AMENDED
2013-2014
HOUSING TAX CREDIT PROGRAM
QUALIFIED ALLOCATION PLAN

Approved by Board for Public Comment
September 17, 2013

Public Comments Due
5:00 p.m. CST, October 25, 2013

Proposed Applications Due:
The last working day of February
5:00 p.m. Central Time

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY

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THIS INFORMATION SUMMARIZING THE FEDERAL REQUIREMENTS IS PROVIDED AS A BRIEF OVERVIEW AND SHOULD NOT BE RELIED UPON FOR TAX PURPOSES. INDIVIDUAL APPLICANTS AND INVESTORS ARE SOLELY RESPONSIBLE FOR COMPLIANCE WITH SECTION 42 OF THE TAX REFORM ACT OF 1986, AS AMENDED.

Each applicant will be responsible for determining the amount of tax credit for which application is made. SDHDA strongly recommends that applicants contact a CPA and/or tax attorney prior to submitting an application.

Alternative formats of this document are available to persons with disabilities upon request.

Equal Opportunity Housing and Employment

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SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY
2013-2014 QUALIFIED ALLOCATION PLAN FOR
HOUSING TAX CREDITS

I. INTRODUCTION

The South Dakota Housing Development Authority (SDHDA) is responsible for the administration of the Housing Tax Credit Program (Program) for the State of South Dakota. This federal Program was established for the purpose of encouraging the construction and rehabilitation of housing for low-income individuals and families by offering a reduction in tax liability to investors in low income housing developments. Parties interested in pursuing tax credits should reference Section 42 of the Internal Revenue Code of 1986 (Code) for more detailed information and should seek competent tax counsel for additional guidance.

SDHDA is required to develop an allocation plan defining the process by which it will allocate housing tax credits to low income housing properties throughout the State of South Dakota. The SDHDA Housing Tax Credit Qualified Allocation Plan (Plan) is intended to promote the selection of those properties that address the most crucial needs of the state, within the guidelines and requirements established by the federal government.

II. SDHDA PURPOSES AND GOALS

SDHDA will use Housing Tax Credits to the fullest extent possible each year to create and maintain housing for low and very low income households in a manner that furthers the following goals:

A. Assist in construction and preservation of decent, safe, sanitary, and affordable units in the areas of greatest demonstrated housing need in the community and in the state, ensuring distribution, both urban and rural, where and when possible, taking into consideration the historical significance of the property, the current housing market, and the prospect for future demand.

B. In those areas where greatest need is identified, give preference to those projects which provide the highest quality affordable units compared to the lowest amount of credit allocation while giving consideration to serving the lowest income tenants, and where appropriate, providing mixed income housing.

C. Make such units affordable to households for the longest time period possible (extended use).

D. Allocate only the amount of housing tax credits that SDHDA determines to be necessary for the financial feasibility of the project and its viability as a qualified affordable housing project throughout the credit period.

E. Assist in the provision of housing to meet the needs and priorities outlined in the State Consolidated Plan and its corresponding Update.

F. Provide opportunities to a wide variety of developers, both for profit and nonprofit, and for a variety of housing projects.

G. Encourage innovative approaches which are cost effective in providing affordable housing, including planning, design, construction, quality, energy efficiency, and financing.

H. Give preference to those applications which show a greater degree of readiness to proceed with the development.

III. POLICIES AND PROCEDURES

Tax credits will be made available through a two-stage process: conditional reservation and allocation.

A. **Application Cycle(s)**. February Application Cycle: Applicants may apply using the SDHDA HOME/Housing Tax Credit application form to receive a tax credit reservation or to request an additional housing tax credit reservation. Complete applications (refer to Section VIII), including all fees, must be received at SDHDA by 5:00 p.m. Central Time, the last working day of February. Applications may be hand delivered or delivered via postal or private mailing service. Applications via facsimile or email will not be accepted.

If after the February application cycle, tax credits remain unallocated or additional tax credits become available, SDHDA may hold another application cycle or accept eligible applications on a first-come, first-serve basis.

If SDHDA holds another application cycle (instead of accepting applications on a first-come, first-serve basis), SDHDA will provide an announcement of the additional cycle. Please refer to SDHDA's web site at www.sdhda.org for availability of funds.

If the applications received in the February application cycle exceed the tax credit availability, SDHDA may prepare a waiting list in accordance with Section III.J. SDHDA will permit each applicant on the waiting list to submit additional information to support the applicant's readiness to proceed with development of the project and to receive an award of tax credits without undue risk of such tax credits subsequently being returned to or rescinded by SDHDA.

SDHDA reserves the right, in its sole discretion, to (i) hold back a portion of the unallocated tax credits for later use, (ii) under certain conditions, issue an award for all or some portion of the next year's tax credits, (iii) hold another application cycle, or (iv) award tax credits for applications submitted to SDHDA under another program that need additional funds for feasibility.

B. **Bond Financed Developments with Housing Tax Credits.** Projects that propose at least 50% tax-exempt bond financing are subject to a separate bond volume limitation and are not counted against South Dakota's tax credit volume limit. SDHDA must apply to the Governor's Office on behalf of each project that proposes tax-exempt bond financing to secure an allocation under the bond volume limit. When competition exists for housing tax credits, multifamily projects may be directed toward tax-exempt bond financing. Applicants seeking tax-exempt bond financing should contact SDHDA early in the application process.

Applicants applying for tax-exempt bond financing must use the Bond Financing Application. Applications for this funding will be accepted any time.

Projects financed with tax-exempt bonds are subject to this Plan and must comply with the submission requirements set forth in Section VIII.

C. Application Eligibility. SDHDA may reject applications that are incomplete or that contain incomplete or inaccurate information. SDHDA will not process any application that SDHDA determines is not:

1. Consistent with the purposes and goals of this Plan;
2. An eligible activity under Section IV, A., or
3. Financially feasible.

This determination may be made at initial review or at any time during processing of the application.

D. Set-Asides/Limitations. The following will apply to the total tax credits available for allocation.

1. Non-Profit Set-Aside: Federal law requires that a minimum of ten percent of the total annual housing tax credits available be set aside for projects involving nonprofit organizations, that have a Section 501(c)(3) or Section 501(c)(4) designation. The nonprofit organization must have as one of its exempt purposes the fostering of low-income housing, must own an interest in the project, and must materially participate in the development and operation of the project throughout the compliance period. A nonprofit organization must be determined by SDHDA not to be affiliated with or controlled by a for profit entity.

   Furthermore, the nonprofit entity must own at least ten percent of all general partnership interests in the development (a ten percent interest in both the income and profit allocated to all the general partners and in all items of cash flow distributed to general partners) and receive at least ten percent of all fees paid or to be paid to all general partners. Finally, the nonprofit must not have been formed for the principal purpose of competition in the nonprofit pool.

   All developments receiving an allocation of tax credits under the nonprofit set-aside will be monitored for continued nonprofit involvement, as detailed above, throughout the entire affordability period. Supporting documentation of such involvement may be requested by SDHDA as deemed necessary.

2 Developer and Project Limitations: During the February application cycle, no more than 20 percent of the total housing tax credits available will be awarded to any one project and no more than 25 percent of the total housing tax credits available will be awarded to any one developer, sponsor, or owner.

If an application was awarded housing tax credits in the February round but the amount of such tax credit award was limited due to the foregoing limitations, then if tax credits remain after the February cycle, any such application may be eligible for additional credits.

E. Development Selection Process. Once SDHDA has reviewed all applications for completeness and eligibility based on federal requirements, proposed developments will be selected for reservations based on the criteria as outlined in Parts II, V, VI, and VII.

In addition to the Development Standards and Selection Criteria outlined in this Plan, each and every proposal is analyzed on a comparative basis in a variety of categories to ensure the highest value for the tax credits awarded.

SDHDA reserves the right to contact the applicants, after the application deadline, for further clarification of the application or any submission items. SDHDA may request additional information and perform additional project evaluation as deemed necessary and appropriate to verify project costs, feasibility and need. SDHDA reserves the right to exchange information with other state and federal allocating agencies and with other parties as deemed appropriate. By submitting an application for tax credits, the applicant is acknowledging and agreeing to this exchange of information.

When no competition exists for the housing tax credits, SDHDA reserves the right to continue working with projects which, as a result of incomplete submission or lack of readiness, would be subject to rejection or denial if competition was present.

F. Applicant Characteristics. SDHDA must be satisfied that the owner and operator of the project are familiar with and prepared to comply with the requirements of this Plan. SDHDA may reject applications from previous housing tax credit program participants who have failed to demonstrate proficiency within the program or other government sponsored programs. SDHDA may also reject or discount applications from previous housing tax credits program participants who have failed to complete their projects in accordance with their applications and/or certified plans presented to SDHDA, or who have failed to effectively utilize previously allocated tax credits or other government sponsored program resources, or who have failed to demonstrate proficiency or knowledge of the housing tax credit program. Such consideration will be made individually by SDHDA regarding the proposed property management company and each member of the development team.

Housing tax credit developments must comply with the requirements of this Plan and the Program throughout the agreed upon use period. Those entities involved with existing projects which are determined by SDHDA to be significantly out of compliance, at the sole discretion of SDHDA, will not receive consideration for new housing tax credit projects until the issues are resolved to the satisfaction of SDHDA.

SDHDA may require a compliance review of a SDHDA approved tax credit development that has been placed in service, but for which an IRS Form 8609 has not yet been issued, if the applicant and/or its general partner has submitted an application for an additional tax credit project.

The applicant and all members of the development team as identified in Exhibit A of the HOME/Housing Tax Credit Application must be in Good Standing as defined in Section X. SDHDA may deem any applicant or member of the development team not to be in good standing if such applicant or development team member has an Identity of Interest, as defined in Section X. with any person or entity not in Good Standing. An attorney's opinion that the applicant and all members of the development team are in Good Standing is required in all cases. Such opinion must also identify any persons or entities with which the applicant or any member of the development team has an Identity of Interest.

If any applicant or member of the development team involved with a proposed project has serious and repeated non-compliance issues at the time of application, the application will be rejected. The prior performance considered may include, but is not limited to, progress made with previous credit reservations, project compliance and payment of monitoring fees.

G. Disclosure of Interest. The applicant must disclose the names and addresses, including corporate officials where applicable, of all parties who have a significant role in the project. These parties include, but are not limited to: accountants, architects, attorneys, engineers, financial consultants, any other consultants, sponsors, management agents, the general contractor, and all subcontractors whose aggregate contract fees will exceed ten percent of the cost of development (this cost will be calculated excluding the acquisition of land).

H. Determination of Credit Amount. Federal law provides that SDHDA may not allocate more credit than it determines necessary for the financial feasibility and viability of the development as a qualified affordable housing project throughout the compliance period. In making this determination, SDHDA will take into consideration:

1. Development costs, including developer fees;
2. All sources and uses of funds;
3. Projected income and expenses;
4. The historic nature/character of the project;
5. Proceeds expected to be generated from the sale of tax credits, including historic tax credits; and
6. The difference between total project costs and total available financing resources (including owner equity requirements), which is referred to as the gap. A calculation is made to determine the amount of tax credits needed by the project

to fund the gap over a ten-year period, based on the estimated market value of the tax credits and the Applicable Credit Rate for the month in which the Housing Tax Credits would be reserved.

Based on this evaluation, SDHDA will determine the amount of credit to be reserved for each application. SDHDA's determination as to financial feasibility and viability is not a guarantee or recommendation with respect to the feasibility of the project.

An analysis to determine the tax credits necessary for the project to be financially feasible will be done at the time of application, at the time a carryover allocation is approved, and at the time the project is placed in service, provided all project costs are finalized and certified. At the applicant's request, current Fair Market Rents and housing tax credit rents, along with any known changes in operating expenses, can be utilized at each underwriting stage. SDHDA reserves the right, in its sole discretion, to rescind or reduce previously awarded tax credits at any of the underwriting stages if SDHDA determines the proposed development is not financially feasible or does not need tax credits to be financially feasible.

The Code permits SDHDA to use up to 130% of a project's eligible basis for purposes of calculating the amount of housing tax credits to be awarded to projects that meet one of the following criteria:

1. Projects located in a Qualified Census Tract.
2. Projects located in a Difficult Development Area.
3. Projects that SDHDA has determined require an increase in housing tax credits to be financially feasible, which projects will be treated as located in a Difficult Development Area. SDHDA will treat projects meeting one of the following criteria as falling within this category:

    a. Projects located within an area that is part of a Concerted Community Revitalization Plan.

    b. Service Enriched Housing or projects providing verifiable on site services to the tenants. The services must be verifiable, on-site, long-term, immediate, and provided on a daily or continuous basis. The services may be provided by the owner, the management company, or a third-party entity. The application must include a letter of intent from the service provider detailing the services, the tenants who will receive the services, the method of delivering the services, and the staffing for the services. A letter of need for housing is not adequate to obtain points in this section for the following:

        i. Homeless
        ii. Persons with physical disabilities
        iii. Persons with mental disabilities
        iv. Persons with developmental disabilities
        v. Housing for Older Persons 62 or older (Assisted Living or Congregate Care Facilities as defined under Definitions)

vi. Assisted Living or Congregate Care Facilities as defined under Definitions

c. Rural Projects. Projects located outside the Metropolitan Statistical Areas of Sioux Falls (Lincoln, McCook, Minnehaha, , and Turner counties); Sioux City (Union county); and Rapid City (Pennington county).

d. Historic Rehabilitation Rental Projects. Projects of Historic Character that qualify for the National Historic Preservation Act of 1966 (NHPA) as amended (16 U.S.C. 470) and utilize Historic Housing Tax Credits for the rehabilitation of existing, historic rental projects.

Although federal law permits SDHDA to reserve a greater amount of credit for certain projects the increased credit amount is not automatic and will only be approved for projects when SDHDA determines the credit is needed for financial feasibility.

At time of final allocation, only the amount of housing tax credits necessary will be allocated to the development. In order to meet the requirements of the IRS Form 8609, SDHDA reserves the right to reduce the maximum Applicable Credit percentage or the maximum qualified basis to arrive at the final allocation amount.

