

2022 South Carolina State Ceiling Allocation Plan

SECTION A. BACKGROUND AND PURPOSE

Among other things, Act 202 of 2022 amended the provisions of Article 3 of Chapter 11, Title 1 of the 1976 Code, which provides for the allocation of state ceiling necessary for the issuance of private activity bonds. The Act requires allocation of the private activity bond limit by the State Fiscal Accountability Authority (the State Authority) for all issuing authorities in response to authorized requests. The Act further requires that the State Authority publish a State Ceiling Allocation Plan that assigns percentages to the purposes permitted by the Internal Revenue Code, subject to certain limitations. The Allocation Plan must provide for a process of periodic allocations of state ceiling equally divided among the periods during the year in which allocations are to be made, with certain exceptions. The Allocation Plan must establish competitive criteria for the allocation of state ceiling, which may be unique to each category but must be uniform within each category and established to achieve highest value and greatest public benefit. The Act provides limitations on amounts assigned to authorized requests, with certain exceptions. The State Authority is permitted to utilize the services of the South Carolina Department of Commerce, the South Carolina State Housing Finance and Development Authority, other state agencies, and public or private resources, to establish and inform development of the allocation plan, competitive criteria, and periodic evaluation of authorized requests.

The provisions of the Act are effective for allocations of state ceiling beginning January 1, 2022, and thereafter. For the first year of implementation, the State Authority is authorized to adopt such special procedures as may be necessary to effect the requirements of the Act.

The purpose of this plan is to establish the State Ceiling Allocation Plan for calendar year 2022, as well as any special procedures applicable thereto; to otherwise establish policies and procedures in accordance with the provisions of the Act; and to provide for a coordinated effort to prepare and publish an allocation plan for 2023.

SECTION B. DETERMINATION OF STATE CEILING

Pursuant to Section 1-11-500 of the 1976 Code, the Secretary of the State Authority certified that the state ceiling on the issuance of private activity bonds for calendar year 2022 is \$570,977,550.

SECTION C. DETERMINATION OF LIMITS ON STATE CEILING FOR AUTHORIZED REQUESTS

Pursuant to Section 1-11-520(D), the amount of state ceiling that may be allocated to an authorized request may not exceed 10% (\$57,097,755.00) in the case of an industrial or economic development project, or 5% (\$28,548,877.50) for any other authorized request. The same limitations shall apply to any requests for issuance approval for use of prior year carryforward.

The State Authority may approve an amount exceeding these limitations only upon justification and substantial findings of significance. Requests for such approval must be made to the Authority in writing and adequately supported. The State Authority reserves the right to seek

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any additional information from an applicant necessary to support a substantial finding of significance.

SECTION D. DETERMINATION OF AMOUNTS SUBJECT TO THIS ALLOCATION PLAN

In addition to the amount determined pursuant to Section 1-11-500, certain amounts available from carryforward and other adjustments are subject to the provisions of this Allocation Plan, as follows:

Amount determined pursuant to Section 1-11-500	\$570,977,550
Less amounts previously allocated	(0)
Plus amounts expired, relinquished, revoked, or otherwise not utilized for issuance	0
Plus amounts carried forward from prior calendar years that remain unused:	
Allocated to Single-Family Housing (2019; expires 2022)	374,998,335
Allocated to Multi-Family Housing (2020; expires 2023)	316,453,232
Allocated to Multi-Family Housing (2021; expires 2024)	<u>2,839,401</u>
Total	\$1,265,268,518

SECTION E. AVAILABILITY OF AMOUNTS; PERIODIC ALLOCATION

Pursuant to Section 1-11-520(A), and subject to the special provisions below, the State Authority hereby makes an initial assignment of the state ceiling applicable to calendar year 2022 pursuant to Section 1-11-500 to the following categories of permitted purposes¹ prescribed by the Internal Revenue Code:

Industrial and Economic Development (40%) ²	\$ 228,391,020
Single-family Housing (40%) ³	228,391,020
Multi-family Housing (0%) ⁴	0
Other Qualified Purposes (20%) ⁵	114,195,510

SECTION F. PERIODIC ALLOCATION

Pursuant to Section 1-11-520(B), the State Authority hereby provides for two (2) allocation periods for 2022, and hereby designates February 1 and August 1 as allocation dates, on which 50% of the state ceiling assigned to each category is made available for subsequent allocation to authorized requests and on which dates issuance approval for use of carryforward will be made. Allocations to authorized requests and issuance approval for carryforward use will be made only at the meeting of the State Authority immediately following each allocation date;

¹ Generally, see IRS Publication 4078 (Rev. 9-2019) for a complete list of permitted purposes prescribed by the IRC.

² Facilities for the furnishing of water; sewage facilities; privately owned solid waste disposal facilities; facilities for the local furnishing of electric energy or gas; local district heating or cooling; qualified hazardous waste facilities; qualified enterprise zone facilities; qualified small issue bonds.

