The mission of the South Carolina State Housing Finance and Development Authority (the “Authority”) is to promote and provide safe, decent, and affordable housing for the citizens of South Carolina. We expect the Applicants of all programs to follow appropriate environmental practices and requirements as well as to discourage urban sprawl when existing available sites have the necessary infrastructure – utilities, roads, schools, etc. – to be used for development.

1. INTRODUCTION and PURPOSE

The Low-Income Housing Tax Credit (the “LIHTC”) Program was created by Congress in 1986 to promote the development of affordable housing for low-income individuals and families. The Internal Revenue Service (the “IRS”) regulations for the LIHTC Program can be found under Section 42 of the Internal Revenue Code (the “Code”). The Qualified Allocation Plan (the “QAP”) has been prepared to comply with Section 42(m)(1)(B) of the Code of 1986, as amended; however the requirements and provisions are not limited to those contained in the Code. Additional procedures and policies used in the administration of the LIHTC Program are described in the LIHTC Manual. The administration and allocation of the LIHTC Program will be in accordance with the QAP criteria described herein as well as the guidelines, procedures, and requirements described within the LIHTC Manual. The LIHTC Manual criteria are incorporated by reference as additional provisions of the QAP.

As the housing credit agency responsible for allocating the LIHTC, the Authority is responsible for developing the guidelines and priorities that best address the need for affordable housing throughout the state by adopting a comprehensive QAP. The intent of the QAP is to set forth the criteria that the Authority will consider in evaluating developments applying for an allocation of LIHTC. Approval of the QAP by the Governor of the state is required after the public has had an opportunity to comment by written comment or at a public hearing.

Housing created through the LIHTC Program must be affordable for low-income individuals and families with a maximum annual income at or below sixty percent (60%) of the Area Median Income (the “AMI”). Section 42(h)(6) of the Code requires that a LIHTC development be subject to “an extended low-income housing commitment”. The Authority complies with this requirement by requiring all LIHTC developments to execute and have recorded “Restrictive Covenants” that stipulate the development will comply with income and rent requirements contained within the Code for a minimum of thirty (30) years as well as any other criteria contained within the QAP or LIHTC Manual.

Section 42(m) of the Code requires the Authority to allocate tax credits giving preference to proposals that:

1. Serve the lowest income tenants;
2. Serve qualified tenants for the longest periods;
3. Contribute to a concerted Community Revitalization Development Plan (the “CRDP”);
4. Are intended for eventual tenant ownership;
5. Are intended to serve individuals with children;
6. Give preference to those on public housing waiting lists.

The following criteria will also be considered in the selection process:

1. Site Criteria;
2. Location Characteristics;
3. Financial Characteristics;
4. Development Characteristics;
5. Targeting Characteristics;
6. Applicant/Development Team Characteristics;

The Authority web site contains general information about the LIHTC Program. The web address is: http://www.sha.state.sc.us/Programs/Rental/Tax_Credit/tax_credit.html. From time to time, the Authority may post bulletins or public notices in response to questions and requested clarifications submitted regarding the LIHTC Program. The web site provides a list of past LIHTC allocations and existing developments. LIHTC Program information may also be obtained by calling Laura Nicholson at (803) 896-9190, emailing laura.nicholson@sha.state.sc.us, faxing (803) 896-9189, or writing SCSHFDA, LIHTC Program, 300-C Outlet Pointe Blvd., Columbia, SC 29210.
II. CRITERIA for TIER ONE REVIEW

The Authority, at its sole discretion, may reject a site based on information submitted in the application package, the site review findings, or other information obtained that the Authority determines renders the site undesirable for a LIHTC development.

1. Positive Site Characteristics:
   a) Preference for sites located within one (1) mile, two (2) miles, or three (3) miles by public paved road to no less than three (3) services appropriate to its tenant population according to the applicable distance.

<table>
<thead>
<tr>
<th>Services</th>
<th>1 Mile</th>
<th>2 Miles</th>
<th>3 Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Service Grocery Store</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience Store</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacy</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restaurant</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Fire Station</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Police Station</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hospital / Health Department</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Doctor’s Office (General</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Practitioners Only)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Library – No School</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Libraries accepted</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Schools</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Public Park/Playgrounds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   b) Site is relatively flat with entrance(s) at or above access road grade with negligible water runoff from adjacent properties. Access road(s) must be paved and dedicated to appropriate governmental body for maintenance;
   c) Site is integrated within a compatible residential community;
   d) Site is not isolated in areas with large tracts of undeveloped land;
   e) Site is surrounded by land uses that are compatible with the proposed development and reflects similar land use types and/or architectural styles;
   f) Infill sites with proposed new construction in a neglected and/or distressed neighborhood that has the potential to help stabilize and/or reverse the trend of declining neighborhood values within the incorporated limits of a municipality. Infill sites are restricted to a maximum of five (5) acres and are generally surrounded by other developed properties that are complimentary to the proposed development.

