

TCAP Application

**South Carolina State Housing Finance
and Development Authority**

**300-C Outlet Pointe Blvd
Columbia, SC 29210**

**Submitted By:
Laura Nicholson, Tax Credit Program Manager
Phone: (803) 896-9190
Fax: (803) 551-4925
Email: laura.nicholson@schousing.com**

A. Statement of Intent to Accept TCAP Funds:

1. Title XII of the Recovery Act appropriated \$2.250 billion under the HOME Investment Partnerships (HOME) Program heading for a grant program to provide funds for capital investments to Low Income Housing Tax Credit developments. HUD awarded TCAP funds through a formula allocation to state housing credit agencies. The State of South Carolina is eligible to receive \$25,384,973 in TCAP funding. The South Carolina State Housing Finance and Development Authority (the Authority), on behalf of the State of South Carolina and in its capacity as the designated housing credit agency for the state, responsible for allocating Low Income Housing Tax Credits, hereby requests from HUD's Office of Affordable Housing Programs the full \$25,384,973 allocation of TCAP funds available under the formula allocation to the State of South Carolina.
2. The Authority currently administers the following federal grant programs:
 - a) The HOME Investment Partnerships Program; and
 - b) The Neighborhood Stabilization Program (NSP).

In addition, the Authority also administers the following HUD programs:

- a) Section 8 Contract Administration Program; and
 - b) Section 8 Housing Choice Voucher Program which includes the Moderate Rehabilitation Program and the Homeownership Voucher Program.
3. The Authority accepted 2009 Tier One tax credit applications on February 27, 2009. The Authority commissioned market analysts to complete a market study for each development and a third party site reviewer was hired to conduct site visits on all 73 applications received. All market studies have been received and reviewed and the site reviewer has visited and provided the Authority a report on all of the proposed development sites.

On April 23, 2009, the Tier One applicants were notified of their Tier One point score as well as their status of being eligible to continue competing in the 2009 funding cycle. Applicants were either (1) disqualified for not meeting Authority established threshold criteria relating to site and market conditions; (2) notified of their Tier One point score but not invited to continue in the funding cycle due to achieving a Tier One point score below 38; or (3) notified of their Tier One point score and invited back to submit a Tier Two application. Approximately 40 applicants were invited to submit a Tier Two funding application. In addition, the Tier One point scores were posted on the Authority's tax credit webpage.

The Authority will accept Tier Two applications from June 1-8, 2009. After reviewing the applications received for completeness, ranking applications based on Tier Two point scoring criteria outlined in the 2009 Qualified Allocation Plan (QAP) and performing a financial underwriting review to ensure threshold compliance, the Authority anticipates making tax credit awards around August 15, 2009.

4. TCAP Contact information:
 Laura Nicholson, Tax Credit Program Manager
 SC State Housing Finance & Development Authority

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B. Description of Competitive Selection Criteria:

An “award of tax credits” means the Authority and the tax credit development owner have executed a Reservation Certificate, a Carryover Allocation Agreement, and a Binding Agreement, if applicable. These documents are issued by the Authority in mid-August of each year. The development owner has usually no more than ten (10) days to execute and return the documents to the Authority. Upon receipt of the executed documents the Authority is considered to have made an “award of tax credits”. This definition will be uniformly applied to all tax credit projects for the purpose of determining project eligibility for TCAP funding.

In addition to these documents, the Authority also issues an Agreement as to Restrictive Covenants. The Covenants are executed by the Authority in mid-August and the development owner, within twelve (12) months must execute and record the Covenant. The execution and subsequent recordation of the Covenant by the development owner is usually done when the owner purchases the development site.

In order for the Authority to meet commitment and expenditure deadlines imposed by the ARRA it is imperative that development owners requesting and receiving TCAP funding be able to start construction immediately. TCAP funds will be allocated competitively based on the highest scoring TCAP application to developments having already competed and been awarded 2008 tax credits based on the 2008 Qualified Allocation Plan and 2008 Tax Credit Manual. The Authority, in its sole discretion, will determine whether an award of TCAP is necessary for financial feasibility. **In order to compete for TCAP funds, the development owner must have an executed and binding agreement for syndication for the development. This is a threshold requirement and will not be waived.** In addition, a minimum score of 60 points must be achieved to receive TCAP funds. The following criteria will be utilized to establish a priority selection order in which developments will receive TCAP funds.

1. Development owners who can meet a February 16, 2012 completion date. This date is a completion priority date established by the ARRA. This date does not allow an extension of the IRS imposed completion date related to the date an allocation of credits was awarded. IRS completion dates relative to the year tax credits were awarded, if more restrictive, will be imposed by the Authority. **15 points**
2. Developments having the highest value per credit dollar of committed equity financing from a syndicator. Points will be determined by multiplying the value per credit dollar by 10 (i.e. an equity pricing factor of .75 per dollar = 7.5 points). **Up to 10 points**
3. Developments with an executed and binding construction loan agreement. **10 points**
4. Developments with an executed and binding agreement for permanent financing. **10 points**
5. Development owners who have building permits issued. **10 points**