³ Qualified mortgage bonds.

⁴ Qualified residential rental projects.

⁵ Mass commuting facilities; privately owned high-speed intercity rail facilities; qualified redevelopment bond; and qualified student loan bonds.

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provided, for 2022, the August allocation will be effected at the Authority's regularly scheduled October meeting.

The following table summarizes these provisions.

Category	Category Percentage	Category Amount	Amount Available for Allocation to Authorized Requests on or after February 1, 2022	Amount Available for Allocation to Authorized Requests on or after August 1, 2022
Industrial and Economic Development	40%	\$228,391,020	\$114,195,510	\$114,195,510
Multi-Family Housing	0%	\$0.00	\$0.00	\$0.00
Single-Family Housing	40%	\$228,391,020	\$114,195,510	\$114,195,510
Other Qualified Purposes	20%	\$114,195,510	\$ 57,097,755	\$ 57,097,755
Totals	100%	\$570,977,550	\$ 285,488,775	\$ 285,488,775

The amount available for allocation to authorized requests on February 1, 2022 has not been allocated to any authorized requests as of the date of adoption of this plan. Section 1-11-520(C) expressly provides that "the state authority may but need not reassign any state ceiling unused in prior periods as a supplement to and means to address demand for ceiling allocation in a subsequent period. Such reassignment may be made for any allocation category, notwithstanding its original assignment." Such reassignment, if made, will be determined on or after the August 1, 2022, allocation date.

If an authorized request cannot be approved pursuant to the then-current plan even with a reassignment pursuant to Section 1-11-520(C), the Authority's Secretary is authorized to not place the request on the Authority's agenda. In such an event, Authority's Secretary will notify the Authority's members well in advance of the scheduled meeting date.

SECTION G. PERIODIC ALLOCATION FOR INDUSTRIAL AND ECONOMIC DEVELOPMENT

The amount of state ceiling available for this category for each allocation date is \$114,195,510. The amount available for the February 1 allocation date has not been allocated to any authorized requests as of the date of adoption of this plan.

SECTION H. PERIODIC ALLOCATION FOR SINGLE-FAMILY HOUSING

The amount of state ceiling available for this category for each allocation date is \$114,195,510. The amount available for the February 1 allocation date has not been allocated to any authorized requests as of the date of adoption of this plan.

As noted above, there is available \$374,998,335 carried forward from calendar year 2019 that will expire in calendar year 2022 unless otherwise utilized. On May 31, 2022, the Authority approved the issuance and sale by the State Housing Finance and Development Authority of not

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exceeding \$375,000,000 in mortgage revenue bonds and short-term notes to preserve this allocation.

SECTION I. PERIODIC ALLOCATION FOR MULTI-FAMILY HOUSING

No amount of state ceiling for the 2022 calendar year is designated for allocation to Multi-family Housing, and no assignment of state ceiling is contemplated for this category until the available carryforward is exhausted. As noted above, there is carryforward available that will expire in calendar year 2023 unless otherwise utilized. The State Housing Finance and Development Authority shall endeavor to utilize this carryforward.

In addition to the determination made above, the State Authority recognizes that authorized requests and issuance approval requests made through local housing authorities will be further impacted by other aspects of this policy. Act 202 contemplates that State Housing will perform the periodic evaluation and ranking of authorized requests for state ceiling, and requires State Housing to administer the allocation of the state housing tax credit. Both requirements involve the use of a competitive process that must be applied uniformly as to any multi-family housing project seeking an allocation of current year ceiling or issuance approval for projects using carryforward. In addition, the statutory standard for the competitive criteria required for both state ceiling and the state tax credit is "highest value and greatest public benefit." Accordingly, prior to submission to the State Authority, authorized requests for state ceiling and requests for issuance approval of bonds using carryforward previously allocated to State Housing for multi-family housing projects must, as a practical matter, be submitted to State Housing for underwriting and evaluation for allocation of state ceiling or issuance approval involving the use or carryforward, for compliance with the corresponding federal low-income housing tax credit, and, as applicable, for the ranking associated with allocation of the state housing tax credit. For additional guidance regarding the submission of authorized requests for ceiling allocation or for issuance approval for use of carryforward for multifamily housing, see the Submission Criteria for Authorized Requests section below.

SECTION J. PERIODIC ALLOCATION FOR OTHER QUALIFIED PURPOSES

The amount of state ceiling available for this category for each allocation date is \$57,097,755. The amount available for the February 1 allocation date has not been allocated to any authorized requests as of the date of adoption of this plan.

SECTION K. REASSIGNMENT OF UNUSED STATE CEILING AND PLAN AMENDMENTS

The amounts not allocated to authorized requests for the 2022 calendar year may be reassigned by the State Authority on or after August 1, 2022, in accordance with the provisions of Section 1-11-520(C), following the process described below. Any change to the amount of state ceiling allocated to a category that cannot be accomplished by a reassignment pursuant to Section 1-11-520(C) requires an amendment to the annual allocation plan in accordance with Section 1-11-520(B) following review and comment by the Joint Bond Review Committee.