I. **Reservations**. Once staff has reviewed the applications and determined allowable credit amounts for each application in accordance with the Plan, staff will make recommendations to the Board Task Force which will in turn make recommendations to the Board. The Board will determine whether an application is awarded housing tax credits and the amount of such award. It is SDHDA's intent that Board action will take place within 75 days after the application submission deadline. Each housing tax credit reservation will be conditioned upon receipt, within 60 days, of written certification and evidence, acceptable to SDHDA, of timely progress toward completion of the project and compliance with federal tax credit requirements. Refer to Section VIII.B. for SDHDA Reservation Requirements.

SDHDA reserves the right to reserve and allocate tax credits to any project or not reserve tax credits for any project, regardless of ranking under the project selection criteria, if it determines in its sole discretion that a reservation for such project does not further the purposes and goals set forth in Code Section 42 or in this Plan. For purposes of this determination, the information which may be taken into account by SDHDA includes, but is not limited to, comments of officials of local governmental jurisdictions, information regarding the fact that a particular market is saturated with affordable housing projects, the likelihood that the project will not comply with federal housing tax credit requirements in a timely manner, and the applicant's (including any related party's) prior experience and performance with any housing assistance programs. The prior performance considered may include, but is not limited to, progress made on previous tax credit reservations, construction quality of previous projects, the complete construction of all buildings and amenities identified in the application and final construction plans that have been approved by SDHDA regardless if points were awarded or taken, submission of monthly status reports, project compliance, and payment of monitoring fees. If SDHDA determines not to reserve tax credits on such basis, it will set forth the reasons for such determination.

SDHDA reserves the right to place special conditions on reservations and to reserve tax credits for lower ranking projects if the amount of credit available is insufficient to fund higher ranking projects.

SDHDA may award reservations of future year's housing tax credits (forward allocations). For example, an applicant may apply for housing tax credits in the February 2014 application round, but the tax credits reserved for the applicant's project may be from the 2015 allocation to South Dakota. Applicants that accept a forward allocation of housing tax credits understand that SDHDA is not liable for any loss or damages that may result from the IRS not providing South Dakota the amount of housing tax credits projected and reserved by SDHDA for the corresponding housing tax credit year.

SDHDA will make available to the public a listing of the housing tax credit applicants receiving a conditional reservation of tax credits. The listing will include the development name, address and contact person and will be posted on the SDHDA home page located at www.sdhda.org within 14 days of the awards being made.

SDHDA will make available to the general public a written explanation for any allocation of tax credits that is not made in accordance with established priorities and selection criteria of this Plan. The explanation may be obtained by request from SDHDA.

J. **Waiting List**. If demand for tax credits exceeds the tax credits available and a waiting list is developed by SDHDA, it will notify each applicant to whom tax credits were neither awarded nor denied. Any such applicant may then submit a written request to be maintained on the waiting list to compete for any additional tax credits that become available during that allocation year. Additional tax credits will be awarded in accordance with Section III.A. The waiting list will terminate December 31 of the application year and any unfunded applicants must apply in the next application cycle to be considered for funding.

K. **Status Reporting**. All sponsors/developers that receive a reservation of tax credits will be required to provide monthly status reports. Reports are due by the tenth day of the following month, in a format prescribed by SDHDA outlining progress toward completion. Information provided must be project specific and must include, but not be limited to, such items as firm debt and/or equity financing commitments (conditioned only on receipt of tax credits), construction progress and costs. Monthly reports not submitted by the tenth of the month will be considered late. A fine of $250 will be imposed on the third late monthly report and on all subsequent late monthly reports. Fines must be paid before IRS Form(s) 8609 will be issued.

L. **Recapture of Reservations**. An applicant that receives a reservation of housing tax credits will be subject to recapture of the reservation if the applicant is unable to provide evidence satisfactory to SDHDA in its status report of progress toward the completion of the project as agreed to in writing in the appropriate documents.

M. Carryover Allocations. Federal law provides that SDHDA may give a carryover allocation to certain qualified buildings that will not be placed in service prior to December 31 of the reservation year. Reservation year refers to the calendar year from which housing tax credits are awarded. For example, a reservation of 2013 housing tax credits is a 2013 reservation year and a forward allocation of 2014 housing tax credits is a 2014 reservation year. This provision requires that more than ten percent of the expected basis in the project (including land) must be expended by the later of December 31 of the reservation year or the date which is six months after the date that the reservation is made. The applicant must provide evidence of ownership of the property in order to qualify for a carryover allocation. The carryover allocation agreement must be executed prior to December 31 of the reservation year. An independent CPA must attest that the ten percent expenditure has been met. Such attestation must be made on SDHDA forms and received by SDHDA by (i) November 1st for projects meeting the ten percent test by December 31 of the reservation year and (ii) six months after the date the reservation was made for all other projects. Additional carryover requirements are given in Section VIII.C. A carryover allocation is for a specific credit amount, which may be reduced but not increased at final allocation. For bond-financed developments, a carryover allocation is available for buildings that will not be placed in service prior to December 31 of the year in which the bonds were issued but the ten percent expenditure requirement is satisfied by December 31st.

N. Final Allocations. The final tax credit allocation can be made once the building or project is placed in service, construction is completed to required standards, and the proper documentation and fees have been received by SDHDA. The placed-in-service date for housing tax credit purposes for a newly constructed building, or for rehabilitation expenditures in an existing building, is the date when the first unit in the building is certified as available for occupancy. The placed-in-service date must occur within two years after the carryover allocation of tax credits.

A final allocation may be requested as soon as an eligible building is placed in service and all required documentation has been submitted to SDHDA. The allocation request must be submitted prior to November 1st for IRS Form(s) 8609 to be issued before the end of such year.

The credit amount which will be allocated is based on SDHDA's final determination of the qualified basis for the building or project and a review of the project costs as outlined in Section VIII.D.

At the time of allocation, the tax credit recipient must execute certain documents relating to commitments made to SDHDA. Such commitments will be recorded as restrictive land use covenants with respect to the development.

O. Additional Tax Credits. A developer that has a signed Reservation and Binding Commitment Agreement for an award of housing tax credits and has not been issued

IRS Form(s) 8609 may be eligible to apply for an increase in tax credits if there is an increase in development costs which resulted in an increase in Eligible Basis. The increase must be as a result of justified changes to the architectural plan that resulted in increased hard costs to the project, e.g., pre-approved project redesign, changes in applicable codes, or other unforeseeable events. To be considered eligible for additional tax credits under this provision, all change orders must be approved by SDHDA prior to initiating the change. Additional tax credits will not be awarded for increases in the developer's fee or consultant's fee.

Projects which qualified for more tax credits at reservation, but did not receive a full reservation due to lack of tax credits or other administrative action, are also eligible to apply for additional tax credits in subsequent years.

Any request for additional tax credits must be made in accordance with Section III.A.

P. Monitoring for Compliance. Federal law requires that state housing credit agencies provide a procedure to be used in monitoring for noncompliance with the Code and of notifying the Internal Revenue Service of any noncompliance. SDHDA is required to apply the monitoring procedure to all tax credit projects developed since the inception of the Housing Tax Credit Program. SDHDA will perform such duties in accordance with its Housing Tax Credit Compliance Manual, a copy of which is available on SDHDA's website www.sdhda.org or from SDHDA.

1. All tax credit recipients must submit an Annual Owner Certification, annual financial statement, quarterly occupancy reports and other pertinent documentation to SDHDA in a manner, form, and time established by SDHDA. The certifications will include, but are not limited to, the number of units set aside, tenant names, household composition and income, rents, utility allowance and any changes that may have occurred in the Eligible Basis or Applicable Fraction.

2. An on-site review of tenant files, habitability standards and general development appearance will be conducted in accordance with the Housing Tax Credit Compliance Manual. All tax credit recipients must maintain, as part of the official development records, tenant applications, initial leases, tenant income certifications, and third party written income verifications.

3. SDHDA must be given access to all official development records, including annual financial statements and IRS reporting forms upon reasonable notification. All official development records or complete copies of such records must be maintained within the State of South Dakota and made available to SDHDA upon request.

4. To accomplish its compliance monitoring responsibilities, SDHDA will charge a monitoring fee as identified in Section IX - Fines/Fees for the entire extended use period. SDHDA reserves the right to adjust the annual fee to offset administrative costs.

5. SDHDA will promptly notify the IRS of any development noncompliance within its responsibility as contained in the Code. SDHDA has no jurisdiction to interpret or administer the Code, except in those instances where specific delegation has been authorized. All extended use elections, reduced rent elections and/or any other special use restriction elections made by the applicant which are made a part of the Declaration of Land Use Restrictive Covenant agreement will be monitored for compliance.

6. The owner and/or the management company must attend housing tax credit compliance training at a minimum of once every three years from the date of issuance of IRS Form(s) 8609.

7 Any change in the ownership of a building or a partnership interest is considered a recapture event. The owner must notify SDHDA prior to any such change.

Q. SDHDA Discretion/No Warranty/Limitation on Liability. SDHDA reserves the right, in its sole discretion, to modify or waive, on a case-by-case basis for good cause, any condition of this Plan that is not mandated by the Code. Amendments to this Plan will be made in accordance with Section III.R.

SDHDA is charged with allocating only that amount of tax credits as are necessary to make any given development financially feasible and viable as a qualified low income housing project. This decision will be made solely at the discretion of SDHDA, and in no way represents or warrants to any applicant, investor, lender, or any other party that the development is, in fact, feasible or viable.

SDHDA's review of documents submitted in connection with this Plan is for its own purposes. In allocating tax credits, SDHDA makes no representations to any applicant, investor, lender or any other party regarding adherence to the Code or any other laws or regulations governing the HTC Program.

With respect to the construction of projects, SDHDA may inspect the project at any time however; SDHDA assumes no responsibility to make regular inspections during construction and assumes no liability for construction quality or code compliance. Applicant should notify SDHDA of any scheduled inspections with the architect, engineer, contractor, etc., including the final inspection. The standards set forth in Section V.G. are minimum standards for tax credit projects but do not imply that such minimum standards assure minimum health or safety requirements are met.

No executive, employee or agent of SDHDA or any other official of the State of South Dakota will be personally liable concerning any matters arising out of, or in relation to, the allocation of tax credits or the approval or administration of this Plan.

R. Amendments to the Allocation Plan. This Plan may be amended by the SDHDA Board of Commissioners for any one or more of the following purposes, and at any time or from time to time, and such amendments will be fully effective and incorporated herein upon the Board's adoption of such amendments:

1. To reflect any changes, additions, deletions, interpretations, or other matters necessary to comply with Section 42 of the Code or regulations promulgated there under;

2. To cure any ambiguity, supply any omitted item, or cure or correct any defect or inconsistent provision in this Plan;

3. To insert such provisions clarifying matters or questions arising under this Plan as are necessary or desirable and are not contrary to or inconsistent with this Plan or Section 42 of the Code;

4. To modify identified housing needs and selection criteria reflecting those needs, based upon SDHDA's continuing assessment of such needs, provided that no such amendment will retroactively affect a reservation of credit previously made under this Plan; and

5. To facilitate the award of tax credits that would not otherwise be awarded.

This Plan may be amended for substantive issues at any time following public notice and public hearing. Said hearing may be held at the main offices of the South Dakota Housing Development Authority in Pierre, South Dakota. Any substantive amendments will require approval of the Board and the Governor. To the extent that anything contained in the Plan does not meet the minimum requirements of federal law or regulation, such law or regulation will take precedence over this Plan.

IV. GENERAL FEDERAL PROGRAM REQUIREMENTS

A. Eligible Activities. Eligible activities for tax credits include new construction, substantial rehabilitation, or acquisition with substantial rehabilitation. At a minimum, substantial rehabilitation costs must be $10,000 per unit or twenty percent of the original basis, whichever is greater.

Acquisition is an eligible activity only if substantial rehabilitation is involved; reviewed management practices demonstrate that Disinvestment of the property has not occurred; the long-term needs of the project can be met; and the feasibility of serving the targeted population over an extended affordability period can be maintained. If it is determined that Disinvestment has occurred, SDHDA will award tax credits to the project only if the property is purchased through an arms-length transaction and there is no identity of interest between (i) the owners and management responsible for the Disinvestment and (ii) the applicant.

If applying for the acquisition credit, the project must not have been placed in service within the previous ten years. An attorney's opinion stating that the project is eligible to receive acquisition tax credits as referenced in Section 42 (d) (2) of the Code, must be submitted with the application.

Exceptions to the ten-year rule are provided for projects with federally assisted mortgages or other mortgages that are subject to prepayment provisions, buildings acquired from failed financial institutions, projects currently subsidized pursuant to HUD and USDA housing programs (HUD Section 8, Section 221(d)(3), Section 221(d)(4), Section 236, USDA Section 515, any other housing program administered by HUD or the Rural Housing Service of the Department of Agriculture or similar state assisted programs Certain other situations are also exempt from the ten-year rule, such as:

1. A person who inherits a property through the death of another person;

2. A governmental unit or qualified nonprofit group if income from the property is exempt from federal tax;

3. A person who gains a property through foreclosure (or instrument in lieu of foreclosure) of any purchase money security interest, provided the person resells the building within 12 months after placing the building in service following foreclosure; or

4. Homeownership residences that have been owner-occupied principal residences for the prior ten-year period.

Although the ten-year rule may not apply, the property must still be substantially rehabilitated to claim the acquisition costs of such a property.

An analysis will be made to determine the risk of prepayment or opt out of any existing federal rental subsidy contract (e.g., HUD Section 8 contract) and therefore the risk of losing affordable housing supply. Those properties that are financially feasible, are located in a market with substantiated need, and indicate the greatest risk for converting to market-rate housing will be given priority for funding.

After completion of the rehabilitation indicated, all major systems (roof, windows, heating, etc.) of the property must be in like new or new condition. If any such system is not in need of repair at the time of application, sufficient reserves must be established to allow for replacement of such system if the normal life span would require replacement prior to the end of the affordability period. Consideration will be given to functional obsolescence of the property. If it is not cost effective to overcome structural problems, the property may not be eligible for financing. Modifications to allow a higher level of care to elderly residents of a property is an eligible activity if there is an identified need for such level of care and the property is financially feasible upon completion.

