

2020 Tax Credit Program

Bulletin # 2

January 30, 2020

Questions and Answers

Question #1:

If a townhome development will not be marketed for sale at the end of compliance period, are concrete driveways required to be built or will a standard parking lot be acceptable?

Authority Response:

If the townhome development is being constructed with five+ connected units with a single building address such that the buildings are considered IBC R-2 buildings, then concrete driveways would not be required. If the townhome development is being constructed with less than 5 connected units with each unit on a separate lot with its own separate street address such that the units are considered IRC R-3 buildings, then concrete driveways are required.

Question #2:

Is a long term land lease with the majority or all of the rent due at the inception of the lease term permissible?

Authority Response:

The 2020 QAP does not dictate the *payment* terms of a long term land lease. However, please be advised that the 2020 QAP states: "The Authority will underwrite debt related to the lease at the lesser of its actual terms or the annual debt service produced by amortizing the appraised value of the land at the same rate and terms as the permanent loan over a term of 50 years."

For the purpose of determining the credit amount, the Authority will not include any lease payments in development cost. However, in determining TDC/Unit for purposes of new construction scoring of cost containment, "Land costs are included in total development costs for the purposes of calculating credit efficiency. If the project will lease the land instead of purchasing, the appraised value of the land will be included in total development costs for purposes of this calculation."

Question #3:

The 2020 QAP requires a 10% rent advantage over HUD FMRs. How is this to be calculated?

Authority Response:

The market rate advantage applies to the **net** rent (gross tax credit rent less utility allowance where applicable). The net rent must have a 10% rent advantage over HUD FMRs.

Question #4:

Does the Authority require a review of financial statements by the CPA or will compiled financial statements suffice?

Authority Response :

For purposes of demonstrating required capacity of the development team, the 2020 QAP requires **reviewed** financial statements, prepared by an independent certified public accountant (CPA) in accordance with U.S. GAAP and with a balance sheet dated on or after December 31, 2018. Compiled financial statements do not meet this requirement.

Question #5:

Will the Authority consider a waiver request to allow a scattered site development to be eligible for 9% LIHTC?

Authority Response:

Scattered site developments are not eligible for 9% LIHTCs. The Authority will not grant a waiver for a scattered site project as described above for the 9% competitive funding cycle.

Question #6:

What is the Authority's process for submitting waiver requests for a 9% LIHTC application?

Authority Response:

Unless specifically identified in the 2020 QAP, there is no waiver process for the 9% competitive funding cycle for any other items. The only permitted waivers for the 9% competitive funding cycle are described in applicant qualification. Such waivers are to be submitted via letter to the Authority.

Question #7:

Is the inspector who physically does the site visit for a Physical Needs Assessment required to be a third-party licensed engineer or architect? Or can a staff member at the consultant firm perform the inspection and his report be reviewed and signed off by a licensed engineer or architect?

Authority Response:

The PNA must be prepared and certified by a third-party independent licensed engineer or architect.

Question #8:

Does the noise study need to be dated within one year of the application deadline?

Authority Response:

Per the 2020 QAP, the study must be dated within one year (1) of the application deadline date.

Question #9:

Would the Authority consider a waiver to allow using max fee as 15% of TDC less certain line items for rehabilitation projects? Or, would the Authority consider allowing the higher of 25% of the item-line for hard construction costs or \$500,000?

Authority Response:

Per the 2020 QAP, the maximum developer fee for rehabilitation projects is the lesser of twenty-five percent (25%) of the line-item for hard construction costs or \$650,000. The Authority will adhere to these maximums and will not grant a waiver.

Question #10:

If submitting a Mark-Up-to-Market Application to HUD, can the application include the new rents if they have not been approved by HUD yet at time of application?

Authority Response:

Developments with HUD approved Housing Assistance Payments contracts may increase the contract rents. The market study submitted with the application must support the increased rents.

Question #11:

As to Vertical Construction Costs/Unit for purposes of new construction scoring of cost containment, what will be included in the calculation of vertical construction costs?

Authority Response:

The Authority will use the Construction Cost Addendum to analyze construction costs, including the calculation of vertical construction costs. Any line items on the Construction Cost Addendum containing the word "Demolition", "Demolish", or "Repair/Replace" will not be included in Vertical Construction Cost. Also, the following specific line items will not be included:

- Clearing/Grubbing
- Excavate Lot to Proper Grade
- Water Line to Street & Tie-in
- Sanitary Line to Street & Tie-in
- Sanitary Sewer Manhole/Structure
- Storm Sewer
- Storm Sewer Manhole/Inlet Structure
- Gas Line-Complete
- Electric/Power Line to Unit
- Site Lighting-Complete-Per Light Pole
- Concrete Driveway – Finished
- Concrete Sidewalk – Finished
- Concrete Curb & Gutter
- Parking Lot – Stone Base & Asphalt
- Parking Stripping & Signage
- Dumpster Pad & Fencing – Complete
- Ornamental Fence
- Ornamental Gate

Question #12:

Do the noise level limits described in the QAP apply to 100% of a site or only to buildings and exterior amenities?

