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## **SC HOUSING**

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# Small Rental Development Program (SRDP) Manual

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## GENERAL INFORMATION

The Authority is introducing the Small Rental Development Program (SRDP) for 2018. This affordable housing program will offer multiple funding sources, both federal and state, for new construction projects that contain at least eight (8) affordable housing units but not more than 24 total units. There are three funding sources available and are described below:

- ▶ The HOME Investment Partnerships Program (HOME) is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. The HOME Program regulations are located at 24 CFR Part 92. The South Carolina State Housing Finance and Development Authority's (Authority) HOME Program is designed to promote partnerships among the U.S. Department of Housing and Urban Development (HUD), various federal agencies, state and local governments, and those in the non-profit and for-profit sectors. The goal of the HOME program is to create affordable housing for low-income households.
- ▶ The National Housing Trust Fund (NHTF) was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289). The NHTF regulations are located at 24 CFR Part 93. It is the most recently created affordable housing production program and is designed to complement existing federal, state and local efforts to increase the supply of safe, decent and affordable housing, primarily rental housing, for extremely low-income (ELI) and very low-income (VLI) households, including homeless families.
- ▶ The South Carolina Housing Trust Fund (HTF) was established by the SC Legislature in 1992 through the Housing Trust Fund Act. The regulations are located in Title 31, Chapter 13, Article 4 of the Code of Laws of South Carolina, as amended. HTF provides financial assistance for the development of affordable housing for low-income and very-low-income households.

## DEFINITIONS

**Acquisition of vacant land:** Funds may be used for acquisition of vacant land. Construction must begin on a project within 12 months of the conditional commitment date or the project will be cancelled. Land banking is prohibited.

**Annual Income:** The gross amount of income for all adult household members that is anticipated to be received in the upcoming twelve (12) month period.

**Applicant or Applicant Entity:** Any eligible entity (public or private, for profit or nonprofit), proposing to develop affordable housing and adhere to all federal and state regulations. Also may include entities or persons of whom the Applicant Entity is comprised.

**Application Deadline:** Not later than 5:00 p.m., (EST) on Friday, April 27, 2018.

**Application Package:** The manual, application, forms, exhibits, appendices, tabs and instructions provided by the Authority.

**Application Cycle:** The timeframe during which applications will be accepted by the Authority; for 2018 cycle is April 23-27, 2018.

**Appraisal:** A written report which provides an estimated value of a piece of property prepared by an independent third party licensed commercial real estate appraiser. Appraisals must use the market data approach.

**Audit:** Complete and current financial statements that have been audited by a Certified Public Accountant (CPA) licensed by the South Carolina Board of Accountancy. A current audit is considered to be one that is no more than twelve (12) months from the date the audit was performed. Non-Federal entities that expend \$750,000 or more of Federal Funds in a year are required to have an audit conducted to include the audit specifications and requirements described in 2 CFR Part 200, Subpart F (aka Super Circular).

**Commitment:** A legally binding agreement executed and dated by an eligible recipient for a site-specific eligible project.

**Compliance/Monitoring Fee:** Reasonable annual fee, per affordable rental unit, for Authority staff to monitor compliance with HUD and state regulations during the period of affordability. The first fifteen (15) years of affordability will be payable at placed in service and calculated at \$35.00 per affordable rental unit per year. Once the development begins year sixteen (16) of the affordability

period, the Authority will collect the then current monitoring fee on an annual basis. Currently, the fee is calculated at \$35.00 per affordable unit per year.

**Community Housing Development Organizations (CHDOs):** Private nonprofit organizations that are organized pursuant to the definition in the HUD Regulations. An Authority Approved CHDO is a CHDO that has been certified by the Authority within three months prior to submission of an application which includes a request for HOME funding. CHDOs awarded HOME funds are expected to maintain CHDO status throughout project implementation which includes the project's affordability period.

**Contact Person:** The person listed in the application that has decision-making power for the Applicant with whom the Authority will correspond.

