APPENDIX C2 – TAX-EXEMPT BONDS

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I. OVERVIEW

Developments proposed for financing by private activity bonds may be eligible to receive 4% LIHTCs if eligible to receive a LIHTC allocation under the QAP for the year in which the application for bond financing is filed with the Authority. The Authority will issue a preliminary, non-binding response to an application for the 4% LIHTC stating whether the development is eligible. After the development places in service, the owner will submit a Placed-in-Service (PIS) application.

II. CRITERIA

A. Application Process

The Authority will accept preliminary and full applications for tax-exempt bonds/4% developments in accordance with the schedule published on the Authority's website.

~~At full application the Total Development Costs may not vary more than five percent (5%) from preliminary application.~~

B. Requirements

All developments must meet all threshold criteria in the QAP, except as modified by the following:

1. SCATTERED SITE

Scattered site developments are eligible if the development meets all the following:

a. All buildings must be under the ownership of one entity.

b. All units must be managed by one management entity.

c. All buildings must be developed under one plan of financing and considered a single development by all funding sources.

d. The development must be appraised as a single proposed development.

e. Each noncontiguous parcel must be located within the same county.

f. Each noncontiguous parcel must contain at least four (4) units per parcel.

2. PORTFOLIO TRANSACTIONS

Applications pooling together multiple properties for acquisition/ rehabilitation under one bond issuance must be:

a. separate for each property, and include an appraisal for that single property;

b. developed under one issuance plan of bond financing; and

c. entirely managed by one management entity.

~~Each portfolio transactions will count as one application in reference to application and award limit requirements.~~

3. REQUIRED DEVELOPMENT EXPERIENCE FOR HUD SECTION 18 OR RAD CONVERSIONS

An application proposing to convert public housing developments through the HUD Section 18 or Rental

Assistance Demonstration (RAD) programs, may request a waiver of the required development experience if the Development Team contracts for the services of an LIHTC consultant who has experience on previous HUD Section 18 or RAD conversions.

4. SIZE REQUIREMENTS

The maximum number of units for a new construction application is two hundred (200). The minimum number of units per application is seventy (70), this number can be achieved by the development itself, scattered sites or portfolio transactions.

5. MAXIMUM LIHTCS PER UNIT

There is no maximum amount of federal LIHTCs. Developments needing State Tax Credit will be limited to the amount needed to supplement, but not supplant the federal LIHTC and must be limited to an amount necessary only to achieve financial feasibility of the development. See Appendix C-3 for State Tax Credit requirements.

6. AUTHORITY-ADMINISTERED HOME FUNDING

Tax exempt bond developments are not eligible to apply for Authority HOME funds.

~~7. DEVELOPER FEE -~~

~~For both new construction and rehabilitation developments, developer fee is limited to the lesser of~~

- ~~a. $5 million;~~
- ~~b. 15% of Total Development Costs less Land, Project Consultant Fees, Developer Fees, Developer Overhead, Other Developer Costs and Reserves; or~~
- ~~c. $30,000 per unit~~

~~The deferred portion of the developer fee may not exceed fifty percent (50%) of the total at application submission. See Deferred Developer Fee section in the QAP for additional requirements regarding the Deferred Developer Fee.~~

~~8~~7. APPLICATION AND AWARD LIMITATIONS

a. A Development Team may submit up to three (3) full applications and four (4) preliminary applications per each funding cycle. Each portfolio transaction will count as one application.

b. The Authority will not award more than two (2) new construction or rehabilitation applications or one (1) portfolio application per funding cycle to any member of the Development Team.

c. The Authority will not award more than two (2) new construction applications per county listed as Urban and will not award more than one (1) new construction application per county listed ~~Rural~~Suburban. The Public Housing Authority set-aside will be limited to ~~one~~ two (~~1~~2) awards per county. The award limit per county may be exceeded in the PHA set-aside if the bond ceiling amount in the PHA set-aside is not fully exhausted.

Urban: Aiken, Anderson, Beaufort, Berkeley, Charleston, Dorchester, Greenville, Horry, Lancaster, Lexington, Richland, Spartanburg and York,

~~Rural~~Suburban: all other counties

d. The Development Team must request ceiling allocation that will be the ~~maximum~~ minimum of thirty percent (30%) of the aggregate basis~~ or permanent supportable debt~~.

C. Set-Asides

The Authority will place Applications for tax-exempt bonds/4% developments in one of the set-asides described below.

