratings (the "rating agencies") for a rating. As noted above, the Authority's minimum rating requirement for publicly offered bonds is "A" without regard to subcategories.

Upon receipt of the firm commitment from the Credit Enhancer, the staff of the Authority will present the project to the State Budget and Control Board (SBCB) for approval. The SBCB will review and select those projects that will be financed through the issuance of bonds. Upon approval by the SBCB, the staff of the Authority will present the Bond Resolution to the Authority's Board of Commissioners for its approval. The bond pricing and subsequent closing can be scheduled any time after these approvals have been obtained. The closing can take place any time after the rating has been received from the rating agency. The bonds will be closed using forms or provisions for the Bond Indenture, Loan Agreement, and Agreement As To Restrictive Covenants as may be

required by the Authority for the type of financing being utilized with respect to each particular project.

A Housing Sponsor with specific questions regarding procedures and timelines is encouraged to contact the Authority or proposed Bond Counsel.

Preliminary Resolutions are valid for one year. Upon expiration, Housing Sponsors must re-submit an application.

Ceiling Allocation: Upon approval by the SBCB and to the extent that it has Carryforward Bond Ceiling available to it, the Authority may make a conditional allocation of said Ceiling to the financing of the project. Conditional allocation issued by the Authority shall be valid for a period of ninety (90) days from the date of the granting of approval for the issuance of the bonds by the SBCB, with the possibility of one extension of sixty (60) days, at the discretion of the Executive Director. If timing issues arise related to the Authority's Board of Commissioners meetings or Authority staff conflicts, the Executive Director has the discretion to allow extensions beyond the extension period. At the end of the extension period an Applicant may submit a written request for a new conditional allocation, which request may be granted in the sole discretion of the Bond Committee of the Board of Commissioners. Such written request shall state the reasons for the delay and an expected close date and shall be accompanied by a non-refundable Extension Request Fee of \$1,000.00 plus 25 basis points of the aggregate principal amount of the bonds in the form of a cashier's check or money order. If the issue closes, the 25 basis points of the aggregate principal amount of the bonds will be applied as a setoff towards the financing fee due at closing. If the issue fails to close, the entire amount is non-refundable.

In those instances when the Authority does not have Carryforward Bond Ceiling available, an allocation must be obtained from the SBCB. The SBCB, in its discretion, may grant a conditional allocation of Bond Ceiling to a particular bond issue. Conditional allocations of Bond Ceiling are valid for a period of ninety (90) days with the possibility that the SBCB may grant one extension of thirty-one (31) days. All bond transactions must close prior to the expiration of the Bond Ceiling Allocation. Applications for Bond Ceiling lapse at the end of the calendar year in which they are submitted to the SBCB. Developments that do not receive the SBCB's approval for bond financing prior to the end of the year in which the SBCB receives such requests must re-apply to the SBCB and must be re-reviewed by the Authority.

Application Fee: The Housing Sponsor agrees to pay to the South Carolina State Housing Finance and Development Authority a non-refundable Application Fee of \$1,000.00 or \$20.00 per unit, whichever is greater, in the form of a cashier's check or money order, which is to be submitted with the completed application. This fee will be considered earned when the application has been submitted to the Authority for processing. **Applications submitted without the required Application Fee will NOT be processed.** The Application Fee is separate from the Financing Fee and Placed in Service Fee discussed below.

Financing Fee: For new bond issues (those which do not refund bonds that have been previously issued), the Financing Fee is three quarters of one percent (.75%) of the principal amount of the bond issue. Payment of the Financing Fee is due at closing by wire transfer to the Authority's account.

Administrative Fee/Compliance Monitoring Fee: As required by Section 142(d)(2)(A) of the IRS Code, the operation and management of each development financed through the issuance of tax-exempt bonds must be monitored throughout the Qualified Project Period to ensure compliance with the applicable provisions of State and Federal law and with the Agreement As To Restrictive Covenants. For and during the Qualified Project Period, and as a condition upon which the Authority issued its bonds, the project will pay to the Authority an annual Administrative Fee equal to Fifty Dollars (\$50.00) per unit. The Authority's annual Administrative Fee is to be paid beginning on the date the project is placed in service.