**Contiguous:** Pieces of real estate that are adjoined or adjacent to each other. Contiguous lots share a common boundary. For purposes of this manual parcels of land separated only by a neighborhood street will be considered contiguous.

**Conversion:** The rehabilitation of an existing structure, not currently being used for housing, converted into affordable housing.

**Cost Allocation** – Process of identifying and assigning costs to a specific funding program and/or rental unit.

**Forgivable Loan:** A loan in which all payment of principal and interest is deferred until maturity, at which time the outstanding balance may be considered paid in full so long as the borrower does not default on the Funding Agreement or the Promissory Note and Mortgage and Security Agreement.

**Development Costs:** The total costs incurred in the development of a project that are considered customary, reasonable and necessary.

**Developer:** Any individual, association, corporation, joint venture, or partnership, which possesses the capacity to successfully produce affordable multifamily and/or single-family rental housing.

**Disabled Household:** A household composed of one or more persons, at least one of which has a disability.

**Disabled Person:** A person with a physical, mental, or emotional impairment that: 1) is expected to be long-term, continued and of indefinite duration, 2) substantially impedes his or her ability to live independently, and 3) such disability could be improved by more suitable housing conditions.

**Development Division:** The Housing Development Division of the South Carolina State Housing Finance and Development Authority.

**Draw:** The disbursement of funds to a project. Soft cost draws will not be allowed until after construction has started.

**Elderly:** A person sixty-two (62) years of age or older.

**Eligible Person or Household:** One or more persons, or a family, determined by the Authority to be of low, extremely low or very low-income, regardless of race, creed, color, national origin, sex, disability or the familial status.

**Eligible Recipient:** An organization, agency, or other entity (including a public housing agency, a for-profit or a nonprofit entity) that receives assistance as an owner or developer to carry out an affordable housing project. An eligible recipient must:

1. Make acceptable assurances to the Authority that it will comply with the requirements of all applicable federal and state housing programs during the entire period that begins upon selection of the recipient to receive funding, and ending upon the conclusion of all funded activities;
2. Demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity(ies);
3. Demonstrate its familiarity with the requirements of other federal, state, or local housing programs that may be used to ensure compliance with all applicable requirements and regulations of such programs; and
4. Have demonstrated experience and capacity to conduct an eligible activity(ies) as evidenced by its ability to own, construct, manage and operate an affordable rental housing development.

**Extremely Low-Income:** Persons with income at or below thirty percent (30%) of the median income for the area, as determined by HUD, with adjustments for family size, or those with income at or below the federal poverty line, whichever is greater.

**Family or Family Household:** A household composed of one or more persons.

**Financial Statements:** Statements that have been audited by an independent CPA licensed by the South Carolina Board of Accountancy. Financial statements must include an Income Statement (Statement of Activities for nonprofit Applicants) documenting one full year of activities and a Balance Sheet (Statement of Financial Position for nonprofit Applicants) dated on or after September 30, 2015. All financial statements must include notes and any footnotes to the financial statements. If an Applicant Entity has been in existence for less than one year, the Income Statement submitted should cover the period since the inception of the organization and monthly bank statements from each month the organization has been in existence must also be provided.

**General Contractor:** An individual or company, properly licensed by the State of South Carolina as a 1) General Contractor with a classification of Building (BD, LB, UB); OR 2) Residential Builder, that undertakes a contract to provide materials and/or labor to perform a service or do a construction job. Such Contractor must be licensed by the SC Dept. of Labor, Licensing and Regulation with an “active” status, have an effective \$1 million general liability insurance policy and a current workmen’s compensation policy.

**HOME or HOME Program:** The HOME Investment Partnerships Program pursuant to the HUD Regulations 24 CFR Part 92, as amended.