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SECTION L. SUBMISSION FOR 2022 RANKING AND REQUIRED REPORTS FOR NECESSARY INFORMATION

Industrial and Economic Development Bonds

Not later than September 19, 2022, Commerce must provide the State Authority with its final evaluation and ranking for allocation of state ceiling to these authorized requests in accordance with the competitive criteria described herein, as well as its allocation recommendations.

Commerce and the South Carolina Jobs Economic Development Authority (JEDA), in consultation with the South Carolina Coordinating Council for Economic Development (Coordinating Council), must provide a coordinated report for proposed industrial and economic development projects to the State Authority identifying all known requests for state ceiling for each of the calendar years 2022 and 2023 no later than August 1, 2022. The response must include the project name,⁶ amount of the state ceiling request, year of allocation, and tentative recommendation of Commerce in accordance with the competitive criteria described below.

For the 2023 calendar year, Commerce may also submit a request for the State Authority to assign up to 40 percent of state ceiling for Industrial and Economic Development, less any allocation requested for known projects, to accommodate future but presently unidentifiable requests; provided, however, that once known, each such request shall identify the project, amount of the allocation request, year of allocation, and include a recommendation of Commerce in accordance with the competitive criteria.

Multi-Family Housing Bonds

Not later than September 19, 2022, State Housing must provide the State Authority with a report of its evaluation and ranking for allocation of state ceiling to all authorized requests for state ceiling and all issuance requests for issuance approval for use of carryforward in accordance with the competitive criteria described below. State Housing's report must also include its evaluation and ranking of all pending state tax credit applications. As noted in Section N below, State Housing must provide the State Authority with written confirmation of its Board's allocation recommendations for State Housing projects no later than September 30, 2022.

The State Housing Finance and Development Authority must provide a report for proposed single-family and multi-family housing projects to the State Authority identifying all pending and expected authorized requests for each of the calendar years 2022 and 2023 not later than August 1, 2022. The report must also identify all pending and expected requests for issuance approval for use of carryforward for the years 2022 and 2023. The response must include the project name, amount of the state ceiling request, amount of state tax credit (if any), and year of allocation. The report must also include recommendations for the amount of year-end carryforward needed for State Housing to continue its programs in future years.

⁶ Or other identifying information in the event the name of the project is not yet public.

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These reports will be utilized in decisions to reassign state ceiling pursuant to section 1-11-520(C), to reallocate by amending the plan pursuant to section 1-11-520(B), or to reserve current year state ceiling for allocation as year-end carryforward.

These reports will also be utilized in development of the 2023 State Ceiling Allocation Plan. The State Authority recognizes and acknowledges that specific project details may not be known in all cases for the 2023 calendar year; accordingly, specificity is expected to the extent known, accompanied by reasonable estimates of anticipated requests otherwise, properly described as such.

Pursuant to Section 1-11-520(E), State Housing, Commerce, and JEDA are directed to undertake outreach efforts each year designed to provide the State Authority with the best available information by the deadlines provided in the next year's state ceiling allocation plan.

All issuing authorities must provide the State Authority's Secretary with a year-end account of any unused remaining carryforward from prior years no later than January 2nd each year.

SECTION M. COMPETITIVE CRITERIA

Act 202 provides among other things that the allocation plan must establish competitive criteria for allocation of state ceiling to authorized requests, and further provides that competitive criteria may be unique to each category but must be uniform within each category and established to achieve highest value and greatest public benefit.

For purposes of this Allocation Plan, determinations of highest value and greatest public benefit will be made on the basis of the relationship of the state resources requested to the measurable benefit of the proposed project.

SECTION N. COMPETITIVE CRITERIA FOR INDUSTRIAL AND ECONOMIC DEVELOPMENT ALLOCATION AND ALLOCATION TO OTHER PERMITTED PURPOSES

Commerce must provide each year to the State Authority for inclusion in the annual State Ceiling Allocation Plan its recommendations for determining highest value and greatest public benefit for allocation of state ceiling to industrial and economic development projects, and projects proposed for other qualified purposes.

Determinations of highest value and greatest public benefit must include at a minimum and without limitation such measures as the number of new permanent jobs⁷ that will be created by the project; the capital investment of the project sponsor independent of state incentives and resources; and a cost benefit analysis generally reflecting a positive financial benefit to the state. The Council must submit its proposed recommendations for the coming year to the State Authority no later than June 30 each year. Commerce will use these measures to evaluate any ceiling allocation requests for Industrial and Economic Development projects and projects proposed for other qualified purposes, and such evaluations shall be presented to the Coordinating Council for approval at a public meeting.

⁷ Generally, maintenance of existing jobs will not meet this criterion.