The Authority will award bond ceiling starting with the eligible application earnings the selection criteria ranking within each of the set-asides and continuing in descending order through the last application that can be fully funded within the range of bond ceiling available in each of the set-asides. The Authority may exceed these limits in the event of inadequate demand among eligible applications which would prevent fully awarding the state's available resources. In the event a set-aside has unused bond ceiling, the unused amount will be allocated to the next partially funded award in each of the remaining set-asides then will be awarded in the following order New Construction, Rehabilitation and Public Housing Authority.

1. New Construction (40%)
   Developments underwritten at the time of application without any type of project-based assistance.
2. Rehabilitation (30%)

3. Public Housing Authority (30%)

D. Other Requirements

All tax-exempt bond developments will be subject to review of the Authority's Financial Advisor. The review may result in the Authority requesting changes.

All tax-exempt bond developments must meet all criteria in the ~~2026~~ 2027 Low-Income Housing Tax Credit Manual, except the following:

- Reservation Certificates
- Carryover Allocations
- Verification of 10% Expenditure

All tax-exempt bond developments requiring South Carolina State LIHTCs must meet all criteria in Appendix C3.

~~State law requires the ranking determination to be based on highest value and greatest public benefit. The ranking criteria below has been adopted by the Authority and the Joint Bond Review Committee in accordance with Act 202.~~

~~SC Housing will maximize the federal LIHTC allocation, determine if STC is needed for financial feasibility, and will then rank the eligible projects based on:~~

- ~~State resources per heated residential square foot~~
  - ~~This criterion will rank projects from lowest to highest, based on a calculation of state resources (bond ceiling and state tax credit) per heated residential square foot (i.e., excluding common areas), to demonstrate the most efficient use of state resources for the portion of total project costs applicable to actual tenant housing.~~

- ~~State resources per bedroom~~

- ~~This criterion will rank projects from lowest to highest, based on a calculation of state resources per bedroom, to demonstrate the most efficient use of state resources for the number of families the project will house.~~

- ~~State resources per dollar of total project costs~~
  - ~~This criterion will rank projects from lowest to highest, based on a calculation of state resources to total project costs to demonstrate the most efficient investment of state resources in the project overall.~~

- ~~State resources per potential tenant~~
  - ~~This criterion will rank projects from lowest to highest, based on a calculation of state resources per potential tenant to demonstrate the most efficient use of state resources for the number of potential residents the project will house.~~

~~A 30% adjustment to state resources will be made as a ranking consideration for projects located in USDA-designated rural areas. A 10% adjustment to state resources will be made for new construction units, as a ranking consideration for projects providing an overall increase in affordable housing. These adjustments apply for the sole purpose of establishing project rankings.~~

~~Total state resources will include any amount of state ceiling, any applicable state tax credits, and any other state resources and incentives as are germane and applicable to the project.~~

~~Tiebreakers:~~

1. ~~Allocation of State Housing Tax Credit to the project that could be accommodated within the limitation in the event the other project could not.~~
2. ~~Allocation to a project located within a designated rural area if the other project is not.~~
3. ~~Allocation determined solely by the relationship of total state resources to the number of tenants the project is expected to serve, as a determinant of greatest public benefit.~~

III. NEW CONSTRUCTION SCORING CRITERIA

A. Proximity to Amenities and Jobs; Rural Area

1. DISTANCE TO AMENITIES

Max – 76 points	**Urban New Construction**			
	Driving Distance in Miles			
Primary Amenities	<1	<2	<3	<4
Grocery	10	8	6	4
Shopping	7	6	5	4
Pharmacy	7	6	5	4
Retail	6	5	4	3
Healthcare	4	3	2	1
Public Facility	4	3	2	1

Max - 76 points	**Suburban New Construction** **Driving Distance in Miles**			
Primary Amenities	<2	<3	<4	<5
Grocery	10	8	6	4
Shopping	7	6	5	4
Pharmacy	7	6	5	4
Retail	6	5	4	3
Healthcare	4	3	2	1
Public Facility	4	3	2	1

Urban: Aiken, Anderson, Beaufort, Berkeley, Charleston, Dorchester, Greenville, Horry, Lancaster, Lexington, Richland, Spartanburg, and York

Suburban: all other counties

1 additional point for having a Full Service Grocery store located with a .5 mile

Full Service Grocery – have a minimum size of 12,000 square feet and operate with regular business hours offering a full range and variety of foods, cleaning products and paper products. Variety of foods must include: 1.) meats, poultry and fish; 2.) breads and cereals; 3.) fresh vegetables and fruits (minimum of 3 different vegetables and 3 different fruits); and 4.) dairy products (at minimum milk, cheese and butter).