The adjusted basis for community service facilities developed in a Qualified Census Tract will be determined by taking into account the adjusted basis of property used throughout the taxable year in providing any community service facility. The increase in adjusted basis of any building will not exceed the sum of: (1) 25 percent of so much of the Eligible Basis of the qualified low-income housing project of which the community service facility is a part as does not exceed $15,000,000; and (2) 10 percent of any excess over $15,000,000 of the eligible basis of the qualified low-income housing project of which the community service facility is a part. For purposes of the preceding sentence, all community service facilities, which are part of the same qualified low-income housing project, will be treated as one facility. A community service facility is defined as any facility designed to serve primarily individuals whose income is 60 percent or less of area median income.

SDHDA will allocate tax credits, so far as reasonably practicable, for rehabilitation of existing housing tax credit developments that are required to be, but may not currently be in compliance with the Fair Housing Act.

B. Project Eligibility. A project must, for a specific period of time, have a minimum of:

1. Twenty percent qualified low income units occupied by households with gross incomes at or below 50 percent of area median income (AMI); <u>or</u>

2. Forty percent qualified low-income units occupied by households with gross incomes at or below 60 percent of area median income (AMI).

Once made, the choice between the 20 percent at 50 percent formulation and the 40 percent at 60 percent formulation is irrevocable.

Units are not eligible for the tax credit if they are occupied entirely by full-time students. Exceptions to this rule are found under IRC Section 42(i)(3)(D).

C. Eligible Basis. The Eligible Basis for a new building equals the total project costs minus all costs which are not allowable under Code Section 42.

The Eligible Basis for an existing building equals the sum of the lesser of the acquisition cost or the appraised value, plus additions and improvements minus all costs which are not allowable under IRS Code Section 42.

Eligible Basis is reduced by federal grants, residential rental units which are above the average quality standard of the low-income units, any historic rehabilitation tax credits, and commercial rental property. Areas designated as a Qualified Census Tract or Difficult Development Area may be eligible for an increase in allowable basis as defined under Section III.H. of this Plan.

Projects receiving a below-market-rate loan or other federal subsidies not considered grants may be included in Eligible Basis. Consult your tax attorney or accountant to determine if the federal funds obtained for the project may be included in Eligible Basis.

D. Qualified Basis. The Qualified Basis is the portion of a project's Eligible Basis multiplied by the Applicable Fraction. The Applicable Fraction is the lesser of:

1. The unit fraction which is the number of low-income units in a building divided by the total units; or

2. The floor space fraction which is the total floor space of the low-income units divided by the total floor space of the residential rental units.

The Qualified Basis and the amount of the credit are based upon the amount of low income housing within the building. An on-site manager's unit is considered common space and is not included in the calculation of the Applicable Fraction.

E. Applicable Tax Credit Percentage. The tax credit is intended to provide, over a ten-year period, a "present value" credit of either of the following:

1. Thirty percent of the project's Qualified Basis for new construction projects utilizing tax exempt bonds or for the acquisition costs of eligible existing buildings.

   A new building is treated as federally subsidized if there is tax-exempt bond financing, unless the balance of such loans is excluded from the Eligible Basis of the building.

2. Seventy percent of the project's Qualified Basis in the case of new construction or substantial rehabilitation.

The IRS publishes, on a monthly basis, the applicable percentages (Applicable Credit Rate) to be used in calculating the actual maximum allowable annual credit amount for which the project will be eligible. The 70 percent present value credit rate of nine percent and the 30 percent present value credit rate of four percent can be used for the tax credit calculation at the time of application.

The tax credits for reservation will be calculated by utilizing the Applicable Credit Rate effective for the month in which the Conditional Reservation and Binding Commitment Agreement (Agreement) is executed. The applicant will be given the option to execute the Agreement within the month the Board reserves the tax credits or the following month. SDHDA will utilize the most recent tax credit rate posted in accordance with 42(b)(2) of the Code when underwriting tax credit applications.

F. Annual Credit Amount. The maximum allowable credit amount is the Qualified Basis multiplied by the Applicable Credit Rate. However, the actual amount of credit awarded could be less than the maximum allowable if the financial analysis reveals the project would still be feasible with fewer tax credits (gap method). The tax credit is available each year for ten years.

G. Affordable Rents. Federal requirements state that rent on the low-income units, including utilities, cannot exceed 30 percent of qualifying monthly median income (i.e. not 30 percent of each individual household’s income, but 30 percent of 50 percent or 60 percent of median, as applicable). All charges for amenities,(e.g., laundry facilities, garages and carports, outdoor electrical outlets for cars, storage sheds, etc.), must be included in the maximum allowable tax credit rent if such amenities are included in the Eligible Basis for tax credits.

The maximum rent for the housing tax credit units are limited to the housing tax credit rent limits. For purposes of applying the maximum rent limitation, the maximum "rent" includes the rent paid by the tenant including utility allowance and rent subsidies. An exception for exceeding the housing tax credit rent may be granted for USDA Rural Development 515 and HUD Section 8 properties where it has been shown that additional rents are necessary to make the project feasible and that the tenant's rent will not exceed 30% of the tenant's income.

Since tenants under the 515 and Section 8 programs are required to pay 30 percent of their adjusted monthly income, the maximum rents may exceed the housing tax credit rent on an individual basis, so as not to exclude an income eligible household from the property.

To calculate rent, a certain number of occupants are assumed to occupy a unit, depending on the number of bedrooms in the unit (not actual occupants). The assumed family size is one person in an efficiency and one and one-half persons per bedroom (i.e., two bedroom unit rent is 30 percent of three person qualifying income). This restriction is in effect during the entire Compliance and Extend Use Period. Note that since the qualifying rent is based on one and one-half persons per bedroom, it is possible for a tenant to pay more than 30 percent of his or her actual income. The maximum rent limits are listed on the SDHDA website http://www.sdhda.org. There are two separate schedules: one for projects making the 40/60 election and one for projects making the 20/50 election.

Utility allowances are based on HUD Utility Schedule Model or the specific utilities used at the project.

The initial rents established at reservation and recorded in the Declaration of Land Use Restrictive Covenants Agreement (DLURA) must be utilized until the earlier of one year measured from the date the unit is occupied or the period of initial tenant occupancy.

SDHDA will underwrite all projects located within the city limits of Sioux Falls and Rapid City at a minimum of 85 percent of the housing tax credit rent limits. SDHDA will underwrite all other projects at a minimum of 80 percent of the housing tax credit rents limits. If an applicant proposes rents lower than the minimum requirements, the applicant must submit, with the application, a comparable rent study that supports the lower rents.

SDHDA will require the maximum rent on 20 percent of the tax credit units to be at the lesser of the Fair Market Rent (FMR), the actual market rent for the area, or the housing tax credit rent. These units will be known as FMR units. The FMR units are also restricted to tenants with incomes equal to or less than 50% of the Area Median Income (AMI).

H. Low Income Housing Commitment. Prior to an allocation of tax credits, the applicant must enter into a Declaration of Land Use Restrictive Covenant Agreement (DLURA), an extended use agreement pursuant to which the applicant, on behalf of itself and its successors, agrees to meet the applicable fraction of low income occupancy for a period of at least 15 years beyond the initial 15-year compliance period (a total of 30 years). The Code allows for termination after the initial compliance period, contingent upon a specified sales agreement. The applicant must have the DLURA recorded with the county Register of Deeds in the county in which the project is located. All extended use or other special use restrictions elected by the applicant and imposed on the development, which restrictions are material to the award of the tax credits and which may or may not give rise to points under Section VII, will be made part of the DLURA. The DLURA must also set forth the initial rents. All mortgage liens on the property must be subject to the low income use restrictions, except in the event of foreclosure.

An election made by the applicant to extend the compliance period beyond the required 30 years (Extended Use Period) bars the utilization of Section 42(h)(6)(I) of the Code until the beginning of the last year of the extended compliance period. The applicant will not be able to request SDHDA to find a buyer for the low income portion of the property until sometime after the 39th year of the compliance period.

I. Review of Federally Assisted Developments. In accordance with the HUD Reform Act of 1989, any project for which assistance is received in any form from HUD must comply with the Revised Subsidy Layering Guidelines (RSLGs) published in the Federal Register, Thursday, December 15, 1994, Part III (Refer to Section VI). Projects proposing to combine HOME funds with tax credits will utilize CPD Notice 98-01. A copy of these notices will be provided by SDHDA on request.

If any portion of a building receives a federal subsidy, the building is ineligible to receive the 70 percent housing tax credit. Under the Housing Assistance Tax Act of 2008, the definition of a Federal subsidy is limited to any obligation the interest on which is exempt from tax under Section 103. Tax-exempt financing provided by state or local governments, the interest on which is exempt from federal taxation under the Code, is considered a federal subsidy. Consult your tax attorney or account to determine if the federal funds obtained for the project may be included in eligible basis.

HUD Section 8 rental "certificate" or "voucher" subsidy and funds received through the Community Development Block Grant Program (CDBG) are not considered a federal subsidy.

Under the Federal Home Finance Board (FHFB) Affordable Housing Program, established in 1989, Federal Home Loan Banks are able to make subsidized advances to member banks which are in turn to be used for affordable housing projects. The Treasury Department has ruled that for tax credit purposes, loans provided by the FHFB will not be considered federal loans. Therefore a FHFB below-market-rate loan with an interest rate lower than the Applicable Federal Rate (AFR) will be eligible for the 70 percent tax credit percentage rate for new construction or rehabilitation expenditures rather than the 30 percent rate.

SDHDA will review those projects using USDA Rural Development Rural Rental Housing Loan funds in accordance with USDA Rural Development Instruction 1944-E Exhibit A-10. It is the responsibility of the applicant to provide SDHDA with any additional information or clarification of funding sources as may be necessary. Prior to issuance of the IRS Form(s) 8609, the applicant must provide SDHDA with USDA Rural Development Form 3560-51, "Multiple Family Housing, Obligation-Fund Analysis." This form will be used in the determination of the final allocation of tax credits to a project.

J. **Project Eligibility.** Ineligible projects include (i) properties of four units or less which are occupied by the applicant or a relative of the applicant, unless owned by a 501(c)(3) entity, (ii) life care facilities, and (iii) trailer parks.

Any application involving acquisition and substantial rehabilitation of a USDA Rural Development or SDHDA financed project must submit a certification relating to the need for substantial rehabilitation of the project. The certification must include a rehabilitation inspection report and must discuss the need for replacing major systems such as roofs, heating systems and windows. If the project receives an award of housing tax credits, a capital needs assessment completed by an independent third party may be required.

K. **Tenant Ownership Projects**. Projects involving tenant ownership must submit to SDHDA a long-term management plan which must include home buyer counseling programs for the tenants.

L. **Limits on Tax Credits**. There may be limits on the amount of credit an individual may effectively use due to passive loss restrictions and alternative minimum tax provisions. Individuals should consult their tax attorneys or accountants for clarification of this regulation.

M. **Discrimination**. All housing for which tax credits are received must be available to all persons regardless of race, color, national origin, religion, creed, sex, disability, or familial status.

N. **Volume Limits**. Each state is limited in the amount of tax credits it may allocate annually. South Dakota’s volume limit is $2,590,000 for 2013 and estimated to be $2,642,000 for 2014.

O. **Recapture**. Tax credits are subject to recapture by the Internal Revenue Service if it determines the Qualified Basis at the close of any year is less than the amount of such basis at the close of the preceding taxable year, or if the minimum number of qualified low income units is not maintained for the complete extended use time period, or other non-compliance issues.

V. DEVELOPMENT STANDARDS

Projects funded under this Program will be evaluated according to the following standards. Those projects combining tax credits with U.S. Department of Housing and Urban Development (HUD) and other government assistance must comply with the development standards adopted under the Subsidy Layering Guidelines in Section VI. Where the development standards under the Subsidy Layering Guidelines are more restrictive than the ones established in Section V, the Subsidy Layering Guidelines will prevail.

A. Project Finance Limits. The SDHDA Project Finance Limits are expected to be maximum project cost limits, not target or average costs that SDHDA determines to be sufficient for development of affordable housing projects. Total project costs are not limited to the Project Finance Limits; however, SDHDA will utilize them as the basis for the calculation of SDHDA financing and Developer Fees. All costs determined to be in excess of the Project Finance Limits will not be included in Eligible Basis for the calculation of the housing tax credits. SDHDA reserves the right to reject any project that it determines, in its sole discretion, to have excessive total projects costs.

Project Finance Limits will be determined for each project by multiplying the number of corresponding units by the respective per unit cost limit and summing the products. The per unit cost limits are:

Unit Type	Unit Cost
Group Home	\$ 67,000(per bedroom)
SRO	\$ 80,400
0 bedroom……	\$ 94,600
1 bedroom……	\$ 108,400
2 bedrooms…..	\$ 131,800
3 bedrooms…..	\$ 152,900
4 bedrooms…..	\$ 167,700

Projects proposed are encouraged to incorporate the features of brick, energy efficiency, additional handicap-adapted units, second bathrooms (for three and four bedroom units), community rooms, townhouse style units with an accessible bathroom on the main floor, creative design features, installation of low-cost high-speed internet service and other amenities where appropriate. For the purpose of the above calculation, any employee unit will be calculated as a unit type and not as common space.

B. Unit Size Requirements. The residential unit living square footage for rental new construction or reconstruction projects must meet the following minimum residential unit living square footage:

Unit Type	Unit Size
Group Home	130 square feet (per bedroom)
SRO	300 square feet
0 bedroom (efficiency)	500 square feet

1 bedroom	600 square feet
2 bedroom	750 square feet
3 bedroom	900 square feet
4 bedroom	1,050 square feet

Acquisition and/or rehabilitation projects are not subject to the minimum square footage requirements**.**

C. Developer's Fees. The developer of a housing tax credit project will be entitled to a developer fee not to exceed 15 percent of total development cost minus developer's fee and consultant's fee for projects of 16 units or less and not to exceed 12 percent of total development cost minus developer's fee and consultant's fee for projects of 17 units or more. For purposes of the foregoing limitations, "total development costs" do not include any costs that exceed the Project Finance Limits. Any fees determined to be developer fees in excess of the corresponding 12 or 15 percent maximum or in excess of the fee approved at the time the Board approves the reservation of housing tax credits will not be included in Eligible Basis when issuing Form 8609.

Developers may choose to defer their developer fee. The amount of deferred developer fee or owner equity presented in the application will be underwritten as a project financing source. The submitted pro-forma must evidence sufficient project cash flow after all project debt service is applied to repay the deferred developer fee within the first twelve years of operation. The deferred developer fee is not part of debt service and should be removed from pre-tax cash flow after the calculation of the DCR.