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For projects seeking either local or state discretionary incentives such as fee in lieu of tax arrangements, county industrial development bonds, job development credits and/or state grant funding, a definitive agreement with the Coordinating Council and/or the local government, as applicable, must have been finalized prior to consideration by the State Authority. Such agreements with the Coordinating Council may include a preliminary revitalization, grant performance or other incentive agreement provided that it contains minimum new permanent job and investment commitments by the entity seeking an allocation.

For projects that are not seeking local or state discretionary incentives, such information as is requested and determined by Commerce to be sufficient for Commerce to evaluate the feasibility and competitiveness of the proposal must be submitted to Commerce prior to consideration by the State Authority.

With its recommendations, Commerce must submit proposed deadlines for the coming year by which those seeking state ceiling for Industrial and Economic Development projects or projects proposed for other qualified purposes must submit their proposals to Commerce in order for Commerce to provide the State Authority with its final evaluation, ranking and recommendation no later than the bond submission deadline for the meetings at which state ceiling allocation requests will be considered for the applicable allocation period.

If multiple projects will be submitted for consideration by the State Authority within a single allocation period, Commerce must rank those projects from highest to lowest value and public benefit as determined by provisions of this section.

In addition to the foregoing, Commerce must provide a definitive recommendation for the amount of state ceiling proposed to be allocated to the project, following an affirmative vote of the Coordinating Council in a public meeting.

For the current year, the competitive criteria for Industrial and Economic Development projects recommended by Commerce are adopted by the State Authority, attached as **Exhibit A**, and incorporated into this Plan by reference.

SECTION O. COMPETITIVE CRITERIA FOR MULTI-FAMILY HOUSING ALLOCATION

State Housing Finance and Development Authority (Housing) must provide each year to the State Authority for inclusion in the State Ceiling Allocation Plan its recommendations for determining highest value and greatest public benefit for allocation of state ceiling to multi-family housing projects.

Determinations of highest value and greatest public benefit must reflect the relationship of the state resources proposed for the project to the affordable housing benefits the project will achieve. Total state resources must include without limitation the amount of state ceiling, any applicable state tax credits, and any other state resources and incentives as are germane and applicable to the project. Affordable housing benefits must include without limitation such facility characteristics as the heated residential square footage, number of bedrooms, and number of tenants the project is designed to serve. A determination of highest value must include a comparison of the state resources to the project's total cost.

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State Housing may coordinate these determinations with the applicable Qualified Allocation Plan and any other threshold requirements, policies, or procedures as are consistent with this section.

If multiple multi-family project submissions (for ceiling allocation and/or issuance approval for use of carryforward) will be considered by the State Authority within a single allocation period, State Housing must rank those projects from highest to lowest value and public benefit, as determined by the provisions of this section.

These criteria will be applied uniformly to all multi-family housing projects whether seeking current year ceiling allocation or issuance approval using carryforward. Housing must submit its proposed recommendations for the coming year to the State Authority no later than June 30th each year.

With its recommendations for 2023, Housing must submit proposed deadlines for 2023 by which those seeking state ceiling for Multi-family housing projects must submit their proposals to Housing in order for Housing to provide the State Authority with its final evaluation, ranking and recommendation no later than the bond submission deadline for the meetings at which state ceiling allocation requests will be considered for the applicable allocation period.

In addition to the foregoing, Housing must provide a definitive recommendation for the amount of state ceiling proposed to be allocated to any State Housing project, following an affirmative vote of its governing board in a public meeting. For 2022, State Housing must submit written confirmation of its Board's recommendations no later than September 30, 2022.

For the current year, the competitive criteria for Multi-family Housing projects recommended by Housing are adopted by the State Authority, attached as **Exhibit B**, and incorporated into this Plan by reference.

SECTION P. COMPETITIVE CRITERIA FOR SINGLE-FAMILY HOUSING ALLOCATION

Multiple competing requests during a single allocation period are not expected for submissions in this category. Accordingly, the State Authority has determined that the highest value and greatest public benefit are most appropriately determined at the programmatic level, rather than by allocations to specific requests.

SECTION Q. SUBMISSION REQUIREMENTS FOR AUTHORIZED REQUESTS

All submissions for allocation of state ceiling must be complete at the time of submission. The Secretary of the Authority is authorized not to place any submission on the agenda if the submission is found by Authority staff to be incomplete. The request must be in accordance with the statutory provisions of Section 1-11-530. In addition to the foregoing, all requests for allocation of state ceiling must meet all of the following requirements, as applicable:

1. If the applicable private activity bonds require approval of the State Authority, the request for allocation of state ceiling must include a contemporaneous request for approval to issue the associated bonds. A request for an allocation of state ceiling associated with a contemporaneous request for issuance approval is not complete unless it includes all items required by the Authority for the issuance approval request.