**HOME-Assisted Unit:** The specific unit(s) in a project that is funded with HOME funds.

**Homeless:** An individual who lacks a fixed, regular, and adequate nighttime residence; an individual who has a primary nighttime residence that is a supervised publically or privately operated shelter designated to provide temporary living accommodations; an institution that provides a temporary residence for individuals intended to be institutionalized; or a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings.

**HOME Regulations:** The regulations of HUD in 24 CFR Part 92 (1991) issued under the authority of Title II of the National Affordable Housing Act of 1990, as may be amended from time to time.

**Housing Trust Fund (HTF):** The South Carolina Housing Trust Fund is the trust fund created by Title 31, Chapter 13, Article 4 of the Code of Laws of South Carolina, as amended and as administered by the South Carolina State Housing Finance and Development Authority.

**HUD:** United States Department of Housing and Urban Development.

**Income Verification:** Third party confirmation that all households receiving assistance are income eligible according to the appropriate HUD income limits that are published annually. Third party income verification may not be dated more than six (6) months prior to move-in eligibility. Verification also involves the review and evaluation of all types of income that can be counted and not counted. Please see the Authority’s *Determining Income Manual* located online at: <http://www.schousing.com/library/Monitoring/DetermineIncomeManual.pdf>.

**Individual (related persons):** Any individual considered related to each other having any of the following direct relationships: parent, child, spouse, son-in-law, daughter-in-law, father-in-law, including any such direct relationship created by marriage, remarriage, adoption, or any other legally recognized status, or if one individual is an employer, by common law or otherwise, of the other.

**Financial Commitment:** An executed letter, contract, or agreement from each funding source verifying that the Applicant has a commitment of funds for the project. The commitment letter must include: (a) the amount of funds being provided; (b) any conditions for receiving the funds; (c) expiration of the funds or a timeframe in which the funds must be spent; (d) whether the funds are being provided as a loan or grant; and (e) the term and interest rate, if applicable, for the funds. **Lines of credit and letters of credit are temporary funding and are not considered permanent commitments. All commitments must be submitted at time of application.**

**Local Government or Unit of Local Government:** Any county, city, town or municipality in the State of South Carolina.

**Low-Income:** Person with income that is above fifty percent (50%) but below eighty percent (80%) of the median income for the area, as determined by HUD, with adjustments for family size.

**Marketing Plan:** A document that provides information on how the Applicant will attract eligible persons from all racial, ethnic, age, and gender groups to the available housing being provided in the particular market area.

**Market Study:** An independent third party report prepared to review the market conditions in a specified area. It includes a study of the economic forces of supply and demand and their impact on real estate returns, risks, and values.

**Market Needs Assessment Report:** An independent third party report prepared to review the market conditions in a specified area. Specific guidelines will be posted to the Authority's webpage.

**National Housing Trust Fund (NHTF):** An affordable housing production program pursuant to the HUD Regulations 24 CFR Part 91 and 93, and currently operating under a 2015 Interim Rule.

**Nonprofit:** A corporation exempt from income tax under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986, as amended.

**Participant/Awardee/Recipient:** An Applicant that has been awarded funds through the Small Rental Development Program.

**Phasing/Subdividing:** Developing two separate projects proposed for the same target population **within the same market area**. Typically, the two proposed projects are adjacent to, or on the same site. (Note: This is not allowed.)

**Principal:** Any Applicant, owner, developer, guarantor, financial guarantor, or any other person, corporation, partnership, joint venture, or other entity, including any affiliate thereof, or any other person, firm, corporation, or entity of any kind whatsoever that either directly or indirectly receives an award or receives a portion of the development fee (whether or not deferred) for development services and/or receives any compensation with respect to such development. Note: Consultants are not considered Principals.

**Project Completion:** Occurs when all necessary title transfer requirements have been finalized; loan closing documents have been recorded and returned to the Authority; one hundred percent (100%) of the construction has been completed; a certificate of occupancy (CO) has been issued; a placed in service application has been submitted; the final draw down of funds has been disbursed for the project; the project completion reports have been submitted to, and approved by, the Authority; the project is one hundred percent (100%) occupied; and the project activity has been closed-out in HUD's Integrated Disbursement and Information System (IDIS).