For Tier One site considerations other than #1 above, the Authority defines its determination of “within one-half (1/2) mile” or “within five hundred (500) feet” as the shortest distance between the closest site boundary line to the detrimental site characteristic. This distance is also known as “as the crow flies.”

2. The following Detrimental Site Characteristics are not allowed. This list is not all inclusive and may be expanded:
   a) Sites within one-half (½) mile of a storage area for hazardous or noxious materials, a sewage treatment plant, an active or inactive sanitary landfill, and/or solid waste facility;
   b) Sites where any portion or boundary of proposed site is located on or touching any portion or boundary of an easement containing an electric or communications substation. In addition, no portion can be within five hundred (500) feet of any actual substation, regardless of whether it is active or inactive;
   c) New construction sites where any portion contains or permits any easements for overhead electric power lines, regardless of voltage, and/or such electric power lines encumber the proposed site with the exception of the outside perimeter of the site for the distribution of electric service for other unrelated properties;
   d) Sites within one-half (½) mile of an operating industrial plant that may pose a safety risk, hazard, nuisance or other negative impact;
   e) Sites where the Authority determines there are unacceptable levels of noise, odor, traffic, and/or other nuisance pollution.

3. Detrimental Site Characteristics that could cause a proposed site to be excluded from further consideration in the Authority’s sole determination:
   a) Sites where any portion is located within the fall distance of any pole, tower or support structure of a high voltage transmission power line, communications transmission tower, microwave relay dish or tower, or commercial satellite dish (radio, TV cable, etc.). For field analysis, the Authority will use tower height as the fall distance. For the
5. **Location Characteristics**

a) Preference will be given for those developments that demonstrate the most economically viable proposal justified by the market study findings. The Authority will only consider those developments that receive a favorable recommendation from the market analyst. The Absorption Rate/Time, Capture Rate, Demand/ Housing Needs, Supply/Availability, and Affordability Index will be critical components in this assessment.

- Preference for developments with low Capture Rates;
- Preference for developments with shortest Absorption periods;
- Preference for developments in markets showing population growth;
- Preference for developments in markets having the lowest overall vacancy rates. The Authority will not consider any market areas with existing LIHTC developments where the overall LIHTC unit vacancy rate exceeds ten percent (10%);

b) Sites less than five hundred (500) feet from any type junkyard, trash heap, dump pile, or other eyesore as determined by the Authority;

c) Rehabilitation, acquisition with rehabilitation, or adaptive reuse sites where any portion allows any easements or encumbrances for overhead electric power lines, regardless of voltage, and/or such electric power lines run through the proposed site other than the outside perimeter to distribute electric power to unrelated properties;

d) Sites where a nearby active railroad causes excessive noise and vibration. An Applicant submitting a proposed development within five hundred (500) feet of an active, in use railroad(s) is required to submit, from a qualified professional, an objective third party noise study that addresses the impact of the nearby railroad, specifically the frequency, noise levels, and shock vibrations levels, on the proposed development. The study must adhere to the U. S. Department of Housing and Urban Development (the “HUD”) environmental criteria and standard for noise abatement regulation, which states the maximum acceptable day/night average decibel level of sixty-five (65) dBA for exterior noise, along with any other analysis deemed pertinent to the noise study and its conclusion. The study must state the average decibel level on the site is less than sixty-five (65) dBA and must support the placement of the development on the proposed site. Those sites where exterior noise is above sixty-five (65) dBA but not exceeding seventy-five (75) dBA may be submitted; however, a noise mitigation plan must also be submitted. The mitigation plan must specifically state what measures will be used to reduce the noise levels at the site and the noise study must indicate that the measures to be used will bring the unacceptable noise level at the site down to the acceptable noise level of less than sixty-five (65) dBA. The Authority, in its sole discretion, may approve or reject the site regardless of the conclusions reported in the study;

e) Sites where the Authority determines the slope/terrain is not acceptable for development and contributes to excessive site preparation costs. Examples of such are where the one hundred (100) year flood zone covers the entire site, excessive fill dirt is required for construction, blasting of rock is required for construction, etc.;

f) Sites where there are existing wetlands (jurisdictional or non-jurisdictional), streams, ravines, drainage and/or waterways on or adjacent to the site that potentially could negatively affect the development;

g) Sites within five hundred (500) feet of pipelines (excluding low pressure natural gas distribution lines, water and sewer lines).