D. Consultant Fees. Consultant fees will be included in the developer fee limitation and cannot exceed two percent of the total development cost minus the consultant fee. For purposes of the foregoing limitations, "total development costs" do not include any costs that exceed the Project Finance Limits. Syndication related consultant fees are not to be included in the Eligible Basis of the project. Any fees determined to be consultant fees in excess of the two percent maximum, or the amount approved at the time the Board approved the reservation of housing tax creditswill not be included in Eligible Basis when issuing IRS Form(s) 8609. Consultants are expected to provide their services through project completion and issuance of IRS Form(s) 8609. The contract between the consultant and the applicant / owner must be submitted with the application.

E. Builder/General Contractor's Fees. Builder/General Contractor fees may not exceed the following limits:

Builder/General Contractor's Profit	6% of hard construction costs
Builder/General Contractor's Overhead	2% of hard construction costs
General Requirements	6% of hard construction costs

Any fees determined to be builder/general contractor's fees in excess of the corresponding maximums or in excess of the percentage approved at the time the

Board approved the reservation of housing tax credits will not be included in Eligible Basis when issuing IRS Form(s) 8609.

F. **Comparative Analysis**. Notwithstanding these development standards and the selection criteria within this Plan, each proposed project is analyzed on a comparative basis in a variety of categories to ensure the highest value for the tax credits awarded.

G. **Property Standards**. All newly constructed properties must meet the most current version of the International Building Code, the National Standard Plumbing Code and the National Electrical Code Handbook. These codes will be superseded if the State of South Dakota or local governing body has adopted an alternative code, in which case such alternative code will apply. Rehabilitation projects should strive to meet these codes when reasonable and to replace major components when necessary.

The housing project must meet the accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, and must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619). All units must be considered decent, safe, and sanitary throughout the affordability period.

Projects containing facilities that are available to the general public must meet the Americans with Disabilities Act (ADA) requirements. All projects must comply with HUD Section 504 requirements. Projects that have more than four units must include five percent of the total units or one unit minimum for individuals with mobility impairments and two percent of the total units or one unit minimum for individuals with sensory impairments (i.e., hearing or vision impairments). The above units may not be consolidated so as to provide only one unit. Roll in showers must be installed in one-half of the handicap-adapted units for persons with mobility impairments. These units may not all be in one building of a multi-building project. The architect must certify on the final working plans that these standards have been incorporated into the plans.

All project sites must be surveyed and platted. All residential buildings in lease purchase projects must be individually surveyed, platted, and have a physical address.

It is the owner’s responsibility to be aware of and comply with Fair Housing and all non-discrimination provisions relating to the race, color, religion, creed, sex, disability, familial status, and national origin. This includes design requirements for construction or rehabilitation, Equal Opportunity in regard to marketing and tenant selection and reasonable accommodation and modification for those tenants covered under the law.

H. **Site Suitability**. The proposed site must be suitable for the proposed project. If the site includes any detrimental characteristic, the applicant must provide a remediation plan and budget to make the site suitable for the project. If any detrimental site characteristic exists on, or adjacent to the site, SDHDA may reject the application. Detrimental characteristics may include but are not limited to: location within 1/2 mile of pipelines, storage areas for hazardous or noxious materials, sewage treatment plant, or sanitary landfill; location within 500 feet of a airport runway clear zone; 1,000 feet of a railroad, commercial property, military operations, or a registered historic property; physical barriers; unsuitable slope or terrain; or location in flood hazard area.

I. **Crime Free Multi-housing Program**. All property managers must attend the Crime Free Multi-housing Program training administered through the South Dakota Law Enforcement Officers Standards and Training Commission. SDHDA recommends a membership certification be acquired and maintained for the housing projects if it is available in the community.

J. **Replacement Reserves**. All properties must maintain a minimum replacement reserve of $400 per unit annually for the entire affordability period. In rehabilitation projects, if the major systems are not all replaced or repaired, sufficient reserves must be established to allow for replacement of such components if the normal life span would require such replacement prior to the end of the Extended Use Period. The annual replacement reserves will be trended at three percent per year.

K. **Operating Reserves**: All properties must have an operating reserve account. The operating reserve should be established by a written agreement with the syndicator and or mortgage lender. If no such agreement exists SDHDA will require an operating reserve to be established in the amount of a minimum of three months of operating expenses plus debt service payments. The operating reserve shall be maintained for a minimum of three years from the date the last building is placed in service, may be held by SDHDA, and will be governed by an operating reserve agreement.

L. **Debt Coverage Ratio**. Pro-formas submitted must reflect a debt coverage ratio of not less than 1.15 in the first year that full expenses are in effect (i.e., after tax abatements have expired) and annually thereafter for the first 15 years or the term of the first mortgage financing, whichever is greater. The project must maintain a minimum 0.95 debt coverage ratio for the remaining time of the Compliance Period or the Extended Use Period if such an election is made. Compensating factors such as developer's experience, types of financing utilized and financial strength of the applicant/owner may allow this requirement to vary. The debt coverage ratio is the ratio of net operating income to the total annual debt service. Further, the application shall reflect that rental income, any subsidies and reserve funds are sufficient to cover the property's debt and operating expenses for the entire Extended Use Period.

Pro-formas submitted must reflect the following underwriting standards: Project income shall be increased at an annual rate of two percent (2%); expenses and replacement reserves shall increase at an annual rate of three percent (3%); and assume a vacancy rate of seven percent (7%).

M. **Changes to Project**. The award of tax credits is based upon information provided in the application and the preliminary plans submitted with the application. A significant change to a project, once it has been ranked and awarded tax credits, may jeopardize the reservation/allocation of tax credits and the Board may require the tax credits to be returned. A significant change will include, but is not limited to, any reduction in the number of bedrooms per unit or square footage of the units, decrease in number of total units, any change to financial feasibility, any increase in overall density, any change in unit or project amenities, and any change that, had it been in the original project application, might have resulted in the project receiving a different ranking, or may have influenced the reservation of housing tax credits. SDHDA reserves the right to determine, at its sole discretion, if any change constitutes a significant change to the project. Any change to the project must be pre-approved by SDHDA prior to implementation.

VI. SUBSIDY LAYERING GUIDELINES

For those projects which combine tax credits and other HUD assistance, SDHDA must perform a subsidy layering review in accordance with the Revised Subsidy Layering Guidelines (RSLGs) published in the Federal Register, Thursday, December 15, 1994, Part III and HUD CPD Notice 98-01. The RSLGs establish HUD's safe harbor standards, but also allow SDHDA to adopt its own standards within its Plan. Therefore, for those projects affected by the RSLGs, and which are small projects, or projects in Difficult Development Areas, the following standards are adopted:

	Safe Harbor	*Ceiling*
Standard 1 - Profit and Overhead		
Builder Profit	6% construction costs	HUD processing
Builder Overhead	2% construction costs	HUD processing
General requirement	6% construction costs	HUD processing
Standard 2 - Developer Fee		
Developer fee	10% total dev. cost	15% total dev. cost
Standard 3 - Syndication Expenses		
Private Offer	10% gross proceeds	15% gross proceeds
Public Offer	15% gross proceeds	24% gross proceeds

Standard 4 - Syndication Proceeds

SDHDA will establish a base market rate expressed in cents netted per dollar of credit allocation. The Market Rate will be set for each individual project based on the variables of that project. In addition, the Market Rate will be adjusted to reflect increased value if higher than typical ownership interests are retained, as follows:

0-5% ownership:	Market Rate value
5-50% ownership:	Market Rate plus 10 cents
Over 50% ownership:	Market Rate plus 20 cents

In addition, when determining the amount of credit necessary to fill the unfunded financing gap, SDHDA must include the value of all syndication installments received. Therefore, applicants affected by this part must calculate and report the effects of compounding and discounting syndication installment payments.

VII. PROJECT SELECTION CRITERIA

Maximum Possible Points 1120

Applications must obtain a minimum of 400 points to be considered for funding. Applications that do not receive this cumulative total will be denied and the applicant will be notified of such denial. Applications for additional tax credits will not be re-scored and will only be considered if they meet the criteria established in Section III.O.

A. Local Housing Need.

Local Housing Need (150 points maximum)
All applicants must submit a complete market analysis addressing the local housing needs that is no more than six months old (See Section VIII.A.1. regarding submission requirements and Exhibit 2). The applicants considered to be facing the highest overall need will receive the highest score. All other applications will be ranked against the highest scoring applicant. Each applicant will receive from 0 to 150 points depending upon identified need. When determining the need, SDHDA may take into consideration including but not limited to the need for additional housing units in the community, the physical condition of the proposed project, the need of SDHDA funding sources to retain the proposed project, retention of existing project based rental subsidies, and the degree of rehabilitation necessary depending on the proposed project activity. All communities with two or more low income housing projects under construction or in the process of rent-up (less than 90 percent occupied) may receive zero points in this category.

B. Primary Selection Criteria.

1. Deep Income Targeting (90 points maximum)
Within the 20/50 or 40/60 election:
Required set aside: 20 percent of all the units will be FMR units and must be rented to tenants at or below 50 percent of the area median income and rents may not exceed the FMR.

To receive points for deep income targeting, a project must set the following rent limits for each target AMI in addition to the 20 percent FMR requirement.

A proposal which elects to set aside an additional 10 percent of the total units for households not exceeding 50 percent of area median income will receive 30 points.

A proposal which elects to set aside an additional seven percent of the total units for households not exceeding 40 percent of the area median income will receive 30 points.

A proposal which elects to set aside an additional of three percent of the total units for households not exceeding 30 percent of the area median income will receive 30 points.

Rents for these units must be set at 30 percent or less of adjusted annual incomes for households at the corresponding income levels to receive the above points. **If tax credits are allocated on a building basis, each building must maintain the percentage of targeted units elected above**.

2. Extended Use Commitment (60 points maximum)

Although the required Compliance Period is 30 years, applicants who make a commitment to extend the Compliance Period an additional 10 years (to 40 years) will receive 60 points.

An owner electing to extend the Compliance Period for 10 years will be restricting the property for 40 years (30-year Compliance Period and 10 year Extended Use Period). An election made by the applicant to extend the Compliance Period beyond the required 30 years bars the utilization of Section 42(h)(6)(I) of the Code until the beginning of the last year of the Extended Use Period. The applicant will not be able to request SDHDA to find a buyer for the low income portion of the property until sometime after the 39th year of the Extended Use Period. Applicants claiming points for the Extended Use Period may not claim points for Tenant Ownership.

3. Construction Type (70 points maximum)

A rehabilitation project that takes existing rental buildings remodels them to like new or uses existing buildings and converts them to new rental units will receive 50 points

A rehabilitation project that uses buildings of historic nature will receive 20 points.

A new construction project creating buildings that contain 8 rental units or less per building will receive 10 points.

A new construction project that creates rental units for assisted living or congregate care will receive 10 points

4. Concerted Community Revitalization Plans (40 points maximum)

Projects located within Qualified Census Tracts and that contribute to a Concerted Community Revitalization Plan that is documented at the time of application will receive 30 points. Refer to Exhibit 1.

Rehabilitation or Reconstruction projects that contribute to a Concerted Community Revitalization Plan that is documented at the time of application will receive 10 points.

5. Mixed Income Use (40 points maximum)

Developments which will consist of low income and market-rate units will be eligible for up to 40 points. Points awarded will be based on the ratio of market-rate units to total project units, according to the following scale:

10.00% - 20.00% Market Rate……10 points
20.01% - 30.00% Market Rate……20 points
30.01% - 40.00% Market Rate……30 points
40.01% - 50.00% Market Rate……40 points

6. Financial Support from Local Sources (25 points maximum)

Proposals containing documentation of financing or incentives from a local government, a private party or a foundation that assist in reducing the development costs or enhancing the project feasibility may receive up to 25 points.

7. Applicant Characteristics (30 points maximum)

Projects which include the following will be awarded ten points for each provable characteristic (maximum 30 points):

a. Participation by an entity with a demonstrated track record of quality experience in development or management of subsidized housing, or a new developer that contracts with a developer or consultant with a demonstrated record of quality experience in development or management of subsidized housing.
b. Participation by a minority-owned or woman-owned business enterprise; to be considered a minority- or woman-owned business enterprise, at least 51 percent of the sponsorship must be owned by either a minority individual or a woman.
c. Owner equity in excess of ten percent of the total development cost, but cannot be in the form of a deferred developer fee.

Twenty-five points will be deducted from any project with respect to which the applicant or any member of the development team has any of the following characteristics:

a. Within two years prior to the HOME/HTC application date, the applicant has made a significant change to another HTC, HOME or other SDHDA administered project without the prior approval of SDHDA; or
b. Has unresolved compliance issues on other housing tax credit, HOME, or other SDHDA administered project.

Further, for any project with these characteristics, the applicant shall not be eligible to receive points for a demonstrated track record of quality experience. The foregoing shall not limit the right of SDHDA to reject an application pursuant to Section III.F.

8. **Tenant Ownership – Lease Purchase (50 points maximum)**
Projects intended for eventual tenant ownership will receive 40 points. Applicants must submit with their application the proposed management plan, including information on homebuyer counseling, calculation of future purchase price, and other information requested by SDHDA to evaluate the feasibility of the development.

**Applicants claiming points for Tenant Ownership are not allowed to claim points for Extended Use Commitment.

9. **Service Enriched Housing (25 points maximum)**
Projects providing verifiable on-site services to the tenants of the following types of projects may receive up to 25 points depending upon the extent of the services. The services must be provided long-term and on a continuous basis. The services may be provided by the owner, the management company, or a third-party entity. The application must include a letter of intent from the service provider detailing the services, the tenants who will receive the services, the method of delivering the services, and the staffing for the service. A letter of need for housing is not adequate to obtain points in this section.

a. Homeless
b. Persons with physical disabilities
c. Persons with mental disabilities
d. Persons with developmental disabilities
e. Housing for Older Persons 62 or older (Assisted Living or Congregate Care Facilities as defined under Definitions)
f. Families with children

SDHDA, the Department of Human Services (DHS), and the Department of Social Services (DSS) have entered into an agreement promoting the full integration of citizens with disabilities into individualized housing settings rather than group homes. All housing designed specifically for people with disabilities must receive prior approval from DHS and/or DSS.