**Promissory Note:** An agreement containing an absolute promise to pay the Authority a principal sum of money for loan proceeds together with interest, if applicable, on a specified date.

**Related Parties:** Applicants will be deemed to be related if any Principal of an Applicant is also a Principal to any other Applicant. Regardless of the percentage of participation a Principal has in a development, one hundred percent (100%) of the development's awards will count towards the limitation per Principal. Notwithstanding anything to the contrary contained herein, the Authority will not award more than two (2) awards, directly or indirectly, to one (1) Principal/Applicant.

**Scattered site project:** Noncontiguous parcels within the same county and market area will be considered ONE scattered site project and CANNOT be separated into multiple projects regardless of target population. This definition applies to each Applicant individually. The following requirements must also be met:

- a. All sites must be within a 1000 foot diameter.
- b. All buildings must be under the ownership of one entity;
- c. All buildings must be developed under one plan of financing and considered a single development by all funding sources;
- d. All units must be managed by one management entity; and
- e. Positive site characteristics will be measured from the parcel with the longest distance (i.e. if parcel A is within 0.5 miles and parcel B is within 1.0 miles of a positive site characteristic, the development will received points based on parcel B);

Detrimental site characteristics will be measured from the parcel with the closest distance (i.e. if parcel A is within 500 feet of a detrimental site characteristic and parcel B is within 1,000 feet of a detrimental site characteristic, the development will receive negative points based on parcel A).

**Single-Room-Occupancy (SRO):** Housing that consists of a single room dwelling unit that is the primary residence of its occupant or occupants. The unit must contain food preparation and sanitary facilities.

**Special Needs:** Individuals, or a group of individuals, who need special housing, including elderly, frail elderly, homeless persons, victims of domestic violence, persons with developmental or physical disabilities, mental illnesses, chemical dependencies, HIV/AIDS, and/or migrant/agricultural workers.

**Stabilized Occupancy:** At least 93% of a rental development's units are physically occupied by qualified tenants.

**Vacant Properties:** Include both vacant structures (residential or commercial) and vacant land that are unoccupied and not in use.

**Very Low-Income:** Persons with income at or below fifty percent (50%) of the median income for the area, as determined by HUD, with adjustments for family size.

## ELIGIBLE PROJECTS/ACTIVITIES/PROPERTIES

New construction of rental units is the only project type allowed for 2018. Rental units may include single and/or multifamily dwellings as long as the sites for such dwellings are within a 1000 foot diameter. A project must:

1. Be site-specific - the proposed site(s) location cannot change, under any circumstances, from the initial application site;
2. Contain a minimum of eight (8) affordable units;
3. Contain no more than 24 units – market rate may be included but will not be funded with Authority funding sources;
4. Contain and ensure all affordable units are comparable in size and design features;
5. Have suitable amenities; and
6. Contain at least 25% NHTF-assisted units. These units must be income and rent restricted for households at or below 30% AMI or below the federal poverty line, whichever is greater.

The following are eligible activities:

1. **Acquisition of vacant land** for which construction must begin within twelve (12) months of a commitment; projects not meeting the twelve (12) month benchmark will have all funds rescinded;
2. **Demolition** of vacant buildings only, which must be completed and substantial construction underway within twelve (12) months of a commitment; projects not meeting the twelve (12) month benchmark will have all funds rescinded;
3. **New Construction** which must begin within twelve (12) months of a commitment; projects not meeting the twelve (12) month benchmark will have all funds rescinded;
4. **Reconstruction;**
5. **Site Improvements;** and
6. **Operating Reserves - for NHTF-assisted units only.** Operating reserve funds are not available for projects using project-based rental assistance (PBRA).