Authority Response:

All new construction projects must meet the standards set forth in HUD regulations. Please see 24 CFR 51.103 for guidance as to the criteria and standards for determining the acceptability of the noise environment at a site.

Question #13:

What will be the required on-site work and necessary documentation from a wetlands professional to comply with the wetlands provisions of the 2020 Qualified Allocation Plan? Will the Army Corps of Engineers be required to verify the presence or absence of wetlands? If so, will SC Housing allow applicants to submit evidence that the proper submission to the Army Corps of Engineers has been made along with a preliminary report from the wetlands professional in lieu of a final determination?

Authority Response:

A report from the Army Corps of Engineers is not required. Form W, which is the documentation from a wetlands professional required to comply with the 2020 QAP will be made available in Mid-February along with the application and other forms. As information, Exhibit W will require the Wetlands Specialist to certify to the best of their knowledge whether wetlands are present on the site and if present that the site is 80% buildable.

Question #14:

Do all of the requirements set forth in Appendix B, Section II Mandatory Design Criteria apply to rehabilitation projects?

Authority Response:

As a general rule, the mandatory design criteria apply to a rehabilitation project if the scope of work for the rehabilitation includes the item to which the criteria applies. As an example, the development must comply with the requirements for building exterior if the rehabilitation involves the building exterior. As an exception, Section A. Accessibility applies to all projects (including rehabilitation projects) and all provisions must be incorporated into the scope of work as necessary.

All square footage requirements are superseded by the square footage requirements set forth in Section V. Rehabilitation of Existing Housing.

The following provisions do not apply to rehabilitation projects:

- All provisions of Section B, Unit Size & Base Requirements
- Section C, Item 1 regarding community rooms and buildings
- Section C, Item 2(a), 2(b), 2(c), and 2(d) amenities. Item 2(e) regarding the playground is still required.
- Section C, item 3 regarding amenities in older person developments
- Section D, Item 1 regarding underground utilities
- Section E, item 5 regarding the brick or stone veneer above floor elevation.

- Section E, item 6 regarding crawl space will be limited to what is required to meet code so long as the plans demonstrate accessible access to the entire crawl space.
- Section F exterior wall finishes, item 1, regarding 30% brick or stone wall faces
- Section G roofing requirements do not apply if the remaining useful life of the existing roof is 15+ years and the existing roof meets code requirements. Gutter requirements are still applicable.
- Section J, item 2 regarding countertops
- Section J, item 3 icemaker requirement. Remaining requirements are applicable.
- Section J, item 4 regarding dishwashers
- Section J, item 10 regarding pantry cabinets
- Section L, item 3 size requirements for bedroom closets
- Section M, item 1 regarding washer and dryer hookups in each unit
- Section P, item 2 regarding water meters
- Section P, item 9 regarding washer/dryer hookups
- Section T, item 3 regarding hallway widths in older person developments

Question #15:

Do the new construction scoring criteria apply to rehabilitation projects? If not, how will rehabilitation projects be scored?

Authority Response:

The New Construction Scoring Criteria only apply to new constructions projects. Rehabilitation projects will be evaluated comparatively as outlined in the 2020 QAP, Section VIII, Evaluation of Rehabilitation applications.

Question #16:

Are any projects located in a QCT eligible for points in new construction scoring or only those projects documenting a concerted community revitalization plan?

Authority Response:

There are no points offered to any new construction projects located in a QCT. Applications documenting a concerted community revitalization plan (CCRP) in accordance with the requirements set forth in the 2020 QAP will receive an additional 5 points if the project is also located in a QCT.

Question #17:

In evaluating a management company experience, the QAP states the portfolio must have an average occupancy rate $\geq 90\%$ across the portfolio and an average monthly collection of 90% of resident receivables across the portfolio. Does each property in the portfolio have to meet this requirement?

Authority Response:

The management company's average occupancy rate and its average monthly collection of resident receivables is to be measured as a portfolio average. Each individual property in the portfolio does not have to meet these requirements.

Question #18:

Can an applicant combine HOME funding from a local PJ to be used in conjunction with the required \$500,000 State HOME PJ funds in the 2020 LIHTC funding cycle?

Authority Response:

Yes. HOME funds from a local PJ can be used as a source for the project and, therefore, combined with the \$500,000 of HOME funds being provided to new construction projects.