Applicants serving the homeless are required to participate in the Homeless Management Information System (HMIS) through SDHDA.

10. **HUD Section 811 - Units for Persons with Disabilities (40 points maximum)**
SDHDA will work with the Department of Human Services to provide support services and rental financing through the Section 811 program. The Section 811 program allows up to a maximum of 25% of the units within a development to be set aside for persons with disabilities. There is no requirement for additional accessible units over the amount required by 24 CFR Part A. SDHDA will award up to 40 points for projects that provide Section 811 rental housing units. If SDHDA is not successful in receiving funding for the 811 program, points will not be eligible for this category.

Points	Total Percent of Section 811 units
20	10.00% to 15.00%
30	15.01% to 20.00%
40	20.01% to 25.00%

11. Accessibility (20 points maximum)

Multifamily rental housing projects containing five or more dwelling units must include five percent of the total units or one unit minimum for individuals with mobility impairments and two percent of the total units or one unit minimum for individuals with sensory impairments (i.e. hearing or vision impairments). The above unit requirements may NOT be consolidated so as to provide only one unit.

For projects that must comply with Section 504 of the Rehabilitation Act of 1973, a roll-in shower with a seat must be installed in at least 50 percent of the units accessible to individuals with mobility impairments (but at a minimum, in at least one unit).

Up to 20 points will be awarded for projects that create additional accessible units for individuals with mobility impairments above the federal minimum requirements, a minimum of one additional unit must be added. Accessible units may not all be located in one building of a multi-building project and should be evenly distributed among the buildings.

Points	Total percent of accessible units
10	5.0% to 10%
15	10.01% to 15.00%
20	15.01% to 20.00%

12. Efficient Use of Tax Credits (50 points maximum)

A project will be awarded points according to the largest number of units for the fewest amount of housing tax credits per housing tax credit unit as follows:

Points	Tax Credits Per Unit
50	$ 0 to $4,999
40	$5,000 to $5,999
30	$6,000 to $6,999
20	$7,000 to $7,999
10	$8,000 to $8,999

If HOME funds are also utilized, SDHDA will also calculate the most efficient use of HOME funds using a separate calculation. SDHDA will compare the HTC and HOME calculations and award the higher amount of points calculated.

13. Percentage of Soft Costs Used for Project Costs (40 points maximum)

Projects which provide the highest percentage of the credit dollar amount to be used for project costs other than the cost of intermediaries (“soft costs”) will receive a maximum of 40 points. Soft costs include but are not limited to developers', attorneys', consultants', architects', engineers', accountants' and related professional fees, housing tax credit fees, reserve accounts, permanent loan fees, etc. Builder's profit will not be included in soft costs for this calculation.

Points	% of Soft Costs
40	0.00% - 9.99%
30	10.00% - 14.99%
20	15.00% - 19.00%
0	19.01% +

14. Project Location (20 points maximum)
Projects located in close proximity of community services will be eligible for up to 20 points. Five points will be awarded for each item. Close proximity will be defined as within one half mile of the property.

Community services include but are not limited to:

- Grocery/retail store
- Hospitals/medical clinics
- Schools/senior center (as applicable)
- Special Services Offices

A project that has a bus stop within one city block or that provides free transportation to the tenants on a regularly scheduled or on-call basis will receive 20 points.

15. Individuals with Children (10 points maximum)
Projects that will be serving tenant populations of individuals with children and provide written documentation at time of application will receive 10 points.

16. Public Housing Notification (10 points maximum)
A proposal which provides a written commitment to notify local public housing agencies of vacancies and give priority to households on waiting lists of those agencies will receive 10 points.

C. Readiness to Proceed Criteria.
SDHDA will allow up to 150 points to projects which, in its opinion, most clearly demonstrate readiness to proceed. The determination of readiness to proceed will be based on the following factors:

1. Plans and Specifications (25 points maximum)
Applications containing architectural plans/working drawings that are at least 50 percent complete or a physical needs assessment that is completed by an independent or third party provider.

2. Site Control (25 points maximum)

Applications containing documentation that the applicant has a recorded warranty deed, a recorded long term lease, or an approval of Transfer of Physical Assets (TPA) from the appropriate HUD, Rural Development, or SDHDA office for existing projects, which is in the name of the applicant.

3. Financing (60 points maximum)

SDHDA assumes that financing and equity commitments within the Readiness to Proceed Criteria mean that the Owner/Developer has selected and obtained financing or an equity commitment from a business partner. If the Owner/Developer changes the lender or syndicator/investor after the reservation of housing tax credits which causes significant changes or delays in project underwriting, SDHDA reserves the right, in its sole discretion, to remove the points awarded for any affected category **which may result in the loss of the housing tax credits awarded to the project.**

a. Construction Financing (20 points maximum)
(Executed by Applicant and Lender)

Applications containing documentation of an enforceable construction or interim financing commitment for the project that is executed by the applicant and lender will receive up to 20 points.

b. Permanent Financing (20 points maximum)
(Executed by the Applicant and the Lender)

Applications containing documentation of enforceable permanent financing commitments with a fixed rate and disclosure of all conditions, may receive up to 20 points. Generally, an enforceable financing commitment is a written approval of a loan or grant from a lender which is subject only to conditions of which are within the applicant’s control (other than the award of other funding). The loan commitment must contain a representation and acknowledgement from the lender that such lender has reviewed the housing tax credit application submitted by the applicant to SDHDA in support of the housing tax credit funds for the project to which such commitment relates and that such lender acknowledges that the project will be subject to rent restrictions, tenant income restrictions, and other special use restrictions agreed to by the applicant.

c. Equity Commitment (20 points maximum)
(Executed by the Applicant and the Lender)

Applications containing documentation of an equity commitment disclosing all conditions may receive up to 20 points. The equity commitment must contain a representation and acknowledgement from the equity investor that such investor has reviewed the application submitted by the applicant to SDHDA in support of the credits for the project to which such commitment relates and that such investor acknowledges that the project will be subject to rent restrictions, tenant income restrictions, and other special use restrictions agreed to by the applicant.

4. **Utilities (i.e. water, sewer, electric, natural gas) (20 points maximum)**
Applications containing documentation from utility providers stating utilities are currently at the project site and have the capacity to support the proposed project.

5. **Zoning (10 points maximum)**
Applications containing documentation that the project site is properly zoned for its proposed use.

6. **Platting (10 points maximum)**
Applications containing documentation that the final plat of the land has been recorded. Includes referencing plat book and number.

D. Project Characteristics (200 points maximum)
Points will be awarded to proposed projects based on the points as detailed in Exhibit 4. A completed copy of Exhibit 4 must be signed by the applicant and the architect. Characteristics indicated by the applicant and the architect will be verified by SDHDA staff prior to issuance of IRS Form(s) 8609. A maximum of 200 points may be obtained.

VIII. SUBMISSION REQUIREMENTS

A. Application Requirements. Applications must be submitted on the SDHDA HOME/Housing Tax Credit Application Form. If applying for funding under both the HOME and Housing Tax Credit programs, an original and a copy of the complete application must be submitted. SDHDA may reject applications that are incomplete or that contain inaccurate information.

Applications for additional tax credits must also consist of a complete application with revised project information and the following submission items, as necessary to reflect all changes in the project.

The following items must accompany the completed HTC/HOME Application: All applications submitted must be signed by at least one general partner involved with the project.

1. A comprehensive market study of the housing needs of low-income individuals in the area to be served by the project. The market study must have been completed within six months of submission by a market analyst who is a disinterested party, has experience with multifamily rental housing and is approved by SDHDA. A South Dakota licensed appraiser who is currently MAI certified and meets the above criteria may also complete the market study. The minimum includable items to be addressed in the market study are listed in Exhibit 2. (A market study is not required for an application for additional tax credits)

2. A project narrative outlining the development characteristics (tenants being served, amenities provided, financing in place, etc.). The narrative is intended as a

summary of the proposed project to assist SDHDA in reviewing the information in the application and exhibits.

3. Letter from the chief executive officer of the local governing body, in the format prescribed in Exhibit 3, evidencing approval from such body. Evidence of local approval must be in the form of meeting minutes or resolutions of the governing body and must reference the market study provided. If the local charter expressly gives the chief executive officer the power to approve a project and does not require approval of the governing body, a certified copy of such charter provision must be included with the letter of approval from the chief executive officer. The letter of approval must identify the number of units approved, the type of units approved and the exact location of the proposed development.

   All developers are encouraged to contact the city in which they intend to develop housing tax credit properties early in the development process to determine whether the city has adopted procedures and submission dates for approving such projects.

4. Copy of utility allowance calculation and supporting documentation

5. Pro forma for the extended use period, using the normal yearly expected vacancy rate as projected through the analysis. The pro formas submitted must reflect a debt coverage ratio of not less than 1.15 in the first year that full expenses are in effect (i.e., after tax abatements have expired) and annually thereafter for the first 15 years or the term of the first mortgage financing, whichever is greater. The project must maintain no less than a 0.95 debt coverage ratio through the entire Extended Use Period. Compensating factors such as developer's experience, types of financing utilized and financial strength of the applicant/owner may vary this requirement. Furthermore, the application must reflect that rental income, any subsidies and reserve funds are sufficient to cover the property's debt and operating expenses for the Extended Use Period. Annually, income must be trended at two percent, expenses and replacement reserves must be trended at three percent and vacancy must be projected at seven percent. A higher vacancy rate may initially be used for an acquisition/rehabilitation project if the project is currently sustaining higher vacancy and it is not reasonable to expect the project to achieve a seven percent vacancy within the first year.

6. Calculation and supporting documentation of all annual development expenses evidencing how the applicant arrived at the submitted amounts (e.g., calculation of real estate taxes from county assessor, insurance quotes). Applications requesting acquisition/rehabilitation or just rehabilitation tax credits may meet this requirement with the submission of historical financial statements.

7. Applicant information, including but not limited to, the applicant's past experience with housing and evidence of capacity to perform, based on other federal, state, and local programs and the ability to carry out the activities and requirements associated with this application.

8. Site control, which may be evidenced by any of the following in the applicant's name:

   a. purchase agreement or option to purchase, signed by both the buyer and seller;
   b. warranty deed or title (please include a copy of the purchase agreement);
   c. long-term lease equal to or greater than the term of the Extended Use Period; or
   d. contract for deed.

   Prior to housing tax credit allocation, the applicant must provide an attorney's opinion that the applicant has ownership of the property as required and in accordance with Code Section 42.

   Applicants are cautioned that reservation of tax credits are site specific, therefore any changes to site may require a reevaluation of the application and reconsideration by the Board.

9. Drawing of proposed development site plan showing the general build-up of the site including the location of all proposed buildings, streets, parking areas, service areas, playgrounds, and any other significant details of the site.

10. The project floor plans and the layout of each individual type of apartment unit, office, and community room.

11. Written evidence that the project site is properly zoned at the time of application. Documentation must reflect the current status of the project's plat. These items may not be necessary for acquisition and/or rehabilitation applications.

12. Certification from the applicant that the local Public Housing Authority (PHA) has been notified of the proposed project in their service area. The certification must also give priority to households on the PHA waiting list in order to obtain points under Section VII.B.16.

13. If the applicant is a nonprofit, a description of the organization and its activities and completion of the Nonprofit Eligibility Questionnaire, Exhibit 5. The Nonprofit Eligibility Questionnaire must be completed to compete for funds in the Nonprofit Set-Aside.

14. Local area map indicating other affordable housing, assisted living facilities and proximity to services (hospitals/clinics, schools/senior centers, grocery and retail stores, and special-services offices), etc. Services must be indicated on the map to obtain points under Section VII.B.14.

15. Completed Exhibit 4 (Project Characteristics), signed by the applicant and the architect. The Exhibit 4 must be completed to obtain points under Section VII.D.

16. Letter of intent evidencing preliminary arrangements for construction, interim, and permanent financing. Interim financing (bridge loan) fees will not be allowable project costs if financing is provided by an entity having an identity of interest with the developer, builder, syndicator, or applicant. Only interest costs at or below market rate will be allowed. To obtain points under Section VII.C. a letter of commitment (not intent), signed by both parties must be provided.

17. Letter of intent or documentation from equity provider evidencing preliminary arrangement for the purchase or syndication of the housing tax credits.

18. If the proposed permanent financing has repayment based on the availability of development cash flow, the applicant must submit a letter from a third party tax attorney or accountant addressing validity of the loan and ability of the owner to meet repayment terms of the loan.

19. Attorney's opinion stating that to the best of his or her knowledge, the applicant and all members of the development team (See Exhibit A of the HOME/Housing Tax Credit Application Form) are in good standing as described in Section III.F.

20. A copy of the contract between the Owner and the Consultant.

21 If the project underwriting requires the use of Housing Assistance Payments (HAP) or an Operational Deficit Guarantee (ODG), the applicant must provide financial statements from the provider of the HAP/ODG documenting it has the financial capacity to provide the HAP/ODG.

22. If the applicant is proposing rehabilitation, or an acquisition and rehabilitation, of an existing property, the following additional items must be submitted.

    a. Detailed description of the rehabilitation to be completed for the exterior of the building and for the interior of each apartment unit and the corresponding cost of such rehabilitation. The description of the rehabilitation must be detailed or the application may not be selected for an award of tax credits. In addition, if there are large variances between the original application and the appraisal and physical needs assessment submitted for reservation of tax credits, the award of tax credits may be withdrawn.
    b. Three years of historical financial information. If the proposed transaction is an arms-length transaction the applicant may submit the last three years' income statement and balance sheet. If the proposed transaction is not an arms-length transaction, the applicant must submit three years' audited financial statements. SDHDA reserves the right to request additional years of financials or supporting documentation if necessary.
    c. Current (within 30 days of submission) tenant rent roll listing tenants, addresses, rent paid, subsidies received, etc.
    d. Properties with preexisting subsidy (any building substantially assisted, financed, or operated under the HUD Multifamily programs, SDHDA, or USDA

Rural Development Program) must submit documentation to SDHDA of the following:
   1. Balance of mortgage amount to be assumed or prepaid
   2. Copy of current project based rental assistance contract

e. Attorney's Opinion stating that the project is eligible to receive acquisition tax credits as referenced in Section 42(d)(2) of the Code.

f. If the applicant is claiming project with Historic Character, documentation must be provided that applicable buildings within a project qualify under the National Historic Preservation Act (16 U.S.C 470).

g. A relocation plan must be submitted if tenants are currently occupying the property.