6. Developments that have no environmental issues and have been cleared through the National Environmental Policy Act. This means all required environmental public notices have been posted, commenting timeframes are complete and the final HUD Request for Release of Funds has been received by the Authority. **5 points**
7. Development owners who have taken ownership of the development site and have a recorded warranty deed. **10 points**
8. Development owners who are familiar with and have previous experience in rehabilitating or constructing developments using federal funds (e.g. HOME, CDBG, etc.). **5 points**
9. Development owners awarded credits in the 2008 tax credit funding cycle that can meet and submit a Ten Percent Expenditure Test by August 3, 2009. **15 points**

The Authority believes the above selection criteria will allow a 2008 funded development to begin construction immediately. It is understood by all parties that development owners awarded TCAP funds will immediately, upon execution of the TCAP Reservation Agreement and any other regulatory documents requiring execution, begin construction. Those development owners not having developments under construction, for any reason, within 30 days of the receipt of a TCAP award may request one (1) 15 day extension to begin construction. If the development is not under construction by the new deadline date the TCAP funds will be rescinded. The Authority may inspect the construction site at any time to determine the progress of the development.

Any TCAP funds that are returned, recaptured, or not initially allocated to 2008 funded tax credit developments may be utilized for developments funded in the 2009 competitive tax credit funding cycle. The following TCAP Funding Priorities will be used as the criteria for 2009 tax credit developments. At a time to be determined by the Authority, development owners receiving a 2009 award for tax credits will be notified of the opportunity to submit application requests for TCAP funds. Any development submitted for funding consideration in the 2009 tax credit application cycle must underwrite and be financially feasible as proposed without any TCAP funding. The Authority, in its sole discretion, will determine whether an award of TCAP is necessary for financial feasibility. **In order to apply for TCAP funds, a development owner must have an executed and binding agreement for syndication for the development. This is a threshold requirement and will not be waived.** In addition, a minimum score of 45 points must be achieved in order to receive TCAP funds.

1. Development owners who can meet a February 16, 2012 completion date. This date is a completion priority date established by the ARRA. This date does not allow an extension of the IRS imposed completion date related to the date an allocation of credits was awarded. IRS completion dates relative to the year tax credits were awarded, if more restrictive, will be imposed by the Authority. **15 points**
2. Developments having the highest value per credit dollar of committed equity financing from a syndicator. Points will be determined by multiplying the value per credit dollar by 10 (i.e. an equity pricing factor of .75 per dollar = 7.5 points). **Up to 10 points**
3. Developments with an executed and binding construction loan agreement. **10 points**
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6. Developments that have no environmental issues and have been cleared through the National Environmental Policy Act. This means all required environmental public notices

have been posted, commenting timeframes are complete and the final HUD Request for Release of Funds has been received by the Authority. **5 points**

7. Development owners who have taken ownership of the development site and have a recorded warranty deed. **10 points**
8. Development owners who are familiar with and have previous experience in rehabilitating or constructing developments using federal funds (e.g. HOME, CDBG, etc.). **5 points**

2009 tax credit development owners awarded TCAP funds that are not under construction within 60 days of the receipt of a TCAP award may receive one (1) 30 day extension to begin construction. If the development is not under construction by the new deadline date the TCAP funds will be rescinded.

C. Commitment and Expenditure Deadlines

The Authority anticipates providing qualified 2008 tax credit development owners the ability to apply for TCAP funds at the end of July 2009 with funding awards to be made at the end of August 2009. Remaining TCAP funds not allocated to 2008 developments will be used by the 2009 tax credit award recipients. The Authority anticipates providing qualified 2009 tax credit development owners the ability to apply for TCAP funds at the end of October 2009 with funding awards made the end of November. By allocating funds on this timeline the Authority anticipates having as much as 100% of the funds committed by the beginning of December 2009, well ahead of the February 16, 2010 ARRA deadline for committing funds.

Although the Authority has already established specific Tax Credit Program Year Timelines for both the 2008 awarded developments and the to be awarded 2009 developments, those development owners applying for and receiving TCAP funding will have additional deadlines to meet and reporting requirements to comply with. The TCAP deadlines and reporting requirements will be included in the TCAP Funding Agreement and Regulatory Agreement. Based on the criteria outlined in this Implementation Plan for TCAP Funding Priorities, developments will be “shovel ready” upon receipt of the TCAP award. The 2008 developments receiving TCAP funds will begin construction within 30 days of receiving TCAP funds which means starting construction at the beginning of October 2009. These developments will be required to be 100% complete with construction as evidenced by a certificate of occupancy and the submission of a placed in service tax credit application by the second Monday of December 2010.

It is anticipated that the 2009 developments receiving TCAP funds will begin construction within 60 days of receiving TCAP funds which means starting construction by the end of January 2010. These developments will be required to be 100% complete with construction as evidenced by a certificate of occupancy and the submission of a placed in service tax credit application by the fourth Monday in January 2011. Using these placed in service deadlines the Authority anticipates having all allocated TCAP funds expended and developments 100% complete not later than February 1, 2011 which is before the February 16, 2011 ARRA deadline for having expended 75% of the TCAP funds.