4. The following **Detrimental Development Characteristics** are not allowed. This list is not all inclusive and may be expanded:

a) Except for projects located in Beaufort County, applications for new construction developments proposing greater than forty-eight (48) units in areas defined as rural by the USDA Rural Housing Service (the “RHS”). All proposals must have a letter from the RHS State Multifamily Housing Director designating the site as rural or not rural;

b) Applications proposing an existing development to be subdivided into two (2) or more developments;

c) Applications proposing developments within one (1) mile of existing Authority funded developments (tax credit, tax exempt bonds, HOME, etc.) for the same tenant populations that have a history of vacancy rates greater than ten percent (10%). The Authority will make exceptions to the above requirement if the Authority determines, in its sole discretion, that the reason for the existing development having a history of vacancy rates greater than 10% is not an issue of an “existing market” for the tenant population, but other characteristics that may or may not be resolvable (e.g. location, physical appearance, etc.);

d) Applications for proposed developments that threaten the economic viability of existing developments funded by the Authority, HUD, or RHS. The Authority will have sole discretion in making this determination;

e) Applications proposing scattered site developments that are not within the same primary market area, in the Authority’s determination, and/or county boundaries.

5. **Location Characteristics**

a) Preference will be given for those developments that demonstrate the most economically viable proposal justified by the market study findings. The Authority will only consider those developments that receive a favorable recommendation from the market analyst. The Absorption Rate/Time, Capture Rate, Demand/ Housing Needs, Supply/Availability, and Affordability Index will be critical components in this assessment.

- Preference for developments with low Capture Rates;
- Preference for developments with shortest Absorption periods;
- Preference for developments in markets showing population growth;
- Preference for developments in markets having the lowest overall vacancy rates. The Authority will not consider any market areas with existing LIHTC developments where the overall LIHTC unit vacancy rate exceeds ten percent (10%);
• Preference for developments with LIHTC developments in the same market area that are reporting waiting lists;
• Preference for developments in markets with improving employment trends;

b) Preference for developments located in Qualified Census Tracts (the “QCT”) that contribute to a concerted Community Revitalization Development Plan as required by the Code. To receive preference, a letter from the chief executive officer of the local governing body must be submitted stating that the development will be a positive contribution to the revitalization along with a copy of the CRDP. The Authority will only consider those CRDP’s that have been in effect for at least twelve (12) months prior to the date of the Tier Two Application submission date and a copy of the official resolution adopting the CRDP must be provided.

III. CRITERIA for TIER TWO REVIEW

FINANCIAL CHARACTERISTICS:

1. The Authority encourages high-quality, energy-efficient construction materials and building practices, however it must insure that development costs represented are based on reasonable estimates within acceptable levels. Only developments that propose Eligible Basis costs per heated square foot within an acceptable range as determined by the Authority will be considered for this preference.

DEVELOPMENT CHARACTERISTICS:

1. Preference will be given to developments based on the utilization of durable construction. To receive preference, the Architect and/or Professional Engineer Certification (the “Exhibit G”) must be completed and submitted with the application.
   a) With respect to each building, one of the following: (Higher Preference)
      Brick veneer; or
      Stone veneer; or
      Brick veneer (40%) and remaining exterior siding fiber cement (hardiplank); or
      Stone veneer (40%) and remaining exterior siding fiber cement (hardiplank).
   b) With respect to each building, one of the following: (Lower Preference)
      Brick veneer (40%) and remaining exterior siding to be vinyl siding with a thickness of at least .044 mils; or
      Stone veneer (40%) and remaining exterior siding to be vinyl siding with a thickness of at least .044 mils; or
      Full fiber cement (hardiplank) or cedar siding.
   c) With respect to each building, the following: (Lowest Preference)
      Full vinyl siding with thickness of .044 mils;
   b) Roof shingles that are architectural style and warranted for a minimum of thirty (30) years;
   c) Steel entry doors that are six-panel colonial with peephole.

2. Preference will be given to developments at or below seventy-two (72) total units.

3. Preference will be given for the following Design Quality Standards. To receive preference, an Exhibit G must be completed and submitted with the application:
   a) Sidewalk access to all parking spaces;
   b) Curbing for paved areas throughout the development site including the parking areas. For proposed single-family, duplex, or townhouse developments paved driveways are eligible if provided for each residence;
   c) All units have balconies, patios or sunrooms;
   d) New plantings to create shaded spaces for seating areas, playground and/or other recreation uses;
   e) Irrigation/sprinkler system serving all landscaped areas or installation of drought resistant plants and shrubs;
   f) A minimum 1,200 sq. ft. community building. The square footage counted toward this total may include a leasing office, equipped exercise room, and equipped computer center. Laundry rooms and storage/maintenance rooms will not be considered as part of the 1,200 sq. ft. minimum;
   g) All bedroom closet doors are side-hinged (no bi-fold or sliding doors).