## INELIGIBLE PROPERTIES

1. Public Housing Units are not eligible unless using NHTF for a RAD project
2. Projects assisted under Title VI of NAHA (*prepayment of mortgages issued by HUD*)
3. Commercial Properties (*except when converted to residential rental units*)
4. Homeless Shelters
5. Transitional Housing
6. Facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, halfway houses, etc.
7. Manufactured Housing
8. Properties previously assisted with other restricted funds that are still under an affordability period.
9. Student Housing
10. New construction within three hundred (300) feet of an active railroad track.

## ELIGIBLE APPLICANTS

Eligible Applicants must demonstrate experience and capacity to develop an eligible SRDP project as evidenced by the ability to own, construct, or rehabilitate, multifamily rental housing development. Applicants must have experience in the last eight (8) years of successfully developing at least one (1) multifamily rental developments of at least two (2) units each, or one (1) multifamily rental development with at least four (4) units. Successfully developing means coordinating the development team in planning, financing and constructing a development through the receipt of Certificates of Occupancy (COs) and reaching stabilized occupancy.

1. Units of Local Government (cities, counties and towns)
2. Public Housing Authorities (PHA's)
3. Authority Approved Community Housing Development Organization (CHDO)
4. Nonprofit Entities
5. For-profit Entities

## FINANCIAL TERMS & CONDITIONS

Funds for rental applications are only available during the Authority's SRDP funding cycle. The Authority will make the following funding sources available for the SRDP program in 2018:

- Up to **\$6,000,000** in HOME funds
  - At a minimum, \$1,000,000 in HOME funds will be set-aside for the use by Authority designated Community Housing Development Organizations (CHDOs).
- Up to **\$7,400,000** in NHTF funds; and
- Up to **\$8,000,000** in HTF funds.

Final determinations of whether an Applicant will receive repayable loans, forgivable loans, or a combination of both will be determined during the underwriting analysis. Repayable loans will have an interest rate ranging from zero percent (0%) to three percent (3%) and loan terms will typically be dependent on the funding program's affordability period. The Authority reserves the right to reduce or increase funding sources during the underwriting process in order to allocate program funds to their best use.

### **Authority Approved CHDOs, other nonprofit entities, for-profit entities and Public Housing Authorities (PHAs)**

#### **HOME Funds:**

1. Funds will be awarded as either a twenty (20) year repayable loan, forgivable loan or a combination of both.
2. Maximum funding per project is capped at \$600,000; however, that amount may be less based on the maximum amount of HOME subsidy established by HUD per unit and number of bedrooms, eligible HOME costs, underwriting, etc.
  - i. 0 bedrooms/SRO 58,787
  - ii. 1 bedroom 67,391
  - iii. 2 bedrooms 81,947
  - iv. 3 bedrooms 106,013
  - v. 4+ bedrooms 116,369
3. Repayable loans will be amortized between zero percent (0%) to three percent (3%). The interest rate will be determined during underwriting.
4. There will be a minimum term and amortization period of twenty (20) years or a period that does not exceed thirty (30) years.
5. If proposing market rate units as part of the project, an executed commitment letter for funding from a financial institution or other acceptable lender must be provided at the time of application submission. The Authority cannot accept any proposed, or anticipated to be applied for, funding sources as part of the project's financial structure.
6. Authority HOME funds cannot be combined with another PJs HOME funds.
7. The required twenty (20) year affordability period will be enforced through a recorded Agreement as to Restrictive Covenant and/or amendments, as needed.



8. Funds will be secured through an Applicant's execution of a Promissory Note and the recordation of a Mortgage. In the event the property is sold, all loans, both repayable and forgivable, become due and payable at (as per the mortgage and security agreement "Due on Sale" clause).
9. All applications will be underwritten such that they produce a Debt Coverage Ratio (DCR) of 1.30. If a 1.30 per unit debt coverage ratio produces cash flow per unit less than \$900, the underwriting will be adjusted such that the proposal will be able to reach \$900 per unit in annual cash flow.
10. All HOME loans will be underwritten to ensure there will be cash flow sufficient to cover debt service.
11. The HOME loan will be in a first mortgage position. For projects containing market rate units, the Authority will only allow the HOME loan to be subordinated to fully amortized permanent financing from a conventional lender.
12. HOME loans will be deferred for ninety (90) days following project completion.
13. Interest will NOT be charged on the HOME loan during the construction phase of the project.