Other Fees: In its sole discretion, the Authority may engage the services of outside Issuer's Counsel. If the Authority engages such outside counsel, the Housing Sponsor will be responsible for the fees and expenses of such outside counsel. If the Authority utilizes in-house counsel as Issuer's Counsel, the Housing Sponsor will not be responsible for any costs associated with their work on the project except as otherwise provided herein.

Progress and Completion: All developments must provide quarterly progress reports following closing. The quarterly progress reports shall be submitted on the Authority's Quarterly Progress Report form. It is expected that all developments be completed with construction and/or rehabilitation within two (2) years of the bond closing.

Qualified Project Period: All units in bond-financed developments must be rented or available for rent for a period beginning on the date on which ten percent (10%) of the residential units in such development are occupied and ending on the latest of:

- (1) the date which is fifteen (15) years after the date on which fifty percent (50%) of the residential units in the development are occupied; or,
- (2) the first day on which no tax-exempt private activity bond issued with respect to such development is outstanding; or,
- (3) the date on which any assistance provided with respect to the development under Section 8 of the United States Housing Act of 1937 terminates.

Financing of Multiple Projects Under a Single Bond Issue

The Authority will consider financing multiple projects in a single bond issue ("Multiple Project Financing") to allow smaller projects to share the costs of issuance. Housing Sponsors seeking a Multiple Project Financing must follow the other procedures and

requirements of this Manual and are subject to the following additional specific provisions. Multiple projects may be combined in a single bond issue provided that:

- (1) All projects are identified in advance and information is provided to the Authority disclosing the name, address, number of dwelling units, and current owner of each project;
- (2) An individual application is submitted for each project and it is determined that each project has a suitable site and there is a market demand for the units;
- (3) The amount of bond financing allocated to each project is identified in advance;
- (4) If credit enhancement is required, all projects must share the same credit enhancement; and
- (5) Each project meets underwriting criteria independent of the others.

Except as indicated above, all provisions of this Manual are applicable to Multiple Project Financings.

Refunding Requests

A Housing Sponsor may request the issuance of bonds to refund a previous issue of obligations by the Authority or another Issuer (a “Refunding Request”). Refunding Requests for obligations issued by another Issuer shall follow the same procedure as applicants for new money. Refunding Requests for obligations issued by the Authority must be submitted in the form of a letter addressed to the Executive Director and must identify (i) the housing project that is the subject of the refunding, including its location, street address, number of rental units and income targeting, (ii) the amount of refunding bonds requested, and (iii) acceptable Bond Counsel. All Refunding Requests must be accompanied by a preliminary commitment for credit enhancement. The Housing Sponsor must advise the Authority whether a public hearing is required under federal law with respect to the bonds. If a hearing is required, a copy of a form of notice of public hearing must be submitted with the Refunding Request. Unless requested by the Authority, neither an application nor a market study is required at the time the refunding request is made. The Authority reserves the right to require additional information or documents that it deems necessary to reach a decision with respect to any Refunding Request. Except as provided herein, the remaining provisions of this Manual are applicable to Refunding Requests.

Refunding Request Fee: The Housing Sponsor agrees to pay to the South Carolina State Housing Finance and Development Authority a non-refundable Refunding Request Fee of \$1,000.00 or \$20.00 per unit, whichever is greater, in the form of a cashier's check or money order, which is to be submitted with the completed application. This fee will be

considered earned when the request has been submitted to the Authority for processing. **Requests submitted without the required Refunding Request Fee will NOT be processed.**

Financing Fee: For bond issues that refund bonds previously issued or the conversion to permanent financing of bonds, the proceeds of which have been held in escrow, the Financing Fee is one-half percent (.50%) of the principal amount of the bond issue. Payment of the Financing Fee is due at closing by wire transfer to the Authority's account.