4. Preference will be given to developments that include the following extra amenities. To receive preference, an Exhibit G must be completed and submitted with the application:
   a) Washer/Dryer hookups in all units;
   b) Microwave oven in all units;
c) Garbage disposal in all units;
d) Dishwasher in all units;
e) Range queen or comparable extinguishing system over stove;
f) Ceiling fan with attached light connected to a wall switch in all bedrooms in all units;
g) All units pre-wired for cable television hook-ups in the living room and one (1) per bedroom;
h) All units pre-wired for high speed (broadband) Internet hook-up with at least one (1) centrally located connection port and one (1) additional connection port per bedroom.

5. Preference will be given to developments that utilize the following minimum design criteria. To receive preference, an Exhibit G must be completed and submitted with the application.
   a) Preference will be given for providing a minimum square footage per unit based on the number of bedrooms per unit as specified in the following table. To qualify, all of the units must meet the minimum square footage per unit. The Authority considers the square footage of an individual unit to be measured from the mid-point (center) of each exterior or common wall to the mid-point (center) of the opposite exterior or common wall;

<table>
<thead>
<tr>
<th>Bedrooms per unit</th>
<th>Square Footage per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>700</td>
</tr>
<tr>
<td>Two</td>
<td>850</td>
</tr>
<tr>
<td>Three</td>
<td>1,000</td>
</tr>
<tr>
<td>Four</td>
<td>1,150</td>
</tr>
</tbody>
</table>

   b) Preference will be given for providing bathrooms per unit based on the number of bedrooms according to the following table. To qualify, all the units must provide the minimum number of bathrooms as specified in the table;

<table>
<thead>
<tr>
<th>Bedrooms per unit</th>
<th>Bathrooms per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>One</td>
</tr>
<tr>
<td>Two</td>
<td>Two</td>
</tr>
<tr>
<td>Three</td>
<td>Two</td>
</tr>
<tr>
<td>Four</td>
<td>Two and one-half</td>
</tr>
</tbody>
</table>

6. Preference will be considered for adaptive reuse developments that are viable and economically sound. The definition of “adaptive reuse” is the conversion of an existing non-residential building(s) into a residential building(s). For this preference, the architect must certify on Exhibit G that the development will meet the following requirements;
   a) Fifty percent (50%) of the square footage of each existing building(s) will be converted to residential use; and
   b) If additional buildings/units are constructed to provide additional space, the total square footage of the previously existing building(s) constitutes a minimum of fifty percent (50%) of the total square footage of the entire development.

TARGETING CHARACTERISTICS:

1. Preference will be given to developments designating rental housing for specific tenant populations as outlined in this section. In order to be considered for this Preference, the development/units must be designed and equipped to serve the needs of the designated tenant population. Such design and equipment must be in addition to the minimum design requirements necessary to comply with state and federally mandated accessibility requirements and must be fully described in the application.

   A Marketing Plan must be submitted with the Tier Two application to receive this preference. Preference will only be considered for developments proposing one (1) of the following:

   a) At least eighty percent (80%) of the units are designed, equipped and occupied by older person(s) fifty-five (55) years of age or older. The remaining twenty percent (20%) of units must be designed, equipped, and occupied by special needs populations. All new construction developments are limited to one (1) or two (2) bedroom units. All new construction developments greater than a one (1) story structure must be accessible to all additional stories by
elevators. Acquisition with rehabilitation developments more than one (1) story must provide evidence that existing elevators have received regular maintenance and are in good working condition as of the Tier Two application submittal date to service all upper level rental units. **100%** Older person developments are eligible for this preference;

b) One hundred percent (100%) of the development is designed for individuals or families with children. To receive this preference at least twenty-five percent (25%) of the low-income units must contain three (3) or more bedrooms;

2. Preference will be given to developments that elect to reserve, for the entire term of the LIHTC compliance period, twenty-five percent (25%) of the low-income units to households with incomes at fifty percent (50%) or less of AMI;

3. Preference will be given to proposals seeking, for the entire term of the tax credit compliance period, to restrict greater percentages of their low-income units to the 50% rent limits. Preference will be given to proposals based on the percentage of low-income units restricted to the 50% rent limits;