**NHTF Funds:**

1. Funds will be awarded as either a twenty (20) or thirty (30) year repayable loan, forgivable loan or a combination of both.
2. The maximum funding amount of NHTF funds is capped at \$850,000 per project.
3. The amount of NHTF funds available to an individual rental unit is based on the maximum per unit subsidy limits allowed by HUD.
 

|                   |         |
|-------------------|---------|
| i. 0 bedrooms/SRO | 125,000 |
| ii. 1 bedroom     | 130,000 |
| iii. 2 bedrooms   | 135,000 |
| iv. 3 bedrooms    | 140,000 |
| v. 4+ bedrooms    | 145,000 |
4. Repayable loans will be amortizing with an interest rate of zero percent (0%) to three percent (3%) for a minimum term and amortization period of twenty (20) years or a period that does not exceed thirty (30) years.
5. If proposing market rate units as part of the project, an executed commitment letter for funding from a financial institution or other acceptable lender must be provided at the time of application submission. The Authority cannot accept proposed or anticipated to be applied for funding sources as part of the project's financial structure.
6. The required thirty (30) year affordability period will be enforced through a recorded Agreement as to Restrictive Covenant and/or amendments, as needed.
7. Funds will be secured through an Applicant's execution of a Promissory Note and the recordation of a Mortgage. In the event the property is sold, all loans, both repayable and forgivable, become due and payable (as per the mortgage and security agreement "Due on Sale" clause).
8. All applications will be underwritten such that they produce a Debt Coverage Ratio (DCR) of 1.30. If a 1.30 per unit debt coverage ratio produces cash flow per unit less than \$900, the underwriting will be adjusted such that the proposal will be able to reach \$900 per unit in annual cash flow.
9. All applications will be underwritten to ensure there will be cash flow sufficient to cover debt service.
10. The NHTF loan will be in a second mortgage position. For projects containing market rate units, the Authority will only allow the NHTF loan to be subordinate to the HOME loan and fully amortized permanent financing from a conventional lender.
11. NHTF loans will be deferred for ninety (90) days following project completion.
12. Interest will NOT be charged on a NHTF loan during the construction phase of the project.

**HTF Funds:**

1. Funds will be awarded as either a twenty (20) year repayable loan, forgivable loan or a combination of both.
2. Repayable loans will be amortizing with an interest rate of zero percent (0%) to three percent (3%) for a minimum term and amortization period of twenty (20) years or a period that does not exceed thirty (30) years.
3. If proposing market rate units as part of the project, an executed commitment letter for funding from a financial institution or other acceptable lender must be provided at the time of application submission. The Authority cannot accept proposed or anticipated to be applied for funding sources as part of the project's financial structure.
4. The required twenty (20) year affordability period will be enforced through a recorded Agreement as to Restrictive Covenant and/or amendments, as needed.
5. Funds will be secured through an Applicant's execution of a Promissory Note and the recordation of a Mortgage. In the event the property is sold, all loans, both repayable and forgivable, become due and payable (as per the mortgage and security agreement "Due on Sale" clause).
6. All applications will be underwritten such that they produce a Debt Coverage Ratio (DCR) of 1.30. If a 1.30 per unit debt coverage ratio produces cash flow per unit less than \$900, the underwriting will be adjusted such that the proposal will be able to reach \$900 per unit in annual cash flow.