Other Fees: In its sole discretion, the Authority may engage the services of outside Issuer's Counsel. If the Authority engages such outside counsel, the Housing Sponsor will be responsible for the fees and expenses of such outside counsel. If the Authority utilizes in-house counsel as Issuer's Counsel, the Housing Sponsor will not be responsible for any costs associated with their work on the project except as otherwise provided herein.

Amendment Requests (For Current Bond Projects)

A Housing Sponsor may request an amendment to a previous issue of obligations by the Authority (an "Amendment Request"). Amendment Requests must be submitted in the form of a letter addressed to the Executive Director and must identify (i) the housing project that is the subject of the amendment, including its location, street address, number of rental units and income targeting, (ii) the nature of the amendment, (iii) whether the amendment results in a tangible benefit to the tenants and (iv) acceptable Bond Counsel. The Housing Sponsor must advise the Authority whether a public hearing is required under federal law with respect to the bonds. If a hearing is required, a copy of a form of notice of public hearing must be submitted. Unless requested by the Authority, neither an application nor a market study is required at the time the Amendment Request is made. The Authority reserves the right to require additional information or documents that it deems necessary to reach a decision with respect to any Amendment Request. Except as provided herein, the remaining provisions of this Manual are applicable to Amendment Requests.

Amendment Request Fee: The Housing Sponsor agrees to pay to the South Carolina State Housing Finance and Development Authority a non-refundable Amendment Request Fee of \$1,000.00 in the form of a cashier's check or money order, which is to be submitted with the Amendment Request. This fee will be considered earned when the request has been submitted to the Authority for processing. **Requests submitted without the required Amendment Request Fee will NOT be processed.**

Other Fees: In its sole discretion, the Authority may engage the services of outside Issuer's Counsel. If the Authority engages such outside counsel, the Housing Sponsor will be responsible for the fees and expenses of such outside counsel. If the Authority utilizes in-house counsel as Issuer's Counsel, the Housing Sponsor will not be

responsible for any costs associated with their work on the project except as otherwise provided herein.

501(c)(3) Bond Applications

Non-profit Housing Sponsors seeking tax-exempt bond financing must follow the other procedures and requirements of this Manual. Applications for 501(c)(3) bonds are subject to the following additional specific provisions. Non-profit Housing Sponsors seeking 501(c)(3) bonds are not eligible to receive the non-competitive Low-Income Housing Tax Credits.

Application Fee: Housing Sponsors submitting an application for 501(c)(3) bonds are subject to the regular Application Fee and an additional fee of \$1,000 for the review of the development financials as required in this section. The Housing Sponsor agrees to pay to the South Carolina State Housing Finance and Development Authority a non-refundable development financials review fee of \$1,000.00 in the form of a cashier's check or money order. This fee should be submitted with the application and may be combined with the normal Application Fee. This fee will be considered earned when the application has been submitted to the Authority for processing. **Applications submitted without the required fees will NOT be processed.**

Development Financials: Housing Sponsors must submit the projected development financials at the time of the bond application submission for Authority review.

Ceiling Allocation: While 501(c)(3) bond applications do not require allocations of Private Activity Bond Ceiling, they must still undergo Authority review and State approval.

Types of Bonds: 501(c)(3) bonds may be acquisition only, acquisition and rehabilitation or new construction.

Targeting Requirements for New Money Bond Issues: Developments owned and operated on behalf of charitable organizations recognized by the Internal Revenue Service under Section 501(c) of the Internal Revenue Code of 1986, as amended, must meet the occupancy targeting requirements imposed on other tax-exempt bond-financed projects and, additionally, the requirements contained in Revenue Procedure 96-32. The applicable tenant income occupancy requirements are as follows:

Type "A" Tenants: The owner must make an irrevocable election to set aside either (i) twenty percent (20%) or more of the residential units in such development for occupancy by households whose combined gross income is fifty percent (50%) or less of HUD's area median gross income adjusted for family size, or (ii) forty percent (40%) or more of the residential units in such development for occupancy by households whose combined gross income is sixty percent (60%) or less of HUD's area median gross income adjusted for family size.