23. Required Application Fee. Refer to Section IX.A. This fee is non-refundable.

The following items must also be submitted with the application to receive the points identified in Section VII.

24 Community Revitalization Plan: under Section VII.B.4., applicant must provide a copy of the Concerted Community Revitalization Plan and evidence that the existing housing is a part of such plan.

25. Documentation of local support: under Section VII.B.6, written evidence of financial and local support must be provided.

26. Applicant Characteristics: under Section VII.B.7., written evidence of applicant characteristics must be provided.

27. Tenant Ownership: under Section VII.B.8., applicant must provide a copy of the proposed management plan including information on homebuyer counseling, calculation of future purchase price, and other information requested by SDHDA to evaluate the feasibility of the development.

28. Services to the Project: under Section VII.B.9 a letter of intent from the service provider detailing the services that will be available must be provided. Homebuyer counseling services for a lease-purchase project will not be considered eligible for points under this category.

29. Individuals with Children: under Section VII.A.15., a written statement by the applicant, stating applicant's intention to serve individuals with children must be submitted.

30. Documentation that utility services: water, sewer, natural gas, electricity are currently or will be available at the project site and have capacity to serve the project.

31. Any other information requested by SDHDA.

B. Reservation Requirements. Within 60 days of notification of reservation of housing tax credits, applicant must provide SDHDA with satisfactory evidence of the following:

1. Signed documentation evidencing construction, interim, and permanent financing arrangements.

2. Pro-forma provided to the applicant by SDHDA for the Extended Use Period signed by the applicant and lending institution to confirm status at reservation.

3. Required Reservation Fee. Refer to Section IX.B. This fee is non-refundable.

4. Information on the ownership entity, including an executed copy of the partnership agreement or articles of incorporation, and a copy of the certificate of registration from the Secretary of State in the State of South Dakota.

5. Affidavit executed by the appropriate party or parties, as authorized in the ownership entity's governing documents, stating that under penalties of perjury all facts and statements contained in all documents and exhibits submitted are true to the best of their knowledge.

6. Description of any governmental assistance or rental assistance. This includes copies of any contracts or agreements executed or any applications made for rental assistance grants for the project.

7. Executed Owner's Election Statement for Establishing Effective Date of Gross Rent Floor.

8. Final project plans to include: site, engineer, mechanical, architectural, and civil plans and specifications stamped by the project architect and engineer.

9. Executed Owner's and Architect's Certification certifying that the development incorporates the design characteristics originally detailed in the application and that the project meets the Fair Housing and Section 504 Accessibility requirements.

10. If the project involves acquisition and rehabilitation or Reconstruction of an existing property, the following documents must be submitted:

    a. Appraisal meeting Uniform Standards of Professional Appraisal Practice (USPAP) completed by an independent, South Dakota certified appraiser and evidencing the value of the property as is and evidencing the value of the property upon completion.
    b. Physical needs assessment.
    c. Complete rehabilitation breakdown by each building and each individual unit.

    SDHDA must approve the appraiser and inspector. (All appraisers must be registered with the South Dakota Department of Revenue and Regulation.

Registration information can be found at: http://www.state.sd.us/drr2/reg/appraisers/complain-rosters.htm.
All costs for appraisal and inspection will be paid by the applicant and may be included in total projects cost.

11. Copy of the executed construction contract.

12. Copy of the proposed management plan for the proposed development including a copy of the tenant lease to be utilized for the project. If the project is a lease-purchase, the management plan must include counseling programs for the homebuyers.

13. Any other information requested by SDHDA.

Reservation Requirements Phase 2. If a project receives a forward allocation of housing tax credits and is not required to complete a Carryover Allocation Agreement in the year the housing tax credit reservation was made, the following items must be provided by December 1st of that year.

1. Attorney's opinion indicating that the applicant is the owner of the property as required by and in compliance with Code Section 42.

2. Copy of the owners and lenders title commitment or a copy of the owner's recorded warranty deed. For projects on tribal land a BIA Title Status Report must be provided.

3. Documentation that all buildings within the project have been individually surveyed and platted.

4. Physical Address of each building for which tax credits are issued.

5. Copy of the executed syndication agreement.

C. Carryover Requirements. In addition to meeting requirements of federal law, the owner must provide, no later than November 1st of the allocation year (except as noted below), evidence satisfactory to SDHDA of the following (if not already submitted as part of reservation requirements):

1. Written certification from the owner regarding the following federal tax credit program eligibility requirements:

   a. Date building is expected to be placed in service.
   b. Intent to reserve applicable percentage of units for the required compliance period.
   c. Intent to charge rents of no more than those allowable under the Code and IRS Revenue Procedures 94-57.

2. Written certification from an independent CPA, of the determined “reasonably expected basis” regarding the federal tax credit program eligibility requirements on which the reservation is given:

    b. Eligible Basis (per building)
    c. Qualified Basis (per building)
    d. Applicable Fraction
    e. Credit Amount Reserved for Project
    f. Credit Percentage
    g. Qualified Rents by Unit Size

3. Attorney's opinion indicating that the applicant is the owner of the property as required by and in compliance with Code Section 42.

4. Copy of the owners and lenders title commitment or a copy of the owner’s recorded warranty deed. For projects on tribal land a BIA Title Status Report must be provided.

5. Physical Address of each building for which tax credits are issued.

6. If the project is an acquisition of a USDA Rural Development or HUD property, a letter from USDA or HUD must be received documenting its approval of the transfer of property ownership, the rental assistance contract, and the outstanding debt, if applicable.

7. If the development was funded under USDA Rural Development Rural Rental Housing Program, the applicant must submit a completed copy of USDA Form 3560-51 “Multiple Family Housing Obligation-Fund Analysis.”

8. Copy of the executed syndication agreement.

9. 10% Test Requirements
   A certified line item expenditures of more than ten percent of the total project costs by the owner. The cost certification must be submitted on approved SDHDA forms.

10. Audited line item expenditures of more than ten percent of the total project costs by an independent CPA and/or tax attorney with a statement of non-affiliation with the developer and owner. If the developer’s fee is included in the carryover basis, the developer must be able to document to their CPA that the amount of the fee included has been earned, it has been paid, and it cannot exceed If the 20 percent of the carryover basis amount. The cost certification must be submitted on approved SDHDA forms.
    A project which receives a reservation of tax credits after July 31 of a calendar year will have up to six months, from the date the reservation was made, to meet the requirements of the ten percent test

11. Any other information requested by SDHDA.

D. Placed In Service/Final Cost Certification. To verify the placed in service dates, complete the final underwriting for the project, and issue IRS Frorm(s) 8609, the following documents are required to be submitted to SDHDA no later than 120 days after project completion (the point in which a certificate of occupancy has been issued for each building that contains rental housing units).

1. Executed Declaration of Land Use Restrictive Covenants, which has been recorded with the Register of Deeds in the county in which the project is located. (This document will be prepared and mailed to the applicant after the applicant/owner has received a reservation of tax credits and taken ownership of the property).

2. Certificate of Occupancy issued by the appropriate government authority or temporary Certificate of Occupancy, if approved. If there is no issuing entity, a certification must be issued by a third party architect, engineer, or other qualified party approved by SDHDA.

3. Certified line item expenditures of the total project costs by the owner. Final cost certification must be submitted on approved SDHDA forms.

4. Audited line item expenditures of the total project costs by an independent CPA with a statement of non-affiliation with the developer and applicant. Final cost certification must be submitted on approved SDHDA forms.

5. For rehabilitation projects, a final listing of rehabilitation completed by each unit and building.

6. Owner's certification evidencing final amount of permanent financing and full amount of proceeds received from the syndication of tax credits.

7. Executed Owner’s and Architect’s Certification certifying that the development incorporates the design characteristics originally detailed in the application and that the project meets the Fair Housing and 504 Accessibility requirements.

8. Documentation evidencing satisfactory completion of a housing tax credit compliance training by the property manager within the past three years.

9. Documentation evidencing the owner and/or the property manager attendance at the Crime Free Multi-Housing Program administered through the South Dakota Law Enforcement Officers Standards and Training Commission.

10. Inspection of the development by SDHDA’s Coordinator of Construction Plans and Physical Reviews must be made prior to issuance of the 8609. **Applicant must notify SDHDA at least 30 days prior to the contractor’s scheduled final inspection of the development**.

11. The owner must obtain and provide to SDHDA, in accordance with the requirements of the Declaration of Land Use Restrictive Covenants agreement, the consent of any present or prior recorded lien holder on the development. The lien holder must acknowledge and consent to the restrictions filed on the development as covenants that run with the land. Such consent is a condition precedent to the issuance of Form 8609 and must be evidenced by copy of a title insurance policy.

12. Tenant listing for units occupied to date. The listing must include the tenant's name, unit occupied, rent charged, initial occupancy dates, and income levels.

13. Copy of most recent and approved Housing Assistance Payment contract or USDA Rural Development budget outlining the rents and utility allowances.

14. Copy of all final permanent finance documents to include but not limited to: bank loans, grants, federal or state finance programs, internal loans, deferred developer fee terms, other tax credits, and any other funding.

15. Any other information required but not submitted at time of Reservation or Carryover, or requested by SDHDA.

16. Required Allocation Fee. The allocation fee will be calculated by SDHDA after reviewing the final cost certification and making the determination of the actual amount of housing tax credits that will be allocated to the project. Refer to Section IX.C. This fee is non-refundable.

Within 30 days of filing the initial tax return with the IRS, a copy of the completed IRS Form(s) 8609 must be submitted to SDHDA's Rental Housing Management division. Failure to return the completed form to SDHDA within the required timeframe is a form of noncompliance that will be reported by SDHDA to the IRS.

IX. FEES/FINES

The following fees are non-refundable.

A. Application/Underwriting. An application/underwriting fee of $750 is due with an application for reservation, or any request for SDHDA underwriting, including projects financed with bonds not issued by SDHDA.

B. Reservation. A reservation fee of three percent (3%) of the annual credit amount reserved is due within 60 days of notification from SDHDA of reservation of tax credits.

C. Allocation. An allocation fee of seven percent (7%) of the annual housing tax credit allocation amount is payable at the time of final allocation. For those housing tax credit projects financed with bonds not issued by SDHDA, an allocation fee of ten percent of the annual credit allocation is payable at the time of final allocation.

D. **Monitoring**. Annual fees of $50 per development and $25 per low-income unit, including all projects financed with bonds, are payable each year throughout the entire extended use period. Annual fees will be imposed after the first full year in service, which is measured from the month the last building in the project is placed in service. The Housing Tax Credit Compliance Manual is available from SDHDA.

E. **Fines**.

A fine of $500 will be imposed if the Placed in Service/Final Cost Certification package (to include all required documents) is not submitted within 120 days of project completion. An additional fine of $25 will be assessed each business day the documents are not submitted.

A fine of $250 will be imposed on the third late monthly status report and on all subsequent late monthly status reports per Section III.K. Fines must be paid before IRS Form(s) 8609 will be issued.

X. DEFINITIONS

A. **Area Median Income**. The income determined by HUD on which household income and rent limits are based.

B. **Assisted Living Facility**. Housing units that offer assistance with activities of daily living, including eating, bathing, dressing, and personal hygiene; three meals per day, every day of the week; supervision of self-administration of medication; laundry service; housekeeping; 24-hour staffing; and activities. Transportation to and from doctor's appointments and personal errands, counseling services, and companion services are optional.

C. **Community Service Facility**. Any facility designed to serve primarily individuals whose income is 60 percent or less of area median income.

D. **Compliance Period.** With respect to any building, the period of 30 years, beginning with the first taxable year in which the building must remain in compliance with the Housing Tax Credit Program (IRS Code Section 42). The first 15 years have Federal and State oversight and the second 15 years have State oversight. During this time restrictive covenants are recorded against the property maintaining its low-income use and other requirements as mandated by the Housing Tax Credit Program and those committed to by the owner.

E. **Concerted Community Revitalization Plan**. Locally approved revitalization plan targeting specified areas of the community for housing and economic development through the rehabilitation of existing and construction of new housing. Local housing need surveys and consolidated housing plans do not qualify as Concerted Community Revitalization Plans.

F. **Congregate Care Facility**. Housing units that provide a semi-independent living environment offering residential accommodations, central dining facilities (where at least one meal a day is provided seven days a week), related facilities, and supporting staff and services to persons of at least 62 years of age or with disabilities.

G. **Credit Period.** With respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is first placed in service or at the election of the taxpayer, the succeeding taxable year. These are the years the investor(s) are eligible to claim the tax credits.

H. **Disinvestment**. Withdrawal of capital that otherwise could have been utilized to sustain the viability of a project.

I. **Extended Use Period**. A 10 year extension of the Compliance Period made by the owner, resulting in the project being required to remain in compliance with the Housing Tax Credit Program for a total of 40 years. During this time restrictive covenants are recorded against the property maintaining its low-income use and other requirements as mandated by the Housing Tax Credit Program and those committed to by the owner.

J. **Fair Market Rents (FMRs):** Rents for existing housing for comparable units in the area established by HUD under 24 CFR Part 888.111. Rent determined by HUD to be the cost of modest, non-luxury rental units in a specific market area

K. **Good Standing.** shall mean that the individual has not been (i) convicted of, entered into an agreement for immunity from prosecution for, or plead guilty, including a plea of nolo contendere, to: a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records or (ii) debarred from any South Dakota program, other state program, or any federal program.

L. **Gross Rent Floor.** A provision that protects a property from having its maximum rents reduced to a level below the maximum rent level that was initially established for the property under the tax credit program. The initial maximum rent levels are those that are in effect when either (1) the credit allocation is made or (2) the building is placed in service and ready for use. The selection is made by the owner.

M. **Group Home:** A congregate residential facility, other than a supervised apartment, for individuals with developmental disabilities which is certified by the State Department of Human Services according to ARSD 46:11 to provide residential services, training in skills needed for independent living, recreational activities, and basic supervision for individuals with developmental disabilities.

M. **Historic Character.** Any project consisting of one or more buildings that qualify under the National Historic Preservation Act (16 U.S.C 470).