7. All applications will be underwritten to ensure there will be cash flow sufficient to cover debt service.
8. The HTF loan will be subordinate to HOME and NHTF mortgages. For projects containing market rate units, the Authority will only allow the HTF loan to be subordinate to the HOME loan, NHTF loan and a fully amortized permanent financing from a conventional lender
9. HTF loans will be deferred for ninety (90) days following project completion.
10. Interest will NOT be charged on the HTF loan during the construction phase of the project.
11. HTF funding will be drawn last.

### **Units of Local Government**

Funds provided to units of local governments will ONLY be provided as repayable loans with an interest rate between zero percent (0%) to three percent (3%). The interest rate will be determined during underwriting.

### **Construction Draws for all Funding Types**

1. Participants may choose to request funds as construction draws or have a one-time draw at project completion.
2. A payment and performance bond, or Letter of Credit (LOC) in an amount equal to the construction contract must be provided by Applicants electing to draw funds during construction.
3. The Authority will only release funds for completed work in place that has been inspected and approved by an Authority inspector.
4. HTF funding will be drawn last.

## **PROJECT FEASIBILITY AND UNDERWRITING GUIDELINES**

All applications are subject to financial review by the Authority. The underwriting will consist of, but is not limited to, the following areas (line numbers refer to the “Development Costs” tab of the application):

**Development Costs:** The maximum amount of Total Development Costs (TDC) per unit cannot exceed \$175,000, and all costs are subject to third party review for justification of acceptable, reasonable costs. Development costs are evaluated for necessity and reasonableness at the time of initial application as well as when a project is placed in service. The Authority will utilize a construction consultant to determine whether proposed development costs are appropriate. Based on a review of the development and site plans, M-35 Construction Costs Addendum, and M-36 Construction Design Certification, a consultant will provide a written assessment of reasonableness of proposed development costs, together with any proposed recommendations or required changes. Proposals with costs exceeding the consultant’s recommendations must submit an explanation for the higher costs and will be required to revise costs accordingly. The Authority reserves the right to determine whether final costs are appropriate and acceptable at both initial application and at placed in service.

**Developer Fees, Developer Overhead, and Consultant Fees (Fees):** Fees are limited based on development costs. Fees are calculated as the total of Developer Fees 5% (line 35) plus Developer Fees 15% (line 36) plus Consultant Fees (line 16) from Development Costs in the application. Fees are limited as follows:

- a) **Fees on Acquisition Costs:** Developer Fees 5% (line 35) may not exceed five percent (5%) of “**Adjusted Acquisition Costs.**” The formula is:

$$\frac{\text{Developer Fees 5\% (line 35)}}{\text{Adjusted Acquisition Costs (Total Acquisition Costs (line 1-3) Less Land (line 1))}}$$

- b) **Fees on New Construction, Rehabilitation without a Change in Ownership, or Rehabilitation portion of Acquisition/Rehabilitation:** The sum of Fees (line 36 + line 16) may not exceed fifteen percent (15%) of “**Adjusted Development Costs.**” The formula is:

$$\frac{\text{Developer Fees 15\% (line 36) + Consultant Fees (line 16)}}{\text{Adjusted Development Costs}}$$

**“Adjusted Development Costs”** is calculated as follows:

|                         |                   |
|-------------------------|-------------------|
| Total Development Costs | (line 38)         |
| Less Acquisition Costs  | (lines 1-3)       |
| Less Consultant Fees    | (line 16)         |
| Less Developer Fees     | (lines 35 and 36) |

**M-35 Construction Costs Addendum:** - This form is required as part of a complete application. All costs detailed on the M-35 must tie to costs presented on page 9 of the application in the appropriate cost category.