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2. If the applicable private activity bonds require the approval of an entity other than the State Authority, the issuer, or a state constitutional officer, a certified statement from the other approving entity must be submitted with the allocation request. For example, an issuance of bonds by the Jobs-Economic Development Authority must be approved by the Coordinating Council (§ 41-43-110(A)).
3. If a request for allocation of state ceiling regards private activity bonds for a multi-family housing project, either (i) the petition making the request must be accompanied by both a preliminary determination of the project's eligibility for the South Carolina housing tax credit (§12-6-3795(B)(5)(d)) and all comments provided by a county and city pursuant to Section 12-6-3795(C)(3)); or (ii) the petition making the request must include an irrevocable waiver of any claim for a state tax credit pursuant to Section 12-6-3795, accompanied by proof that the petition has been filed with State Housing. Even if a project includes an irrevocable waiver of any claim for a state tax credit, the request must undergo a feasibility and underwriting review by State Housing; accordingly, the request must be accompanied by a Certificate of Allocating Agency (42(m) Letter).
4. If a request for issuance approval regards private activity bonds for a multi-family housing project, and is using prior-year carryforward previously allocated to State Housing either the (i) the petition making the request must be accompanied by both a preliminary determination of the project's eligibility for the South Carolina housing tax credit (§12-6-3795(B)(5)(d)) and all comments provided by a county and city pursuant to Section 12-6-3795(C)(3)); or (ii) the petition making the request must include an irrevocable waiver of any claim for a state tax credit pursuant to Section 12-6-3795, accompanied by proof that the petition has been filed with State Housing. Even if a project includes an irrevocable waiver of any claim for a state tax credit, the request must undergo a feasibility and underwriting review by State Housing; accordingly, the request must be accompanied by a Certificate of Allocating Agency (42(m) Letter).
5. The petition submitted for each authorized request must include a representation that "the allocation amount requested constitutes all of the private activity bond financing contemplated at the time for the project and any other facilities located at or used as a part of an integrated operation with the project." Reference Section 1-11-530(C).
6. In the case of a proposed industrial or economic development project using state ceiling from either the Industrial and Economic Development or Other Qualified Purposes categories, the project must appear on the list of projects ranked by the Coordinating Council for Economic Development and must have received a definitive recommendation from the Council for the amount of state ceiling proposed to be allocated to the project.
7. In the case of a proposed project using state ceiling from the Multi-family Housing category or prior year carryforward previously allocated to State Housing for multi-family housing projects, the project must appear on the list of projects ranked by the State Housing and Finance Development Authority and must have received a definitive recommendation from State Housing for the amount of state ceiling proposed to be allocated to the project.

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8. A request to take any of the following actions must be accompanied by a letter signed by the chief executive officer of the applicant providing a thorough explanation of the compelling circumstances leading to the request and a justification for why those circumstances were not successfully avoided: A request (a) to reinstate or extend the validity of previously allocated state ceiling, (b) to allocate state ceiling to a project if previously allocated state ceiling was allowed to expire, or (c) to allocate additional state ceiling to a project. In addition, a request to allocate additional state ceiling to a project must be accompanied by supporting financial analysis demonstrating the further amount necessary to accomplish financial feasibility of the project. A responsible officer of the applicant is expected to attend the applicable Authority meeting.

9. A request (a) to approve single-project allocations for carry-forward election, or (b) to approve carryforward elections prior to the fourth quarter of the calendar year to which the state ceiling applies must be accompanied by a letter signed by the chief executive officer of the applicant that provides a compelling justification for such action and a thorough explanation of why it is in the best interest of the state to approve the request. As noted below, such requests are considered extraordinary and will receive a heightened level of review. A responsible officer of the applicant is expected to attend the applicable Authority meeting.

10. In the case of an industrial or economic development project, a petition requesting more than ten percent of the total state ceiling must be accompanied by a thorough and compelling statement of facts justifying such an extraordinary allocation of state ceiling to a single project. The petition must be accompanied by a statement of position by the Coordinating Council regarding the relative size of the request.

11. In the case of a request for any purpose other than for industrial or economic development, a petition requesting more than five percent of the total state ceiling must be accompanied by a thorough and compelling statement of facts justifying such an extraordinary allocation of state ceiling to a single project.

12. If any part of the submission is subject to review, comment or other action of the Joint Bond Review Committee, the item must be submitted to the committee prior to consideration of the submission by the State Authority.

If a request does not meet each and every published requirement by the submission deadline for the applicable Authority meeting, the Authority's Secretary is authorized not to place the item on the Authority's agenda.

The State Authority reserves its discretion to amend and supplement these procedures as circumstances dictate.

The State Authority and its members reserve the right to require additional information for any particular item.