N. **Housing for Older Persons**. Housing intended and operated for occupancy by persons age 62 and older per 24 CFR Section 100.303 or age 55 and older per 24 CFR Section 100.304.

O. **Identity of Interest**. An Identity of Interest means any relationship, including any financial, business, or family relationship, that the applicant or any member of the development team has with others involved in the project.

P. **Lease/Purchase Project.** A lease-to-own housing option. See definition of Tenant Ownership Project.

Q. **Qualified Census Tract**. A census tract in which either 50 percent or more of the households have an income of less than 60 percent of the area median gross income for such year or there is a poverty rate of at least 25 percent. Refer to Exhibit 1.

R. **Reconstruction Project:** A project that replaces an existing building's floor plan with an overall new floor plan for residential living units or that replaces an existing building's residential living unit plans with new residential living unit plans.

S. **Service Enriched Housing**. Projects providing affordable rental housing (permanent or transitional) that include services and assistance that are available to residents upon request. The services and assistance can be provided directly by the project or through collaboration with service organizations but must be tailored to individual residents and managed by the property. Services and assistance are not a requirement for tenancy but there must be a mechanism for immediate support and assistance when requested by any resident.

T. **Single Family Project.** Project consisting of individual single family dwellings or a project with one or more buildings containing four or less units per building.

U. **Single Room Occupancy (SRO):** Housing (consisting of single room dwelling units) that is the primary residence of its occupant or occupants. The unit must contain either food preparation or sanitary facilities (and may contain both) if the project consists of new construction, conversion of non-residential space, or Reconstruction. For acquisition or rehabilitation of an existing residential structure or hotel, neither food preparation nor sanitary facilities are required to be in the unit. If the units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by tenants.

V. **Small Project.** Project of 16 units or less.

W. **Tenant Ownership Project**. A housing option designed to bring home ownership within reach of low- and very low-income households while assisting local governments in addressing the need for more affordable homeownership. Residents must assume most of the property maintenance responsibilities, although a reserve fund will be established to cover major expenses. The residents sign a lease and a letter of understanding describing their opportunity to purchase the home upon expiration of the tax credit minimum rental period (15 years).

X. **Townhouse Project**. A multi-family housing project where each unit has no more than two common walls.

Exhibit 1
Qualified Census Tracts and Difficult Development Areas

IRS Section 42(D)(5)(B) Qualified Census Tracts:

Reference: Federal Register / Vol. 77, No. 77 / Friday, April 20, 2012

Metropolitan Areas:

Rapid City	Tract 102.00, 103.00, 104.00, 105.00, 115.00
Sioux Falls	Tract 7.00, 11.01, 15.00

Nonmetropolitan Areas

Bennett County	Tracts 9410.00, 9412.00
Brookings County	Tracts 9588.02, 9589.00
Brown County	Tract 9515.00
Buffalo County	Tract 9402.00
Charles Mix County	Tracts 9402.00, 9403.00
Clay County	Tract 9659.00
Codington County	Tract 9544.00
Corson County	Tracts 9410.00, 9411.00
Dewey County	Tract 9415.00
Hughes County	Tract 9779.00
Jackson County	Tract 9412.00
Lawrence County	Tract 9662.00
Lyman County	Tract 9401.00
Mellette County	Tract 9403.00
Roberts County	Tract 9408.00
Shannon County	Tracts 9405.00, 9408.00, 9409.00
Todd County	Tracts 9401.00, 9402.00
Ziebach County	Tract 9416.00

IRS Section 42(D) (5) (C) Difficult Development Areas:

There are no Difficult Development Areas in South Dakota at this time.

THIS EXHIBIT IS SUBJECT TO CHANGE BASED ON UPDATES FROM THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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Exhibit 2
Market Analysis Requirements
for the Housing Tax Credit Program

In order to be accepted with an application, a complete comprehensive market study of the housing needs of low-income individuals in the area to be served by the project must be submitted. The market study must have been completed within six months of submission by a market analyst who is a disinterested party, has experience with multifamily rental housing, and is approved by SDHDA. A South Dakota licensed appraiser who is currently MAI certified and who meets the listed criteria, may also complete the market study. The market study must address in depth and include the following:

1. Review of proposed site including color photos of the site and adjoining property; definition of the primary and secondary market areas including a map that clearly marks the areas and an explanation of the basis for the boundaries; description of site characteristics including size, shape and general topography; and evaluation of the accessibility and visibility of the site.

2. Review of proposed development including the number of units by number of bedrooms and bathrooms, income levels to be served, rent to be charged, calculated utility allowances and amenities to be provided.

3. Review of existing community services and their proximity to the proposed development including a site map of such services.

4. Review and listing of existing multifamily developments in the market areas categorized by affordable housing (Section 8, HOME and Rural Development), housing tax credit and market rate units. The information must include the type of housing, location, number of bedrooms, number of bathrooms, size of units, condition of buildings, vacancy rates, waiting lists, amenities, utility allowances (whether included in rent or not), and rental rates.

5. Review of the total number of income eligible* individuals in the market area (include breakdown for households (both renters and owners) for the next five-year period, at 50 percent and 60 percent of area median income) and projections of the same.

6. Review of projected new multifamily developments (affordable housing, housing tax credit and market rate) including number and type of building permits issued in the past three years.

7. Review of current population characteristics (such as total population, income levels, age breakdown and migration trends) and projection, for the next five-year period, of future changes to the population and its characteristics.

8. Review of the type of employment opportunities and entry-level wages including economic changes proposed that could potentially affect the number of jobs or wages.

9. Review of existing and projected renter- and owner-occupied households, including the total number of households, average number of persons per household, and number of households that are rent burdened (tenants paying more than 30 percent of their income for housing).

10. Review of existing housing conditions and projected rental housing demands, including the breakdown of the number, size and rent level of units necessary to fill the demands of the community.

11. Review of meeting/correspondence with the local Public Housing Authority highlighting the utilization of Section 8 vouchers and the affordable rental housing in the corresponding effective market area.

12. Review of meeting correspondence with local planners, housing and community development officials and market participants to evaluate the local perception of the need for additional housing.

13. Executive Summary with a precise statement of key conclusions reached by the analyst. The statement must include the analyst's opinion of (i) market feasibility, (ii) the prospect for long-term performance of the property given housing and demographic trends and economic factors, (iii) recommended modifications to the proposed project, (iv) market related strengths and weaknesses, (v) positive and negative attributes and issues that will affect the property's lease up and performance, and (vi) the impact the subject property will have on the existing multifamily developments.

* Income eligible tenants are defined as those tenants whose incomes are at or below the percent of median income option chosen by the applicant.

The following issues must be considered for each potential market before the development of additional units is pursued:

1. Whether the community experienced growth in recent years and is projected to continue to grow.
2. Whether there has been any significant changes in the economic arena for the area, such as major employers leaving or moving into the area or are expected to leave or move in. Note that the definition of "major" will vary by community.
3. A determination as to whether vacancies that may have existed prior to the population growth have been absorbed, or whether there are vacancies in the market area now. If there are the vacant units, they need to be evaluated to determine if they are obsolete, have deferred maintenance, have deep rental subsidies, or qualify for Section 8 Vouchers (if available).

4. Determine if the need is for housing for families, young professionals, retirees, or the elderly, and what the most suitable housing would be for the identified population; such as whether there is a need for single family homes, townhouse or condominium type housing units with lower maintenance requirements, independent apartments, congregate housing, or assisted living units. Also, determine if there are existing vacant units or structures in the community or region that could be rehabilitated or moved in to address the demand for housing in a more affordable manner than new construction.

5. A determination must be made as to whether there is a need for market rate housing or housing targeted to lower income households.

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Exhibit 3
Local Governing Body Approval

Format of letter to be submitted evidencing local approval-
Must be submitted by chief executive officer on local governing body letterhead

I, ________________, [Insert title of Executive Officer, e.g., Mayor or Tribal Chairperson] of _________ ____________, am writing on behalf of the ________________________ [insert name of local governing body, such as Sioux Falls City Council or Cheyenne River Sioux Tribe] in support of the following proposed development:

______(Development Name)_______

______(Street Address)___________

______(Number of Units)__________

The development will be [insert newly constructed or existing units] targeted to [insert family or elderly].

The market study provided by the applicant which was undertaken by _______________ and completed on ______________has been provided to this governing body.

[Attached are the meeting minutes dated ______________ evidencing approval from the local governing body] or [The [insert title of CEO] has the express authority to approve the proposed development under the local charter, a certified copy of which is attached.].

___________________________________	_______________________
Name	Title
___________________________________	_______________________
Signature	Date

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EXHIBIT 4
PROJECT CHARACTERISTICS

Applicant only eligible to receive up to 200 points.

Indicate if the project will include each characteristic by placing an X in the box to the left of each applicable line item. NOTE: No points are allowed for characteristics associated with previous phases.

Minimum standards apply to all new construction projects; however, rehabilitation or Reconstruction projects should also strive to meet these minimum standards.

General Project Scope:			
	Minimum Standards	Single Family Project must include individual exterior storage units at a minimum of 8'x12' or a garage.	
	25 points	Single Family Project that includes an attached or detached garage capable of parking at least 1 vehicle	
Site Exterior			
	Parking:		
	Minimum Standards	At a minimum, the parking lot will be engineered asphalt, having concrete curb and gutter where required. Single Family home developments must contain concrete off-street parking for two vehicles. Each efficiency, 1 and 2 bedroom units must have 1-1/2 parking spaces and each 3-4 bedroom must have 2 parking spaces. The number of handicap designated spaces must equal the amount of handicap units. In the event that local jurisdiction codes exceed this total then the local code supersedes these requirements.	
	25 points	Off-street concrete parking lot that meets above requirements.	
	Sidewalks		
	Minimum Standards	A concrete Sidewalk will be provided from each primary entrance door and any accessible entry door to a public right of way.	
	Exterior Landscaping		
	Minimum Standards	New Construction should have a minimum of a live landscaped area of no less than 5% of the hard surfaced area of the project site.	
	Minimum Standards	A Minimum of 2% slope for hard surfaces adjoining foundation and no less than 5% for landscaped surfaces.	
	Minimum Standards	Multifamily rental project of 16-47 units must have at least one Section 504 compliant playground area. Projects of 48 or more units, must have at least two Section 504 compliant playground areas.	
	5 points	Use of drought resistant live plants or Xeriscaping design principals or use of rain sensor irrigation for landscaped areas.	
	10 points	Installation of Section 504 compliant picnic area containing a grill and picnic table	
	5 points	Downspouts day-lighted to at least 10 feet from foundation.	

	Signage		
	Minimum Standards	The project must have permanent signage installed with Equal Housing Opportunity logo and the identification of the developer and South Dakota Housing Development Authority. This requirement may be waived for single family projects	
Building(s) Exterior			
	Exterior Siding/Finish		
	Minimum Standards	Minimum of 30 year finish warranty/50 year substrate warranty solid cementious or composite prefinished siding. If vinyl siding is used, it must be a minimum of 0.44 mil thick and have a lifetime warranty. Prefinished soffits and fascia are required.	
	10 points	At least 25% of building exterior finished in brick, stone or stucco.	
	25 points	At least 80% of building exterior finished in brick, stone or stucco.	
	Roofing		
	Minimum Standards	Minimum of 30 year warranty asphalt or composite shingle, 29ga metal roofing with a 50 year finish/fade warranty or 60mil rubberized roof with a 30 year warranty for flat roofs.	
	15 points	Use of UL 2218 Class 4 impact resistant shingles or 26ga UL 2218 Class 4 impact resistant metal roofing.	
	Windows/Doors		
	Minimum Standards	Energy Star qualified Exterior prefinished windows constructed of vinyl, wood, composite or fiberglass containing Low-E Glass	
	10 points	Windows scored with better (lower is better) than a .25 U-Factor by the National Fenestration Rating Council.	
	Minimum Standards	Exterior doors shall be insulated steel or composite in a metal clad wood or composite frame. Unit entry doors without windows shall have a peephole installed with 180 degree view. All unit entry doors must be equipped with a deadbolt with 1" inch throw into reinforced jamb.	
	Minimum Standards	Main entrances for projects containing interior accessed units must be equipped with an ADA/ABA compliant automatic door opener.	
	20 points	Main entrances for projects containing interior accessed units designed with a foyer and equipped with a security access system	
	20 points	Townhome or single family projects that have exterior entrances for all units.	
Construction and Energy Efficient Design Features.			
	Wall/Roof Assembly		
	Minimum Standards	2x6 exterior wall assemblies insulated to a minimum of R-19. Roof assembly insulated to a minimum of R-42. All assemblies must be constructed to the minimum of the local adopted code or the current state adopted IRC/IBC if no local code exists.	
	10 points	All party walls and common walls containing at least 3.5" of sound attenuation insulation.	
	10 points	Light weight concrete or Gypcrete surfacing on floors.	