4. Preference will be given to developments that:
   a) submit an acceptable Conversion Agreement that provides for tenant ownership at the end of the initial fifteen (15) year compliance period. In order to receive this preference, the Applicant must submit a conversion plan that includes a detailed timeline outlining how the tenants will become homeowners. The conversion plan must include all homebuyer counseling programs to be provided along with the financial procedure that will be used to transfer the rental units into single-family homes. The Applicant must execute a Conversion Agreement providing that the units will be converted to tenant ownership at the end of fifteen (15) years; OR
   b) voluntarily extend their “compliance period” for an additional term of twenty or more years;

5. Preference will be given to applications that elect to serve individuals on waiting lists for public housing. To receive this preference, the Applicant must include in their marketing plan a description of outreach, marketing and advertising methods used to attract individuals on public housing waiting lists as well as evidence that the public housing agencies have been contacted (i.e. copy of the certified letter sent to the PHA). Applicants must not use minimum income criteria to reject Section 8 Housing Choice Voucher Participants when their income reflects that they can pay their portion of the rent. The site’s minimum income needed for a household to pay the rent on the unit will be based on the actual amount that the Section 8 Housing Choice Voucher Participants would have to pay after the subsidy rather than the entire rent on the unit.

**APPLICANT/DEVELOPMENT TEAM CHARACTERISTICS:**

1. Preference will be given to Applicant/Development Team(s) containing members with previous experience as General Partner (or equivalent in a limited liability company) in the development and successful implementation of LIHTC developments. This preference will be based on the “demonstrated experience and qualifications” of each Applicant/Development Team member. Any Applicant/Development Team containing any member that has been removed, debarred, or asked to voluntarily withdraw from a LIHTC partnership and/or has ever returned an entire allocation of LIHTC in South Carolina is ineligible for this preference. The qualifying Applicant/Development Team member(s) must have been the General Partner or equivalent for the previous LIHTC developments to qualify for this preference. All Applicant/Development Team members must complete a Previous Participation Certificate (see Exhibit K which will be due in Tier One);

The Applicant(s)/Development Team Characteristics preference is not available to any Applicant, Development Team member, General Partner, or equivalent entity that contains members that have been disqualified from participating in any other state or other allocating agency’s LIHTC Program within the past ten (10) years.

Starting with 2005 forward, the Applicant(s)/Development Team Characteristics preference will not be available to any Applicant, Development Team member, General Partner, or equivalent entity containing members that have been reported to the IRS (Form 8823) for uncorrected non-compliance issues at the Authority’s sole discretion. The Authority’s determination of noncompliance violations is not subject to interpretation (appeal) or final IRS resolution of non-compliance violation.

**IV. ADMINISTRATION OF THE QUALIFIED ALLOCATION PLAN**

The Authority reserves the right to resolve all conflicts, inconsistencies, or ambiguities, if any, in the QAP or that arises in administering, operating, or managing the reservation and/or allocation of the LIHTC Program. The Authority, at its sole
discretion, reserves the right to allocate housing tax credits in a manner not in accordance with this QAP. At such time, or either a reasonable time thereafter, the Authority shall, as required by Section 42(m)(1)(A)(iv) of the Code, provide a written explanation to the general public of its reasons for making such allocation. The Authority further reserves the right, at its sole discretion, to modify or waive, on a case-by-case basis, any provision of this QAP or the LIHTC Manual that is not required by the Code.

The Authority reserves the right to not issue a Form 8609 for any development or building that is determined at the Authority’s sole discretion to have not been constructed in accordance with the representations contained in the development descriptions and certified to in Exhibit G by the architect.

V. AMENDMENTS TO THE QUALIFIED ALLOCATION PLAN

The Authority reserves the right to amend the QAP from time to time, pursuant to the Code, for any reason without limitation. All amendments shall be fully effective and incorporated herein immediately. Amendments may reflect changes, additions, deletions, interpretations, or other matters necessary to comply with the Code or regulations promulgated hereunder. Amendments are intended to cure any ambiguities, supply information on any omissions, to correct any inconsistencies contained within the QAP, or to facilitate the allocation of LIHTC that would not otherwise be allocated.

VI. APPROVAL BY THE GOVERNOR

I, Mark Sanford, Governor of the State of South Carolina, do hereby signify my approval of this QAP for the distribution of federal LIHTC in the state in conformance with the Code, as amended.

The Authority is expressly granted authorization, to the extent it deems necessary, to amend this QAP, without the necessity of further approval, for the purpose of clarification or ensuring compliance with federal law and regulations governing the reservation, allocation and use of LIHTC, as the same may from time to time be amended or promulgated.

Signature: [Signature]
Mark Sanford, Governor of South Carolina

Date: 1/5/2005