SECTION R. EXTENSIONS AND CARRYFORWARDS

Section 1-11-530(C) provides that each authorized request must demonstrate that the allocation amount requested constitutes all of the private activity bond financing contemplated

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at the time for the project and any other facilities located at or used as a part of an integrated operation with the project. In addition to the foregoing, the Authority must be reasonably assured that any allocation of state resources will be utilized prior to expiration. Accordingly, the State Authority will undertake a heightened level of review and exercise conservative discretion in addressing any request to (1) reinstate or extend the validity of previously allocated state ceiling, (2) allocate state ceiling to a project if previously allocated state ceiling was allowed to expire, (3) allocate additional state ceiling to a project, (4) approve single-project allocations for carry-forward election, (5) or approve carryforward elections prior to the fourth quarter of the calendar year to which the state ceiling applies.



Henry McMaster
Governor

SOUTH CAROLINA
DEPARTMENT OF COMMERCE

Harry M. Lightsey III
Secretary

August 3, 2022

Mr. Grant Gillespie
Executive Director
State Fiscal Accountability Authority
1200 Senate Street
Columbia, SC 29201

Dear Mr. Gillespie:

Please find attached the final version of the competitive scoring criteria required by Act 202 and included as an attachment to the 2022 State Ceiling Allocation Plan.

Sincerely,

A handwritten signature in blue ink, appearing to read "Karen Blair Manning".

Karen Blair Manning
Chief Legal Counsel

KBM

Attachment

Cc: Harry M. Lightsey III
A. Daniel Young

SUMMARY OF PROCEDURES FOR EVALUATING REQUESTS FOR STATE CEILING ALLOCATIONS

The following briefly summarizes the procedures applicable to the methodology employed by the South Carolina Department of Commerce (the “Department”) in evaluating industrial and economic development projects that are requesting an allocation of the state private activity bond limit by the State Fiscal Accountability Authority (SFAA).

Background

The Department was designated by the South Carolina General Assembly to assist SFAA in determining the allocation of the state private activity bond limit for industrial and economic development projects. As required by Act 202 of 2022 and the South Carolina State Ceiling Allocation Plan, Commerce has established competitive criteria to evaluate industrial and economic development project. These criteria are designed to achieve highest value and greatest public benefit.

Review Procedures and Scoring

During the review process, Department staff will evaluate the following factors for each industrial and economic development project requesting allocation of the state ceiling and will give scores weighted in the ranges set forth on the attached Scoring Criteria for Bond Applicants and as discussed below.

1. **Tier ranking of the county in which the project will be located as determined by the South Carolina Department of Revenue for the year in which allocation is sought.**
Projects in the most rural counties will be given the higher scores to encourage development in those counties. The rural counties are most in need of industrial development to sustain and improve those counties.
2. **Type of Project.**
Projects that improve public infrastructure will score higher than projects that only benefit the public through job creation and investment. Manufacturing projects will score higher than non-manufacturing projects because they attract suppliers that generate further new job creation and investment to South Carolina.
3. **Number of existing jobs to be maintained at the project.**
The larger the current employment, the higher the score because larger companies have the greatest impact on the economy of the local region and the state as a whole.
4. **Number of net new jobs to be created at the project.**
The more jobs being created, the greater the impact on the economy of the local region and the state as a whole by providing more employment for residents and resulting in increased income to the state.
5. **Average salary of the new jobs to be created at the project.**
Jobs with higher wages will increase income to the state, and jobs with wages above the per capita income of the county have a greater impact on the economic well-being of that county.
6. **Existing investment of the entity.**
The greater the existing investment the more property taxes that will be received to benefit the economy of the local region and the state as a whole.
7. **New investment to be made at the project.**
Similarly, the greater the new investment, the more property taxes that will be received and will benefit the county and local school districts.

8. **Financing available to support the project.**

This category is the most subjective, but a vital consideration. A project's ability to support the project financially is essential to the success.

9. **Cost Benefit**

The South Carolina Coordinating Council for Economic Development (the "Coordinating Council") will perform a cost benefit analysis on each project. Absent extenuating circumstances, a project that does not have a positive financial benefit to the state will not be recommended for state ceiling allocation; provided, however, projects locating in Tier 3 and 4 counties will not be excluded from consideration because of a negative return on investment resulting from the estimated value of job tax credits. While the cost benefit analysis assumes all job tax credits earned and accrued are used, as a practical matter, companies rarely have sufficient income tax liability to use the maximum value of the credits. This is particularly true in the most rural counties because of the extremely high value of the job tax credits under state law.

