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Plan of Allocation for Supplemental Financial Support  
Pursuant to Act 88 of 2023  
As of June 30, 2023

Section 1 – Assumptions and Methodology

*Supplemental Financial Support.* Act 88 provides for a one-time authorization of South Carolina Housing Tax Credits in an amount necessary but not exceeding \$29,860,029, and an amount necessary but not exceeding \$25,000,000 as non-recurring, one-time funding to certain multifamily housing projects that had by March 31, 2023, received a tentative allocation of South Carolina Housing Tax Credits pursuant to Act 202 of 2022.

The Act required SC Housing to develop a plan to allocate the tax credits and nonrecurring funding made available pursuant to the Act as supplemental financial support to certain multifamily housing projects that had by March 31, 2023, received a tentative allocation of South Carolina Housing Tax Credits pursuant to Act 202 of 2022. The plan, and any project allocations thereunder, must be submitted to the Joint Bond Review Committee for review and comment prior to awarding the tax credits and nonrecurring funding made available pursuant to Act 88.

*Qualifications for Funding.* Any supplemental tax credits or nonrecurring funding made available pursuant to the Act must be limited to the amount necessary to provide supplemental financial support to projects that (1) are under construction; and (2) have demonstrated independently verified costs exceeding original estimates as a consequence of escalations in costs of construction and materials, increases in interest rates, and such other extenuating factors recommended by SC Housing, subject to the review and comment of the Committee.

No single project may receive an allocation of more than the lesser of (1) the actual amount of tax credits and nonrecurring funding necessary to achieve financial feasibility of the project based on the independently verified costs exceeding the original estimate for the project; or (2) twenty percent of the South Carolina Housing Tax Credit reflected on the eligibility statement previously furnished for the project by SC Housing. SC Housing may recommend, subject to the review of

the Committee, a de minimus adjustment not exceeding five percent beyond the limitations of this provision to promote financial feasibility of the project in marginal circumstances.

Project sponsors must have requested consideration of and provided justification for any costs in excess of original estimates to the State Housing Finance and Development Authority no later than March 31, 2023.

*Allocation Methodology.* All development costs subject to third party determination<sup>1</sup> were included in the consideration for additional State Tax Credits and South Carolina Housing Trust Fund (SCHTF) allocation. All projects meeting the criteria prescribed by Act 88 as of May 19, 2023, the date of enactment, were included in the plan.

The Authority performed both a full underwriting, as well as a direct method, for determining allocations of additional subsidy. The direct method was used as a floor for making final allocations. For full underwriting, all costs were considered as well as basis calculations and sources, including a minimum of 15% Deferred Developer Fee. For the direct method, the change in the total development costs from the original application to the lesser of the third party approved costs or the applicant's revised costs were considered in the calculation of additional State Tax Credits and SCHTF allocation.

Additional or supplemental Federal and State Low Income Housing Tax Credits (LIHTCs) were in all cases limited to 25% of original allocations.

Identical methodology was applied to the 9% projects in determining supplemental Federal Low Income Housing Tax Credits.

*Definition.* Act 88 conditions supplemental financial support to projects that are under construction. This plan utilizes the US Department of Housing and Urban Development's (HUD) definition of commencement of the project as having taken a choice-limiting action. A choice-limiting action is any activity that a developer undertakes, including committing or expending HUD or non-HUD funds, that reduces or eliminates a developer's opportunity to choose project alternatives. SC Housing believes that this definition applies to each of the projects as having commenced construction.

*Syndication Rates.* Syndication rates were analyzed to statistically eliminate outliers. Floors or minimums for syndication values were judgmentally determined based on a preponderance of syndication values allowing for nominal downward fluctuations. SC Housing determined that the

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<sup>1</sup> As recommended pursuant to the Senate Finance Committee letter dated December 28, 2022. This evaluation and resulting determination were completed by Cumming Management Group, Inc.

use of a floor of .80 for federal tax credits and a floor of .45 for state tax credits provided a reasonable allowance for fluctuations in syndication rates.

*Final Determinations.* The final amount of Federal Tax Credits will be determined at the date the project is placed-in-service, in accordance with the applicable requirements of Internal Revenue Code Section 42. The final South Carolina Housing Tax Credit and South Carolina Housing Trust Fund allocation amounts will not exceed the amounts projected and included in this plan, and may be less than the projected amounts based on actual costs at placed-in-service.

*Conformance with Qualified Allocation Plan.* The underwriting requirements of the applicable Qualified Allocation Plan (QAP) will continue to apply at placed-in-service.

*Supplemental State Ceiling.* SC Housing expects that certain developments will require allocation of additional state ceiling allocation in order to meet the requirements of Internal Revenue Code Section 42(h)(4)(B). The plan reflects and provides for such additional allocations.

*Allocations Deemed Final; Agreement by Project Sponsor.* Act 88 permits as a condition of any supplemental South Carolina Housing Tax Credits, Federal 9% Low Income Housing Tax Credits, or non-recurring, one-time funding from the South Carolina Housing Trust Fund, an agreement from the project sponsor that any allocation to a development will be deemed final and without recourse. SC Housing will require execution of such an agreement as a condition of funding. The agreement will limit the use of reserves to those expressly required under the applicable QAP, unless they were included in closing documents executed prior to May 19, 2023.

*Carryforward of Supplemental Financial Support.* Any unallocated funds made pursuant to Act 88 will be carried forward for allocation beyond the current tax year ending December 31, 2023, and are subject to limitations and provisions of Act 88. Unless otherwise directed by the Committee, SC Housing expects that any unallocated South Carolina Housing Trust Fund amounts will be returned to the program for use in future projects.

*Content of Report.* Act 88 provides for certain information required for the content of this report, which must be provided in form and substance as may be prescribed by the Committee. At the direction of Committee staff, certain additional information has been separately provided to the Committee but omitted from the report for brevity.

## Section 2 – Project Determinations

SC Housing has determined the amount of projected additional financial support for each qualifying project. The attached list contains the determined amount of projected supplemental

South Carolina State Housing Tax Credits, projected supplemental Federal Tax Credits and projected South Carolina Housing Trust Fund allocation for each development.

Appendices

Appendix 1 Act 88 of 2023.

Appendix 2 Letter dated December 28, 2022, of Ms. Catherine Ortman Hart, Analyst and Counsel, Senate Finance Committee