

2016 Tax Credit Program

Bulletin # 3

February 7, 2017

In response to growing uncertainty in the tax credit investor market and the effect this uncertainty has had on 2016 awarded tax credit developments, the Authority will be providing supplemental tax credits to 2016 developments in order to fill funding shortfalls caused by equity price reductions. The equity price reductions are the result of investment re-pricing in anticipation of federal tax reform and the anticipated reduction of the current corporate tax rate of 35% to a reduced rate that has yet to be determined. The 2016 developments were awarded tax credits in August 2016 and the issues now affecting tax credit pricing were not anticipated. As per the language in the Qualified Allocation Plan, the Authority in its sole and absolute discretion, and where warranted by extenuating circumstances, reserves the right to allocate additional credits to previously awarded developments.

Up to \$60,000 in supplemental tax credits will be provided to each eligible 2016 awarded developments. The Authority will use the higher of a 10% deferred developer fee or the deferred fee represented in the initial application and the equity pricing provided in the revised executed letter of commitment to determine the amount of supplemental tax credits. No other changes to the development will be allowed or accepted. The Authority will re-underwrite the development using its normal methods, with the revised executed letter of commitment and the above described deferred fee. Based on this underwriting, not all developments will be eligible for supplemental tax credits. For those development deemed eligible for supplemental tax credits, the Authority will issue a reservation letter and other applicable documents for the supplemental tax credits and a reservation fee will be assessed.

At the submission of a placed in service application, the supplemental tax credits will be reduced as needed such that final equity proceeds do not exceed equity proceeds represented in the initial application. Once all supplemental tax credits are returned, the development's original tax credit allocation will not be further reduced for changes in the syndication equity rate.

For any awarded 2016 Applicant that cannot move forward with their 2016 development either due to the supplemental tax credit allocation not being enough to make the development financially feasible or due to an inability to secure syndication, the Applicant may return the full 2016 tax credit allocation without penalty of debarment or suspension.

Based on the allocation of supplemental tax credits, the following Changes/Deletions/Clarifications to the 2015-2016 Qualified Allocation Plan and/or 2015-2016 Low-Income Housing Tax Credit Manual are being made:

CHANGES:

2015-2016 Low-Income Housing Tax Credit Manual, Page 7, Cap for Single Applicant/ Related Parties/ Principal/ Owner:

1. The Authority may allocate more than \$1.5 million in LIHTCs to a Principal involved with multiple developments (see "Definitions" on page 5).
2. The maximum tax credit awarded per project may exceed \$750,000, inclusive of the basis boost.

2015-2016 Low-Income Housing Tax Credit Manual, Page 26, Certification of Ten Percent Expenditure:

The Code allows the Verification of Ten Percent Expenditure (10% Test) to be met no later than twelve (12) months after the Carryover Allocation date. However, the Authority requires the Verification of Ten Percent Expenditure (10% Test) to be met no later than ten (10) months after the Carryover Allocation date. Any extension of this date will be permitted only at the Authority's discretion and only under circumstances deemed to be beyond the Applicant's ability to control. In any event, the Authority will not grant any extension longer than twelve (12) months after the Carryover Allocation date.

2015-2016 Low-Income Housing Tax Credit Manual, Page 27, VI. Development Progress Report Requirements:

From the date of reservation, the applicant is expected to adhere to the time constraints as outlined below. The Authority may grant a forty-five (45) calendar day extension of certain items for a fee of \$1,000. The Authority will only accept and grant extensions for individual categories and will not accept or approve an overall blanket extension for all categories. All extension requests must be in writing and submitted not less than one (1) week prior to the deadline. Fees must be paid at the same time the extension request is submitted. After the first approved extension the fee for any additional extensions will be \$2,000 per request. Additional extensions will only be made for thirty (30) days at a time.

Friday, August 19, 2016

Friday, August 19, 2016, represents the Authority's Reservation and Carry-Over Allocation Date. Developments awarded an allocation of 2016 tax credits must place in service not later than the second Monday of December 2018.

Friday, June 16, 2017

The 10% expenditure test must be met by Friday, June 16, 2017.