	Special and Accessible Design Features		
	Minimum Standards	All projects containing more than 4 units must be compliant with Section 504 under the Rehabilitation Act of 1973. All other housing must meet the requirements of the Fair Housing Act. Rehabilitation of housing containing more than 15 units and costing at least 75% of replacement cost or that is vacant must also meet Section 504.	
	20 points	Incorporation of Universal Design Principles in at least 25% of all units or single-family developments with accessible routes into and through the home including zero step entry, not including Section 504 units. Universal design is the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design.	
	35 Points	Multi-family projects that have either a stand-alone Community Building or a Community Room. Rooms shall be 15 square feet per occupant, assuming 1-1/2 occupants per unit. Room shall include a fully functioning kitchen not included in square foot minimum. Only areas usable by occupants are to be included in square foot minimum. Areas such as offices or storage cannot be used to meet minimum.	
	Energy Efficient Design Features		
	20 points	HERS: Project scoring a HERS index of 70 or better as measured by a RESnet certified Rater	
	35 points	Energy Star: Whole project certification to the latest version of Energy Star for New Homes or Energy Star for Multifamily High Rise as verified by a 3rd party Energy Star certified rater. Project cannot take points for both HERS and Energy Star certifications.	
Building Interior			
	Unit Entry Doors		
	Minimum Standards	The unit entry doors must meet the code requirement of the wall assembly containing it. It must include a peephole with 180 degree viewer or have a window, a deadbolt with a 1" throw into a reinforced jamb.	
	Unit Interior Doors		
	10 points	Solid core doors with metal jambs for interior of units. (bathrooms, bedrooms, closets).	
	Floor Covering		
	Minimum Standards	Carpet must meet the standards of HUD use of material bulletin 44D. VCT, Vinyl Plank, LVT, sheet vinyl and other floor coverings must meet or exceed the ASTM standards for Resilient Floor Covering and carry a minimum of a 10 year Manufacturer Warranty.	
	Laundry		
	Minimum Standards	A common laundry room must be located in each building of a project and contain a window within or near the door. Projects with single family dwellings, townhomes, or apartments without common laundry space must provide washer and dryer hook-ups within each unit. Washers must meet Energy Star qualifications.	
	5 points	A common laundry room for each building floor	

	10 Points	A washer and dryer provided for each unit.	
	Unit Bathrooms		
	Minimum Standards	Minimum of one-half bath per floor for multi-story townhouse or single family dwellings containing 2 or more bedrooms.	
	Minimum Standards	Primary bath light and bathroom ventilation fan must be switched together. Bath fan cannot be used to meet mechanical ventilation code for local jurisdictions that have adopted 2012 IECC or other codes that require mechanical ventilation.	
	Minimum Standards	For new construction projects that must comply with Section 504 of the Rehabilitation Act of 1973, a UFAS compliant roll-in shower must be provided in at least 50% of the Section 504 mobility impaired accessible units or at least one.	
	Appliances and Fixtures.		
	Minimum Standards	All provided appliances including refrigerators, freezers, washers, dishwashers, ceiling fans, computers and exits signs must be Energy Star Qualified.	
	Minimum Standards	A minimum of a 14 cu. Ft. frost free refrigerator for all 0 or 1 bedroom units. A minimum of 18 cu. Ft. refrigerator for all 2 or more bedroom units.	
	Minimum Standards	Water Sense qualified faucets, toilets/urinals, showerheads.	
	Window Coverings		
	Minimum Standards	Window coverings or blinds shall be provided.	
Mechanical			
	Heating and Cooling		
	Minimum Standards	At a minimum High efficiency cove heat. Electric baseboard heat is NOT allowed for new construction. 80% AFUE minimum gas furnace, Heat Pumps rated at HSPF of 8 or greater with a 13.0 SEER rating or higher (packaged or split).	
	Minimum Standards	All units must have Energy Star qualified through the wall air conditioning or central air conditioning rated at 13 SEER or better.	
	5 Points	Energy Star qualified central air conditioning. Split systems must be Energy Star matched.	
	20 points	Forced air furnace greater than 92.5% AFUE or Energy Star qualified Air-source or Ground Source heat pump capable of providing heat to -15 F. Split systems must be Energy Star matched.	
Note: Proposed heat pump systems used for primary heat must be submitted for approval.			
	Water Heating		
	Minimum Standards	An Energy Star qualified water heater in each unit. Any central hot water systems must be submitted for approval.	
	10 points	A gas condensing or electric heat pump water heater provided for each unit.	

Healthy Homes		
	Minimum Standards	1. Low VOC paints, stains, adhesives and sealants. 2. Formaldhyde free insulation. 3. Formaldhyde free or sealed particle board products such as shelving, cabinets and countertops. 4. Low VOC carpets and floor coverings. 5. Lead detection and abatement. 6. Radon detection and mitigation.

I certify that the above indicated characteristics will be incorporated into the final working drawings and that they must be provided prior to occupancy of the project.

I certify that the housing will meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR Part 100.201, must also meet the design and construction requirements at 24 CFR Part 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619).

____

Applicant Date

____

Architect Date

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Exhibit 5
Nonprofit Eligibility Questionnaire

Part III, Section C, of this Plan and Section §42 of the Internal Revenue Code, as amended (the "Code") set-asides tax credits for participation of a nonprofit organization in the development of qualified low-income housing. The following questionnaire must be completed in order to qualify for the set-aside.

A. General Information.

Name of Project: ____
Name of Applicant: ____
Name of Nonprofit Entity: ____
Principal Place of Business of Nonprofit Entity: ______________________________

________ 501 (c) (3)
________ 501 (c) (4)
________ Exempt from taxation under 501 (a)

1. Date of legal formation of Nonprofit: ______________________________
   Evidenced by the following documentation (include Articles of Incorporation): ________
   ____

2. Date of IRS 501(c)(3) or 501(c)(4) determination letter: ____________________
   Copy attached _____Yes _____No If no, why: ________________________
   ____

   (Note: If the information requested in a. and b. above are not yet available because the Nonprofit is not yet formed, such information must be submitted prior to an allocation of tax credits.)

3. Expected life (in years) of Nonprofit: ______________________________
   Charitable Purposes (must include provision of low-income housing): __________
   ____
   ____

4. Is the Nonprofit assured of owning an interest in the Project (either directly or through a wholly owned subsidiary) throughout the Compliance Period (as defined in §42(i) (1) of the Code)? _______Yes _______No

   If yes, describe the Nonprofit's ownership interests with particularity: __________
   ____
   ____

5. Is the Nonprofit participating in the construction or rehabilitation, operation or management at the proposed Development? _______Yes ______No

If yes, (i) describe the nature and extent of the Nonprofit's proposed involvement in the construction or rehabilitation of the project: ________________________________

____

____

(ii) Describe the nature and extent of the Nonprofit's involvement in the operation of the project throughout the Extended Use Period (the entire time period of occupancy restrictions on the low-income units in the project): ____________________________

____

____

B. Additional Information

Answers to the following questions will be used in the evaluation of whether or not an applicant meets such requirements to receive tax credits from the Nonprofit Pool (attach additional sheets as necessary to complete each question).

1. Substantial Nonprofit Ownership Interest.
The Nonprofit must have a substantial ownership interest in the project.

a. Does the Nonprofit own an interest in the project, which constitutes not less than ten percent interest in both the income and profit allocated to all of the general partners and in all items of cash flow distributed to the general partners of the Development (or will it own such an interest prior to allocation of tax credits)? _______Yes _______No

b. Is the Nonprofit assured of receiving not less than ten percent of all fees paid to all of the general partners in connection with the project?
______Yes ______No

2. Affiliation With or Control by a For-Profit Entity.
The Nonprofit may not be affiliated with or controlled by any for-profit organization.

a. Has any for-profit organization (including the Owner of the project or any individual or entity directly or indirectly related to such Owner) appointed any directors to the governing board of the Nonprofit? ______Yes _____No If yes, explain

____

____

b. Does any for-profit organization have the right to make such appointments? _______Yes _______No

c. Does any for-profit organization have any other affiliation with the Nonprofit or have any other relationship with the Nonprofit in which it exercises or has the right to exercise any other type of control? ______Yes ______No

If yes, explain ____
____
____

3. Purpose of Formation of the Nonprofit.
The Nonprofit may not be or have been formed by any individual(s) or for-profit entity for the principal purpose of being included in the Nonprofit Pool. (The answers to these questions may also be relevant to #2 above.)

a. Past experience of the Nonprofit including, if applicable, the past experience of any other nonprofit organization(s) ("Related Nonprofit(s)") of which the Nonprofit is a subsidiary or to which the Nonprofit is otherwise related (by shared directors, staff, etc.): ____
____
____

b. If you included in your answer to the previous question information concerning any Related Nonprofit, describe the date of legal formation thereof, the date of IRC 501(c)(3) or 501(c)(4) status, its expected life, its charitable purposes and its relationship to the Nonprofit: ____
____
____

c. Anticipated future activities of the Nonprofit: ________________________________
____
____
____

d. Number of full-time staff members of the Nonprofit and, if applicable, any Related Nonprofit (please specify): ______________________________________
Describe their duties: ____
____
____

e. Number of volunteers of the Nonprofit and, if applicable, any Related Nonprofit (please specify): ____
Describe the type and extent of their activities: ______________________________
____
____

f. Sources and manner of funding of the Nonprofit (you must disclose all financial arrangements with any individual(s) or for-profit entity, including anyone or any entity related, directly or indirectly, to the Owner of the *project*: __________________________
____
____

g. List all general partners of the Owner of the project (one must be the Nonprofit) and the relative percentages of their interests: ________________________________
____
____
____

h. List all directors of the Nonprofit and their occupations: ____________________
____
____
____

i. Disclose any business or personal (including family) relationships that any of the staff members, directors or other principals involved in the formation <u>or</u> operation of the Nonprofit have, either directly or indirectly, with any persons or entities involved or to be involved in the project on a for-profit basis including, but not limited to, the Owner of the project, any of its for-profit general partners, employees, limited partners or any other parties directly or indirectly related to such Owner: _________________
____
____

The undersigned Owner and Nonprofit hereby each certify that, to the best of its knowledge, all of the foregoing information is correct, complete and accurate.

____________________________	____
Date	Applicant
	By:______________________________________
	Its:______________________________________
____________________________	____
Date	Nonprofit
	By:_____________________________________
	Its:______________________________________

Note: If the Nonprofit is not yet formed at the time this questionnaire is submitted, this questionnaire must accompany the Application with the information requested in A.1. (a) and (b) and signed by the Nonprofit.

Exhibit 6
Self-Scoring Worksheet

		Sub Points	Points Available
A	**NEED**		**150**

B	**PRIMARY SELECTION CRITERIA**		
1	**Deep Income Targeting**		**90**
	a. 30% of Units at 50% AMI	30	
	b. 7% of Units at 40% AMI	30	
	c. 3% of units at 30% AMI	30	
2	**Extended Use Commitment (10 years)**		**60**
3	**Construction Type**		**70**
	a. Rehabilitation or Reconstruction	50	
	b. Rehabilitation or Reconstruction with Historic Nature	20	
	c. New Construction with 8 units or less per building	10	
	d. New Construction Assisted Living Facility	10	
	e. New Construction Congregate Care Facility	10	
4	**Concerted Community Revitalization Plan**		**40**
	a. And in a Qualified Census Tract	30	
	b. And Rehabilitation or Reconstruction	10	
5	**Mixed Income**		**40**
	a. 10.00% to 20.00%	10	
	b. 20.01% to 30.00%	20	
	c. 30.01% to 40.00%	30	
	c. 40.01% to 50.00%	40	
6	**Financial Support from Local Sources**		**25**
7	**Applicant Characteristics**		**30**
	a. Developer Experience - Track Record	10	
	b. Minority or Woman Owned	10	
	c. Owner Equity of 10.00% or more	10	
	d. Deduction if not in "Good Standing"	-25	
8	**Tenant Ownership**		**50**
9	**Service Enriched Housing**		**25**
	a. Homeless		
	b. Physically Disabled		
	c. Mentally Disabled		
	d. Developmentally Disabled		
	e. Frail Elderly (congregate care)		
	f. Families with Children		

10	**Section 811 Set-aside Units**		**40**
	a. 10.0% to 15.0%	20	
	b. 15.01% to 20.0%	30	
	c. 20.01% to 25.0%	40	
11	**Accessible Units (required 5% mobility & 2% Sensory)**		**20**
	a. 5.00% to 10.0%	10	
	b. 10.01% to 15.0%	15	
	c. 15.01% to 20.0%	20	
12	**Efficient use of Tax Credits or HOME Funds (Use Higher of the two)**		**50**
	HTC HOME		
	a. $ 0 to $4,999 < $20,000	50	
	b. $5,000 to $5,999 $20,000 to $29,999	40	
	c. $6,000 to $6,999 $30,000 to $39,999	30	
	d. $7,000 to $7,999 $40,000 to $49,999	20	
	e. $8,000 to $8,999 $50,000 to $59,999	10	
13	**Soft Cost Ratio**		**40**
	a. 0.00% to 9.99%	40	
	b. 10.00% to 14.99%	30	
	c. 15.00% to 19.00%	20	
14	**Project Location**		**20**
15	**Individuals with Children**		**10**
16	**Public Housing Authority Notification**		**10**
C	**READINESS TO PROCEED**		
1	**Plans and Specifications**		**25**
2	**Site Control**		**25**
3	**Financing Commitments**		**60**
	a. Construction Financing Commitment	20	
	b. Permanent Financing Commitment	20	
	c. Equity Commitment	20	
4	**Utilities**		**20**
5	**Zoning**		**10**
6	**Platting**		**10**
D	**PROJECT CHARACTERISTICS**		**200**
	TOTAL		**1120**

Exhibit 7
Application Checklist

The following items must be submitted with the completed application form to ensure a complete application is received by SDHDA. Please refer to the QAP and application for clarification of any submission items.

SDHDA HTC/HOME Completed and Signed Application _______

	Submission Item	Enclosed	Meet SDHDA requirements
1.	Market Study	________	____________
2.	Project Narrative	________	____________
3.	Chief Executive Officer letter	________	____________
4.	Utility Allowance Calculation	________	____________
5.	Pro-forma	________	____________
6.	Documentation of Operating Expenses	________	____________
7.	Evidence of applicant's characteristics	________	____________
8.	Site Control	________	____________
9.	Architectural site plan	________	____________
10.	Architectural floor and unit plan	________	____________
11.	Zoning letter and project plat	________	____________
12.	PHA Notification	________	____________
13.	Nonprofit Questionnaire	________	____________
14.	Local area map	________	____________
15.	Executed Project Characteristics	________	____________
16.	Evidence of financing	________	____________
17.	Evidence of equity commitment	________	____________
18.	Legal opinion for cash flow mortgage	________	____________
19.	Legal opinion of good standing	________	____________
20.	Consultant Contract	________	____________
21.	Acquisition Rehab Projects		
a.	Detailed rehabilitation listing	________	____________
b.	Three years historical financials	________	____________
c.	Current tenant rent roll	________	____________
d.	Documentation of federal subsidy	________	____________
e.	Legal opinion for acquisition credits	________	____________
f.	Documentation of historical character	________	____________
g.	Tenant relocation plan	________	____________
22.	Application Fee of $750	________	____________
23.	Documentation of Qualified Census Tract	________	____________
24.	Copy of Community Revitalization Plan	________	____________
25.	Evidence of local financial support	________	____________
26.	Applicant Characteristics	________	____________
27.	Lease purchase management plan	________	____________
28.	Service provider letters	________	____________
29.	Intent to serve families with children	________	____________
30.	Availability of utility service	________	____________