

# APPENDIX C3 – STATE LIHTC

## Table of Contents

- I. GENERAL REQUIREMENTS ..... 2
- II. STC PROCESSES..... 3
- III. RANKING ..... 3
- IV. DETERMINATION AND ELIGIBILITY STATEMENT ..... 4

# I. GENERAL REQUIREMENTS

## A. Projects must comply with all of the following for owners to initially claim the state tax credit (STC).

1. Consists of one or more building(s) qualified for federal LIHTC under Internal Revenue Code Section 42.
2. All buildings placed in service after January 1, 2020 and before December 31, 2030.
3. Has restricted rents that do not exceed 30% of income for at least
  - 40% of units occupied by households with incomes of 60% or less of the median income, or
  - 20% of units occupied by households with incomes of 50% or less of the median income.
4. The owner provides a report (Report) to SC Housing detailing
  - how the STC will benefit the tenants (including, but not limited to, reduced rent),
  - why the STC is essential to the financial feasibility of the project, and
  - provide evidence of local support.

In the interest of timely implementation, as of these policies being issued there is no prescribed Report format. Instead owners submit relevant documentation and staff may follow up.

5. ~~Application must request the maximum amount of federal LIHTC before requesting STC. STCs are only meant to be the last resource in the application and only meant to cover any gap remaining after all other sources have been maximized.~~ The STC allowed for any project must supplement but not supplant the federal LIHTC and must be limited to an amount necessary only to achieve financial feasibility of the project. SC Housing reserves the right to increase the amount of federal tax credits requested.
6. Public Hearing was conducted no less than ten business days from public notice and community was given no less than ten days to provide comment to SC Housing.
7. Receives an Eligibility Statement from SC Housing.
8. Those awarded STCs also must comply with any applicable SC Housing Bulletin(s) and decisions made during application review.

## B. Requesting the STC

1. The Authority will only award STCs to developments with an applicable fraction of 100%.

~~2.—The STC allowed for any project must supplement but not supplant the federal LIHTC and must be limited to an amount necessary only to achieve financial feasibility of the project. Application must request the maximum amount of federal LIHTC before requesting STC. STCs are only meant to be the last resource in the application and only meant to cover any gap remaining after all other sources have been maximized.~~

~~3.2.~~ Developer may only submit one application per project.

~~4.3.~~ Applications listing STC as a source will be ineligible if there is an insufficient amount of STC remaining.

~~5.4.~~ Minimum STC request is \$300,000 unless the requested is supported by a syndicator or investor letter of interest noting their willingness to purchase at the specific lower amount.

- C. Claiming the STC each year during the credit period depends on the project remaining in compliance with Sections I(A)(1) and I(A)(3) above plus all other applicable LIHTC requirements.
- D. SC Housing will issue Eligibility Statements and monitor for noncompliance; it has no role in assessing specific taxpayers' ability to reduce tax liability in any calendar year. Owners will need to consult with their own tax professionals.

## II. STC PROCESSES

- A. All applications will be reviewed and scored according to the current years Qualified Allocation Plan.
- B. For developments utilizing the federal 9% LIHTC, SC Housing will underwrite/review the top scoring applications that will exhaust the federal 9% LIHTC limit. Of the top scoring applications, SC Housing will determine if any of those applicants requested STCs. Of those applications, SC Housing will determine if:
  - the application is made for a project to be located in a USDA-designated rural area;
  - STC is needed for financial feasibility;
  - the application has local support; and
  - the application is receiving the maximum federal LIHTC allocation.
- B. SC Housing will conduct a public hearing no less than ten business days from public notice and community will be given no less than ten days to provide comment to SC Housing.
- C. For 9% applications, allocations of STC will not exceed \$8 million, ~~plus any~~ as adjusted per item II.E below and in accordance with the state statute. At a minimum, fifty percent (50%) will be made available for allocation to projects located in rural areas only.
- D. For Tax-Exempt Bond applications, allocations of STC will not exceed \$12 million, ~~as plus any~~ adjusted per item II.E below and in accordance with state statute.
- E. Any unused portion of the allocation will be deemed to be unallocated and will be made available for allocation in the following year pursuant to the provisions of SC Code Section 12-6-3795(B)(5).

## III. RANKING

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, if applicable 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.

## IV. DETERMINATION AND ELIGIBILITY STATEMENT

- A. SC Housing will issue a STC Determination of Project Eligibility based on
  - the underwriting of the application
  - the financial feasibility;
  - its consideration of local support
- B. After being placed in service, if the project remains in compliance with all applicable conditions and requirements, SC Housing will issue an Eligibility Statement along with the Form(s) 8609.