Shopping – a big box store, shopping plaza, mall, retail strip, walkable downtown shopping district or convenience neighborhood center containing multiple stores stocked with many varieties of goods including all of the following: 1.) clothing; 2.) housewares; 3.) cleaning products; 4.) general over the counter medicine or first aid products; and 5.) personal hygiene. ~~Clothing must contain tops, bottoms, undergarments and shoes for men, women and children.~~ A walkable downtown shopping district must be pedestrian friendly and the distance between the qualifying establishments cannot exceed a total of .3 miles. Dollar Tree~~, Dollar General and Family Dollar~~ cannot be used for clothing. Consignments stores are not acceptable. ~~Stores must offer affordable products.~~

Pharmacy – does not include specialty pharmacies or drug services; or pharmacies or drug stores only available for patients of a designated medical practice or facility.

Healthcare – hospital, urgent care, general/family practice or clinic offering patient services. Does not include medical specialists or a local health department without a clinic. Must be open 5 days a week.

Public Facility –

- community center with scheduled activities operated by local government;
- public park owned and maintained by local government containing, at a minimum, playground equipment and/or walking/bike trails and listed on a map, website or other official means (greenway or trailhead does not qualify);
- library operated by the local government and open a minimum of five days a week.

Retail – any grocery or shopping as defined above; any strip shopping center with a minimum of 4 operating retail or food service establishments; or any general merchandise establishment. An establishment used for points in another category will not be eligible for points in the Retail category. Vape, ABC, adult stores, hair salons, barber shops and nail salons do not qualify.

All establishments must be open to the general public and operating as of the preliminary application deadline with no announced closing prior to the notification of the final point scores. The Authority will allow one Full Service Grocery, Shopping or Pharmacy amenity actively under construction documented by a permit from the local governing authority and a letter from the amenity stating the proposed opening date to be used for points.

A maximum of two (2) amenities per category can be used.

The driving distance will be the mileage as calculated by Google Maps and must be a drivable route as of the preliminary application deadline. The drivable route must be shown in satellite view map format along with written directions. A photo of each amenity must also be provided (Google or internet photos are not acceptable). The measurement will be at any point of the site's road frontage to or from the amenity entrance and the same point on the site's road frontage will be used for all measurements. Driveway, access easements, and other distances in excess of 500 feet between the nearest residential building of the proposed project and road shown on Google Maps will be included in the driving distance.

A single establishment may qualify for points under a maximum of two categories.

2. PUBLIC TRANSPORTATION

1 point for being located within .3 miles walking distance of a bus/transit stop meeting the following:

- in service as of the preliminary application date,
- at a fixed location, and
- served by a public transportation system six (6) days a week for Urban counties and five (5) days a week for Suburban counties, including for ten (10) consecutive hours on weekdays.

3. AREA EMPLOYMENT

Up to ***10*** points based on the number of jobs paying between $1,251 and $3,333 per month in a one-mile radius for Urban counties and five-mile radius for all other counties, as displayed on the U.S. Census Bureau's OnTheMap tool for the Longitudinal Employment Household Dynamics database. The Authority will use the most current year available as of the preliminary application deadline.

Applications will earn points as follows:

- 10 points for at least 10,000 jobs
- 8 points for 8,000 to 9,999 jobs
- 6 points for 6,000 to 7,999 jobs
- 4 points for 4,000 to 5,999 jobs
- 2 points for 2,000 to 3,999 jobs

B. Land Donation or Ground Lease

5 points if a local government, school district or entity who received the property from a local government owns the proposed project real estate as of the preliminary application deadline and the application shows no more than either $5,000 in the cost line-items for land and buildings or $100 per year for a ground lease. The local government, school district or entity who received the property from a local government must have owned the real estate since at least July 31, 202~~5~~6 and not have purchased or received any portion from a Principal or a related party.

C. Affordability

1. Applications will earn ***10*** points based on an agreeing to comply with the applicable limits in the matrix below. In order to receive points, the application must reflect one set-aside election (average income or "original" minimum set-aside (i.e. 40% at 60% or 20% at 50%) and meet the criteria below for the selected set-aside.

- For average income, the percent shown is the average AMI among the units' designations.
- For an original minimum set-aside (40% at 60% or 20% at 50%), at least 20% of the units must be affordable to and occupied by households at the AMI shown.

County Income Level	MINIMUM SET-ASIDE ELECTION	
	Average Income	Original
High	54%	30%
Moderate	56%	40%
Low	58%	50%

The county income levels are as follows:

- High- Beaufort; Berkeley; Charleston; Dorchester; Greenville; Lancaster; Lexington; Richland; York
- Moderate- Aiken; Anderson; Calhoun; Chester; Darlington; Edgefield; Fairfield; Florence; Georgetown; Horry; Kershaw; Oconee; Pickens, Spartanburg; Saluda; Sumter; Union
- Low- all others

Any units targeted to 20% AMI for purposes of the Supportive Housing criteria may also count towards the requirements of this section. If a reduction in rents or extension of affordability period results in the development becoming financially unfeasible, the Authority may modify elections during underwriting. The Application will not receive points as originally requested.