After consideration of each factor and allocation of appropriate scores, the Department will then calculate the final score using the following formula:

$((\text{County Designation} \times (\text{New Jobs} + \text{New Investment})) + \text{Type of Project} + \text{Existing jobs} + \text{Existing Investment} + \text{Average Salary} + \text{Financing} + \text{Cost Benefit})$

Scoring Criteria for Bond Applicants			
<u>County Designation</u>			
Tier 4			3
Tier 3			2
Tier 2			1
Tier 1			1
<u>Type of Project</u>			
Public Infrastructure			4
Manufacturing			2
Other Business			0
<u>Existing Jobs</u>			
> 500			2
100-500			1
0-100			0
<u>New Jobs</u>			
>300			5
150-300			4
50-149			3
25-49			2
>25			1
<u>Existing Investment</u>			
>\$300,000,000			3
\$100,000,000- \$300,000,000			2
\$70,000,000-\$100,000,000			1
<\$70,000,000			0
<u>New Investment</u>			
>\$20,000,000			4
\$10,000,000-\$20,000,000			3
\$5,000,000-\$10,000,000			2
<\$5,000,000			1
<u>Avg. Salary</u>			
>150% of per capita income			2
100% of per capita income			1
>100%			0
<u>Financing</u>			
Financing in place			5
Financing not sufficient to sustain project			0
<u>Cost Benefit</u>			
Positive State Benefit > \$10 million			4
Estimate positive state benefit < \$9.9 Million			2
Negative			-30



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August 2, 2022

Delbert H. Singleton, Jr., Esquire
Secretary
State Fiscal Accountability Authority
1200 Senate Street
Wade Hampton Building, Suite 600
Columbia, South Carolina 29201

Re: 2022 Proposed State Ceiling Criteria

Dear Delbert:

I enclose SC Housing's 2022 Proposed State Ceiling Criteria and a sample ranking spreadsheet.

I would greatly appreciate if this matter could be placed before the State Fiscal Accountability Authority for consideration in conjunction with the State Ceiling Allocation Plan.

Thank you for your assistance.

Very truly yours,

A handwritten signature in blue ink that reads "Tracey C. Easton".

Tracey C. Easton
General Counsel



South Carolina State Housing Finance and Development Authority

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This proposed criteria for State Ceiling allocations is presented solely for consideration by the Joint Bond Review Committee and State Fiscal Accountability Authority and is not intended to provide official or final guidance to participants in the program. Once approved by the JBRC and SFAA, final guidance will be published on the website of the South Carolina State Housing Finance and Development Authority (SC Housing).

Proposed State Ceiling Criteria

For those projects seeking an allocation of state ceiling or carryforward for a multifamily project intending to utilize 4% federal low-income housing tax credits, SC Housing will require certain threshold criteria as detailed in the applicable Qualified Allocation Plan (QAP) which is the controlling document related to the allocation of the credit. This threshold criteria includes items such as financial feasibility, minimum applicant experience, site control, financial capacity of the applicant, and readiness to proceed (i.e., without limitation, establishment of the bond working group, existence of letters of interest or letters of intent from lenders, syndicators, and other parties). Additionally, SC Housing will require projects to meet the requirements outlined in SC Housing's Multifamily Tax-Exempt Bond Finance Program manual.

Projects meeting the threshold criteria described above will be ranked for state ceiling utilizing the following criteria that evidence the highest value and greatest public benefit as required by Act 202 of 2022 and the State Ceiling Allocation Plan. Section O of the State Ceiling Allocation Plan requires, at a minimum, certain measures to be included. The following criteria meet the requirements of the State Ceiling Allocation Plan:

- State resources per heated residential square foot
 - This criterion will rank projects from lowest to highest, based on a calculation of state resources (bond ceiling and state tax credit) per heated residential square foot (i.e., excluding common areas), to demonstrate the most efficient use of state resources for the portion of total project costs applicable to actual tenant housing.
- State resources per bedroom
 - This criterion will rank projects from lowest to highest, based on a calculation of state resources per bedroom, to demonstrate the most efficient use of state resources for the number of families the project will house.
- State resources per dollar of total project costs
 - This criterion will rank projects from lowest to highest, based on a calculation of state resources to total project costs to demonstrate the most efficient investment of state resources in the project overall.
- State resources per potential tenant
 - This criterion will rank projects from lowest to highest, based on a calculation of state resources per potential tenant to demonstrate the most efficient use of state resources for the number of potential residents the project will house.

A 30% adjustment to state resources will be made as a ranking consideration for projects located in USDA-designated rural areas. A 10% adjustment to state resources will be made for new construction units, as a ranking consideration for projects providing an overall increase in affordable housing. These adjustments apply for the sole purpose of establishing project rankings.

In the event the ranking process results in a tie in the overall ranking for bottom-ranked projects such that an insufficient amount of limited state ceiling is available to support an allocation for the tied projects, the following tie-breaker criteria will be applied in substance and in order of priority:

1. Allocation of State Housing Tax Credit to the project that could be accommodated within the limitation in the event the other project could not
2. Allocation to a project located within a designated rural area if the other project is not
3. Allocation determined solely by the relationship of total state resources to the number of tenants the project is expected to serve, as a determinant of greatest public benefit

