

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 applications for tax-exempt bonds/4% developments in accordance with the schedule published on the Authority's website.

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.

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, Consulting 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. APPLICATION AND AWARD LIMITATIONS

- a. A Development Team may submit up to three (3) preliminary applications per each funding cycle.
- b. The Authority will not award more than one (1) application per funding cycle to any member of the Development Team.
- c. The Authority will not award more than one (1) new construction application per county.

C. Other Requirements

All tax-exempt bond developments must meet all criteria in the 2025 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.