Type “A1” Tenants (Required by **Revenue Procedure 96-32**): At least seventy-five percent (75%) of the **TOTAL** units must be set aside for households whose combined gross income does not exceed eighty percent (80%) of HUD’s area median gross income adjusted for family size.

Type “B” Tenants: The remaining up to twenty-five percent (25%) of the **TOTAL** units must be set aside for households whose combined gross income does not exceed one hundred fifty percent (150%) of the State’s median income, as determined by the U.S. Census Bureau, adjusted by the addition of an amount equal to the personal exemption for federal income tax purposes for each household member.

Type “C” Tenants: Non-qualified tenants (Type “C”) may be admitted in the event that sufficient qualified Type “B” tenants cannot be found after a reasonable marketing effort. The lease to a Type “C” tenant may not exceed one year and may not be renewed if a qualified Type “B” tenant is on the waiting list. The Authority’s Non-Qualified Tenant Certification must be completed prior to admission of any non-qualified tenant.

Utilizing Non-Competitive Tax Credits with Tax-Exempt Bond Financing

Housing Sponsors of bond-financed properties that are also seeking Low Income Housing Tax Credits must meet the requirements imposed by Section 42 of the Internal Revenue Code of 1986, as amended, as well as all applicable threshold requirements of the QAP (including site and market criteria) and LIHTC Manual. These tax credits are non-competitive tax credit allocations and do not require an allocation from the State’s Housing Tax Credit Ceiling.

Application for Tax Credits: When developments financed with Tax-Exempt Private Activity Bonds are placed in service, they may qualify to receive an allocation of Low Income Housing Tax Credits. A Placed In Service application requesting an allocation of Low Income Housing Tax Credits must be submitted. Bond financed developments must meet all threshold and mandatory criteria outlined in the QAP and Low Income Housing Tax Credit Manual for the year in which the project receives an allocation of Private Activity Bond Ceiling as designated by the 42(m) Letter.

Rent Restrictions: If it is intended that a project will utilize non-competitive (four percent (4%)) Low Income Housing Tax Credits, the gross rent (rent and utilities) charged for a low-income unit may not exceed the gross rent permitted to be charged under the provisions of Section 42 of the Internal Revenue Code using the imputed income rent calculation method.

Placing In Service: At the time the tax credits are requested, the Housing Sponsor must provide a final Certified Public Accountant’s (CPA) Cost Certification with the Placed In Service tax credit application. This cost certification must follow the format and guidelines identified in the Authority’s QAP and LIHTC Manual. In addition, the CPA must attest that the fifty percent (50%) aggregate basis test has been met to qualify the

project for tax credits. This requirement may be satisfied by a signed opinion from the CPA accompanied by the CPA's representation of the calculation (with explanation) used to arrive at the percentage of aggregate basis financed by the tax-exempt bonds.

Placed In Service Fee: The Housing Sponsor agrees to pay to the South Carolina State Housing Finance and Development Authority a non-refundable Placed in Service Fee of \$1,000.00 in the form of a cashier's check or money order. This fee should be submitted with the completed Placed in Service application. This fee will be considered earned when the Placed in Service application has been submitted to the Authority for processing. **Placed in Service applications submitted without the required Placed in Service Fee will NOT be processed.** The Placed in Service Fee is separate from the Application Fee and Financing Fee discussed previously.

Monitoring Period and Fees: After a development has been placed in service, it will be subject to monitoring in the same manner as any other development that has received an allocation of Low Income Housing Tax Credits. For and during the Qualified Project Period, and as a condition upon which the Authority issued its bonds, the project will pay to the Authority the Administrative Fee/Compliance Monitoring Fee discussed previously. No additional tax credit compliance monitoring fee is due for developments also receiving an allocation of non-competitive tax credits. In the event the project has a Compliance Period for Tax Credit purposes that extends beyond the end of the Qualified Project Period for the bonds, then, at the end of the Qualified Project Period, and throughout the remainder of the Compliance Period, the project will pay the compliance monitoring fee charged to projects under the Low Income Housing Tax Credit Program. Only one fee is payable at any given time.