Exhibit B - 2022 & 2023 Competitive Criteria for Multi-family Housing Projects

Development [FICTITIOUS PROJECTS]	Location	USDA Rural Eligibility	Issuance Approval Date	Annual STC	10 Year STC	State Historic Tax Credit	State Abandoned Building Credit	TEB Ceiling Allocation	Total Project Costs	Net New Units	Residential Square Footage	Efficiency/Studio	Project Unit Mix							Total State Resources	Rural Bonus	New Construction Bonus	ADJUSTED Total State Resources	Ranking Criteria				Development Ranking						
													1BR	2BR	3BR	4BR	Total BRs	Total Units	Est Tenants					State Resources per Res SF	State Resources per BR	Total Project Costs (Value)	State Resources per Potential Tenant (Public Benefit)	State Resources per Res SF	State Resources per BR	Total Project Costs (Value)	State Resources per Potential Tenant (Public Benefit)	Total	Overall	
Maple Avenue Apartments	Beaufort	N	TBD	\$ 1,987,326.00	\$ 19,873,260	\$ -	\$ -	\$ 25,000,000	\$ 48,687,000	185	301,528			15	20	150	690	185	1,380	\$ 44,873,260	0.0	0.1	\$ 40,385,934	\$ 133.94	\$ 58,530.34	0.8295	\$ 29,265	1	1	3	1	6	1	
Main Street Village	Greenville	N	TBD	\$ 447,194.00	\$ 4,471,940	\$ -	\$ 263,000	\$ 8,200,000	\$ 16,750,000	72	68,916			61	11		83	72	166	\$ 12,934,940	0.0	0.1	\$ 11,641,446	\$ 168.92	\$ 140,258.39	0.6950	\$ 70,129	2	4	2	4	12	2	
Pomaria Mill	Pomaria	Y	TBD	\$ 778,523.00	\$ 7,785,230	\$ 1,567,203	\$ -	\$ 16,000,000	\$ 20,475,000	70	72,000			45	20	5	170	70	340	\$ 25,352,433	0.3	0.1	\$ 15,211,460	\$ 211.27	\$ 89,479.18	0.9987	\$ 44,740	4	2	5	2	13	3	
Charbonneau Apartments	Columbia	N	TBD	\$ 2,000,000.00	\$ 20,000,000	\$ -	\$ -	\$ 22,000,000	\$ 45,327,406	200	211,000			50	100	50	400	200	800	\$ 42,000,000	0.0	0.1	\$ 37,800,000	\$ 179.15	\$ 94,500.00	0.8339	\$ 47,250	3	3	4	3	13	3	
Rolling Hills Farms	York	Y	TBD	\$ 875,000.00	\$ 8,750,000	\$ -	\$ -	\$ 14,000,000	\$ 26,150,000	70	64,523			50	16	4	94	70	188	\$ 22,750,000	0.3	0.1	\$ 13,650,000	\$ 211.55	\$ 145,212.77	0.5220	\$ 72,606	5	5	1	5	16	5	
				TOTAL:	\$ 6,088,043.00			\$ 85,200,000																										
Column A: Development name																																		
Column B: Development location																																		
Column C: USDA Rural Designation of the development property. Properties located in rural areas receive a preference bonus reflected in a 30% adjustment to the total state resources figure.																																		
Columns F through H: Annual state tax credits (housing, historic, abandoned building) in the project																																		
Column I: Tax exempt bond ceiling allocation being requested by the developer/sponsor																																		
Column J: Total development project cost																																		
Column K: In mixed-use proposals, the amount of the overall development cost apportioned to multifamily residential. NB: Market rate units are not included in the total.																																		
Column L: The net newly produced units in the proposed project. Projects where a majority of the units are newly produced receive a preference bonus reflected in a 10% adjustment to the total state resources figure.																																		
Column M: Residential square footage is that portion of heated square footage comprising living units, and is of direct use and benefit to the tenants.																																		
Columns N-R: The unit mix of the development project by bedroom size of units.																																		
Column U: The number of potential tenants served in the development; 2 persons per bedroom is the standard.																																		
Column V: Total tax exempt bond request plus all state tax credits																																		
Columns W & X: projects located in rural areas as designated by the USDA receive a 30% preference bonus; projects where the majority of units are new (rather than rehab of existing) receive a 10% preference bonus.																																		
Column Y: Adjusted total state resources (see Column T) after the rural and new unit preferences have been factored in.																																		
Column Z: State resources per residential square footage; this reflects the value of the building as an asset and is a component of determining "highest and best value" for the state's investment.																																		
Column AA: State resources per bedroom; this reflects the potential utility of the building to tenants and is a component of determining the "public benefit" of the state's investment.																																		
Column AB: Total project costs ratio; this reflects the value of the state's adjusted total investment relative to the total residential development cost and is a measure of the "highest and best value" for the state's investment.																																		
Column AC: State resources per potential tenant housed in the development; this is reflective of the potential number of citizens served and therefore of the "public benefit" for the state's investment.																																		
Columns AD through AI: Development projects are ranked by relative score in Columns X through AA; a development's rank is totaled across all four ranking categories to produce an Overall Rank within the competitive pool.																																		