Requiring placed in service deadlines of the second Monday of December 2010 for 2008 developments and the fourth Monday of January 2011 for 2009 developments, the Authority will be well ahead of expending 100% of its TCAP grant within 3 years (February 16, 2012) of the ARRA requirement.

The 2008 and 2009 development owners that do not meet the planned construction start date after receiving TCAP funds, including any applicable extensions granted by the Authority, will have the TCAP award rescinded. Rescinded award funds and those funds not initially allocated in the two competitive TCAP award cycles will be made available to any 2008 or 2009 tax credit funded development that did not meet the minimum point score criteria to be eligible for funding consideration in the initial TCAP funding cycles. Development owners will be able to request and receive TCAP funds from the Authority as long as the development, at a minimum, meets the following threshold requirements:

1. Has an executed and binding agreement for syndication.
2. Has an executed and binding construction loan agreement.
3. Has an executed and binding agreement for permanent financing.
4. Has building permits issued.
5. Has ownership of the property as evidenced by a warranty deed.
6. Has completed all environmental requirements through NEPA including the Authority having received the final HUD Request for Release of Funds.

Requests for remaining TCAP funding will be accepted on a first come, first served basis with the Authority utilizing a clock mark date stamp priority to review and award application requests. The Authority, in its sole discretion, will determine whether an award of TCAP is necessary for financial feasibility. Based on the date for committing TCAP funds to 2009 developments, unencumbered TCAP funds will be made available at the beginning of January 2010.

Development owners applying for TCAP funds at the beginning of January 2010 will be notified of a TCAP award within thirty (30) days of receipt of their application. Development owners receiving awards will be required to be under construction within 30 days. The previously established placed in service tax credit deadline dates for 2008 and 2009 tax credit funded developments will be imposed. The Authority will not consider a waiver of the placed in service dates. Development owners not meeting the mandatory placed in service dates will have TCAP funds rescinded.

D. Recovery Act Accountability and Transparency Requirements

The Authority has developed a separate TCAP webpage which can be accessed through the following link: http://www.schousing.com/Tax_Credits/Tax_Credit_Assistance_Program

Located on this website currently are links to the HUD CPD Notice 09-03, HUD News Release(s) specific to grants funded through the Recovery Act, and TCAP information on HUD's website. In addition, the Authority posted the Notice of Public Commenting Period whereby the general public was notified of the Authority's Proposed TCAP Implementation Plan so that comments could be

accepted. The Proposed Implementation Plan was also posted on the webpage so that the general public had the ability to download the Plan.

The Authority also maintains email and fax number computer mailing lists for both the Tax Credit and HOME programs in order to quickly send out informational email blasts. The Authority sent an email blast regarding the posting of the TCAP Implementation Plan and the subsequent five (5) day public comment period to all persons on both of these mailing lists thereby providing additional notification to persons who may be interested in commenting on the Authority's Plan.

The Notice of Public Commenting Period was also posted conspicuously in the Authority's lobby thereby allowing all persons who visit the Authority to read about the availability of the Plan.

The Notice of Public Commenting Period was posted on the Authority TCAP webpage and emailed and/or faxed out to persons on the Tax Credit and HOME contacts list on May 13, 2009. As per the public notice written comments were accepted by the Authority until 5:00 p.m. (EST) on May 20, 2009. The Authority received three (3) written comments within the five (5) day public commenting period on the Proposed Implementation Plan and has received several more since.

The Final TCAP Implementation Plan, applicable applications for TCAP funding, additional Authority Public Notices regarding the TCAP program as well as additional HUD notifications will be posted to the Authority's TCAP webpage throughout the duration of the TCAP grant program. In addition, as reporting requirements and additional guidance relating to the TCAP program are provided by HUD, the Authority anticipates posting these documents to the TCAP webpage thereby allowing the general public the ability to review information and download documents.

Beginning June 10, 2009, and every quarter thereafter, the Authority must report specific information to HUD regarding the name and description of each project for which TCAP funds were obligated, unencumbered TCAP fund balance, updated construction status on each project awarded TCAP funds, an estimate of the number of jobs created and the number of jobs retained by the project, etc. The Authority will post updated information for individual projects on a quarterly basis, to the Authority's TCAP webpage. Posting such information will provide the general public the ability to review and access specific information as it relates to the TCAP program and understand how funds are being spent in South Carolina.

E. Additional Elements of the Submission

A letter from the Authority's Executive Director, Valarie M. Williams, as well as the Standard Form 424 (Application for Funds) is included with this submission.

The Authority has an established Data Universal Numbering System (DUNS) number from Dun and Bradstreet, which is #786240908, and has previously registered in the Central Contractor Registration (CCR).

Public comments received by the Authority during the five (5) public commenting period as well as additional comments received after the five (5) day commenting period have been included as part

of the TCAP Application submission. In addition the Final Tax Credit Assistance Program Implementation Plan is included.

F. Deadline for Submissions

As required, three (3) copies of the Submission Requirements are included in this application submission package which is addressed to Marcia Sigal, Director of the Program Policy Division at HUD in Washington, D.C. This application submission package is due to HUD not later than June 3, 2009 and is being sent via overnight express delivery.