2. ***10*** points if the application includes a notarized letter signed by the proposed owner of the property affirming a knowing and voluntary waiver of the right to request a qualified contract from the Authority for the duration of the extended use period.

3. ***5 negative*** points if any member of the Development Team was a partner or member of an entity who either

- requests a qualified contract, or
- sold a LIHTC property to an owner who then requests a qualified contract within five years of ownership.

The penalty will apply to requests or sales made after June 22, 2026.

D. Noncompliance

1. ***2 negative*** points for each development with an uncorrected, outstanding Form 8823, as of December 31, 2026 where general partner, managing member, or management entity, is listed in the application as part of the Development Team.

E. Supportive Housing

5 points for agreeing to target ten percent (10%) of the total units to persons with disabilities and either

- designating such units as affordable to and occupied by tenants with incomes up to 30% AMI and rent capped at 20%, or
- securing a commitment of federal project-based rent assistance (converting vouchers).

Households with only a disability source of income (such as Supplemental Security Income) will be eligible for the 30% AMI units. Conversion of the disability source of income to permanent Social Security Retirement Income is acceptable.

The purpose of this provision is for households referred from a state-coordinated system to live in LIHTC properties. All parties involved (owners, managers, compliance staff) should make interpretations which promote such a result whenever possible and reasonable.

One or more service providers, as coordinated by state authorities, will refer households. For a period of sixty (60) days after the initial rent-up period begins the owner will establish a preferential leasing opportunity for referrals and thereafter will maintain a separate waiting list.

F. Public Housing Authority

2 points for partnering with a Public Housing Authority as a consultant, the consultant fee may not exceed $35,000. The applicant may only use the PHA with the main office in closest proximity to the development's address as of August 26, 2026.

IV. TIE BREAKER CRITERIA

The Authority will use the following factors in the order listed to break a tie for new construction applications.

A. An application would be ~~all of~~ the Development Team's only award while the tying application(s) would be all ~~of the~~ Development Team's second ~~or third.~~.

B. The application in the county with the least tax-exempt bond awards in the previous three funding cycles.

C. The development with the greatest number of jobs in Section III(A)(3).

D. If projects remain tied after all above tie breakers have been applied, the Authority will utilize a lottery.

V. EVALUATION OF REHABILITATION APPLICATIONS

The Authority will evaluate rehabilitation applications comparatively based on the following criteria. Developments with the building(s) over 60 (sixty) years old are not eligible to submit an application for rehabilitation without a waiver from SC Housing.

A. Preventing the conversion of units to market rate and/or the loss of government housing resources, specifically properties:
- ***10*** points for developments which the owner is eligible to request a qualified contract currently;
- ***10*** points for developments with a federal or rural development project-based assistance contract on at least 90% of the units reflecting a remaining term of less than three (3) years; or
- ***5*** points for developments with a federal or rural development project-based assistance contract on less than 90% of the units reflecting a remaining term of less than three (3) years.

B. ***Up to 5*** points from the time the development last received federal or state funding, determined by either the most recent placed-in-service (8609) or date all work was completed (Certificate of Occupancy) for all non-tax credit developments.
- 20 – 23 years– 1 point
- 23 – 25 years– 2 points
- 26 – 28 years– 3 points
- 29 – 30 years– 4 points
- Over 30 years – 5 points

C. ***Up to 3 points*** for having the current rent for a 2 bedroom unit (family) or a 1 bedroom unit (older person and senior) less than HUD's Fair Market Rents for 2026.
   a. 1 point if rents have a 10% advantage
   b. 2 points if rents have a 20% advantage
   c. 3 points if rents have a 25% advantage

D. ***5*** points if the application includes a notarized letter signed by the proposed owner of the property affirming a knowing and voluntary waiver of the right to request a qualified contract from the Authority for the duration of the extended use period.

E. 2 negative points for each development with an uncorrected, outstanding Form 8823, as of December 31, 2026 where the general partner, managing member or management entity is listed in the application as part of the Development Team.

F. The Authority will use the following factors in the order listed to break a tie for rehabilitation applications.

   1. An application would be the Development Team's only award while the tying application(s) would be the Development Team's second.
   2. The development receiving greatest number of jobs in Section III(A)(3).

3. If projects remain tied after all above tie breakers have been applied, the Authority will utilize a lottery.