The Code allows the Verification of Ten Percent Expenditure (10% Test) to be met no later than twelve (12) months after the Carryover Allocation date. However, the Authority requires the Verification of Ten Percent Expenditure (10% Test) to be met no later than ten (10) months after the Carryover Allocation date. Any extension of this date will be permitted only at the Authority's discretion and only under circumstances deemed to be beyond the applicant's ability to control. **In any event, the Authority will not grant any extension longer than twelve (12) months after the Carryover Allocation date.**

Monday, July 10, 2017 (six months and three weeks after the allocation date)

1. All pages of the Verification of 10% Expenditure Application must be completed and the application certification page executed.
2. Exhibit A (Verification of 10% Expenditure Checklist)
3. Exhibit F (Verification of 10% Expenditure Qualification)
4. Exhibit H (Certification of Costs Incurred)
5. Exhibit I (Verification of 10% Expenditure Certification Letter)
6. Exhibit N (if applicable)
7. If the land is being used to meet the 10% test then a copy of the Recorded Deed must be provided. The recordation date must reflect that the deed was recorded no later than ten (10) months (Friday, June 16, 2017) from the allocation date.

Failure to submit the Verification of the 10% Allocation Expenditure Application on time will result in a \$1,000 per business day penalty fee due when the 10% Expenditure Application is submitted unless the Authority has given a waiver as stated above. Any development without an Authority approved waiver and failing to submit the Verification of the 10% Allocation Expenditure Application within 30 business days of the deadline will result in the cancellation of the tax credit award.

April 7, 2017

The first Quarterly Progress Report, **Exhibit L**, is due on April 7, 2017, and every quarter thereafter until the development reaches a stabilized occupancy of at least 93%. "Stabilized occupancy" is defined as maintenance of at least 93% occupancy for six consecutive months.

A fine of \$1,000 for each business day will be assessed against any project whose progress reports are not received on the date they are due up to seven (7) business days. Providing false or

misleading information on the reports will result in the debarment of the development's Principals from further participation in the LIHTC program for a period of not less than five years as defined in the LIHTC Program Disqualification section.

Monday, July 17, 2017 (eleven months after the reservation date)

1. Final project plans and specifications for approved LIHTC projects are due to the Authority on or before 5:00 p.m. (EST) no later than ten months after the tax credit reservation date. Project plans and specifications must incorporate all Exhibit G design and amenity preference items. The project architect must include a letter certifying that all design and amenity items are incorporated into the plans and specifications.
2. The land must be purchased by the ownership entity, and the deed recorded as evidenced by a copy of the recorded document. (Note: If the recorded deed was provided as part of the 10% expenditure test then another copy is not required)

Failure to meet these requirements may result in the cancellation of the tax credit award.

Monday, August 21, 2017 (twelve months after the reservation date)

1. Certified copies of the executed, recorded, FINAL construction mortgage document for 2016 LIHTC projects are due on or before 5:00 p.m. (EST). The construction mortgage document must have the recorder's clock mark date stamp showing the date, book, and page number of recording.
2. The executed and recorded Restrictive Covenants for 2016 LIHTC projects are due on or before 5:00 p.m. (EST).
3. The executed binding commitment for syndication for 2016 LIHTC projects is due on or before 5:00 p.m. (EST).
4. Applicants must list their development on the South Carolina Housing Search website, www.SCHousingSearch.com. The South Carolina Housing Search website is a database, partially sponsored by the Authority, which assists South Carolina residents in locating available affordable housing units. This is a free service with no fees charged for listing the development or maintaining development information throughout the compliance period. The applicant must provide evidence that the development has been listed on the website.

Failure to meet these requirements may result in the cancellation of the tax credit award.

Monday, November 20, 2017 (fifteen months after the reservation date)

1. All building permits must be obtained and copies submitted to the Authority.
2. All 2016 tax credit developments must be under construction.
 - a) New construction developments must have all footings in place, as evidenced by photographs submitted with a progress report that is certified by the project architect or project engineer. The Authority will allow the use of monolithic slabs as a substitute for the footings requirement. The substitution must equate to having progressed to a point equal to having the footings poured.
 - b) Rehabilitation developments must have begun actual rehabilitation of the units, as evidenced by photographs submitted with a progress report that is certified by the project architect.

Rehabilitation and new construction must be continuous and progressive from this date forward, to completion. If it is determined that the Applicant started the construction or rehabilitation only to technically meet this requirement, then the Authority will determine that these criteria have not been met.

Failure to meet these requirements may result in the cancellation of the tax credit award.

Second Monday of December 2018

Placed-In-Service Applications are due on or before the second Monday of December (December 10, 2018). Applications must be in the Authority's office not later than 5:00 p.m. (EST).

Tax credit developments, awarded credits in the 2012 or later funding cycles and placing in service must submit the first fifteen (15) years compliance monitoring fee, payable to the Authority in certified funds, with the Placed-In-Service Application or the application will not be accepted. The compliance monitoring fee is \$35.00 for each low-income unit in the development.