Extended Use Period: Section 42(h)(6) of the Code requires that a Low Income Housing Tax Credit development be subject to "an extended low-income housing commitment." The Authority complies with this by requiring all such developments to execute and have recorded "Restrictive Covenants" that stipulate the development will comply with income and rent requirements contained in the Code for a minimum of thirty (30) years.

Amendments to Existing Resolutions or Indentures

All requests for the adoption of supplemental Resolutions or Indentures or amendments to Resolutions or Indentures shall first be presented to Authority staff for review. Upon a favorable review, such request shall then be presented to the Bond Committee of the Authority's Board of Commissioners. Prior to being eligible for submission to the full Board of Commissioners, the Bond Committee must preliminarily approve the request with a favorable report.

Requests for the adoption of supplemental Resolutions or Indentures or amendments to Resolutions or Indentures shall be submitted only by the owner of the development or with the written consent of the owner of the development and shall be accompanied by documentation showing that the adoption of such supplemental Resolutions or Indentures

or amendments to Resolutions or Indentures will result in a tangible benefit to the project and its residents and furthers the public purpose of the Authority.

Requests for the adoption of purchase in lieu of redemption provisions may be included in such supplemental Resolutions or Indentures or as an amendment to a Resolution or Indenture only if the option to purchase such bonds in lieu of their redemption can be exercised only by the owner of the development, or otherwise only upon the approval of the Authority, which approval shall be given upon a showing that such purchase in lieu of redemption results in a tangible benefit to the project and its residents and furthers the public purpose of the Authority.

Debarment and Suspension

If the development receives an allocation of non-competitive low-income housing tax credits, the Housing Sponsor is subject to the Program Suspension/Debarment provisions in the LIHTC Manual. If the development does not receive an allocation of non-competitive low-income housing tax credits, the Housing Sponsor is subject to the following:

Any of the following actions may result in suspension from participating for funding from any of the Authority administered programs for a period of three (3) years:

1. All GPs of a limited partnership and the equivalent in a limited liability corporation that receive a carryover allocation are required to remain in the partnership until the development places in service. Exceptions due to death, bankruptcy, or cessation of business operations will be allowed. All other removals whether voluntary or involuntary will result in disqualification for all GPs in a limited partnership and the equivalent in a limited liability corporation. Any person or entity, including Syndicators, that attempts to circumvent this provision will be subject to disqualification.
2. Developments that receive Tax Credit Assistance Program (TCAP) funds or Exchange Program funds are expected to remain in compliance with all rules and regulations imposed by these programs. Failure of a development to remain in compliance will result in all GPs of a limited partnership and the equivalent in a limited liability corporation being suspended.

Any of the following actions will result in the permanent debarment from participating for funding from any of the Authority administered programs:

1. Any Applicant who provides false or misleading information to the Authority with regard to a development seeking Multifamily Tax-Exempt Bond Financing will be permanently debarred from further participation in the Authority's programs, in any capacity whatsoever, regardless of when such false or misleading information is discovered.
2. Any partnership formation and/or developer agreement, whether written or otherwise, that attempts to circumvent Authority requirements will result in the

permanent debarment of all parties involved from further participation in the Authority programs, regardless of when the violation is discovered.

The Authority, in its sole discretion, may determine other acts to be infractions of the program that require suspension or debarment. Suspensions or debarments based on such acts not defined shall be conducted as outlined in the South Carolina State Housing Finance and Development Authority’s Debarment and Program Suspension Policy.

Additional Information

For additional information related to the Multifamily Tax-Exempt Bond Finance Program, please contact one of the following:

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| For general bond or tax credit questions: | Eric Alexander, Multifamily Development Director 803.896.9054 eric.alexander@schousing.com |
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