**Minimum Hard Costs:** Minimum hard costs must be no less than **sixty-five percent (65%)** of total development costs. **Hard costs** include the following line items:

|                           |          |
|---------------------------|----------|
| Land                      | (line 1) |
| Existing Structures       | (line 2) |
| Other (Acquisition Costs) | (line 3) |
| Demolition                | (line 4) |
| On-Site Improvements      | (line 5) |
| New Building              | (line 6) |
| Rehabilitation            | (line 7) |

**Contractor Costs:** The combined total of general requirements and contractor profit & overhead may not exceed **fourteen percent (14%)** of hard construction costs. The structure of these fees is limited to the following:

|                                       |                |                                       |
|---------------------------------------|----------------|---------------------------------------|
| General requirements (line 8)         | may not exceed | <b>6%</b> of hard construction costs  |
| Contractor profit & overhead (line 9) | may not exceed | <b>8%</b> of hard construction costs  |
| Total contractor fees                 | may not exceed | <b>14%</b> of hard construction costs |

**Hard Construction Costs:** Include the following line items from the development costs schedule:

|                      |          |
|----------------------|----------|
| Demolition           | (line 4) |
| On-Site Improvements | (line 5) |
| New Building         | (line 6) |
| Rehabilitation       | (line 7) |

**Minimum Rehabilitation Costs:** The Authority requires a minimum rehabilitation expenditure of **\$10,000** per unit in hard construction costs for an acquisition/rehabilitation development with at least \$5,000 of the hard construction costs attributed to interior unit costs.

**Operating Costs:**

- Projected operating expenses, for all developments, must be **\$4,000 per unit**, per year, excluding taxes and reserves.
- If any utilities, including water and sewer, are owner-paid, then the operating expense minimum will be increased to include the additional utilities for the rental units.
- The Applicant must provide an explanation and satisfactory documentation of the projected utility amount per unit.
- The Applicant must, upon request, provide a detailed explanation of the determination of annual operating costs.
- The Applicant must justify operating costs, and such costs may be accepted or rejected by the Authority in its sole judgment.

**Vacancy Rate:** The application must utilize a vacancy rate of not less than **seven percent (7%)**. The vacancy rate must be applied to both rental income and other income since the other income is to be derived from the rental income.

**Debt Coverage Ratio (DCR):**

- Funding will not be reserved or allocated to developments that are not financially feasible. The development’s initial DCR may not be less than 1.30.
- The DCR is calculated as Net Operating Income (NOI) divided by the annual debt service. For this purpose, NOI is the income remaining after subtracting Total Annual Expenses and Annual Replacement Reserves from the Effective Gross Income (EGI).

- All proposals will be underwritten such that they produce a DCR of 1.30. If a 1.30 DCR produces cash flow less than \$900, the underwriting will be adjusted such that the proposal will be able to reach \$900 per unit in annual cash flow.

#### **Annual Rent and Expense Trends and Cash Flow:**

- Development rents will be trended upward at a two percent (2%) annual increase.
- Operating expenses will be trended upward at a three percent (3%) annual increase.
- The Proforma Income Statement must demonstrate that the project will maintain a positive cash flow for the entire 30 year affordability period. The project must demonstrate a positive cash flow for a period of 30 years using the same rent and expense trending criteria referenced above.

#### **Permanent Loan Requirements for Projects Containing Market Rate Units:**

All permanent debt used to finance a project must meet the following requirements:

- Loans with unspecified interest rates or unspecified repayment terms are not acceptable. The application must include a loan amortization schedule indicating payments for the entire loan period.
- Permanent loans should amortize so that debt service is paid over a period of 20 years or longer with a maximum amortization period of 30 years. If a loan is submitted with an amortization period of less than 20 years, the Authority may restructure the terms and repayment of any Authority funds as deemed appropriate by underwriting staff to prevent the over-subsidizing of a development.
- Projects financed with debt that includes a balloon or other variable payment must continue to meet all underwriting requirements throughout the affordability period. Loans with balloon payments will be underwritten with adjustments at the time of the balloon payment as follows:
  - Balloon payment due in less than 10 years = initial interest rate + 200 basis points.
  - Balloon payment due in 10 years or more = initial interest rate + 300 basis points.

The principal amount to be used in the loan adjustment will be the balance of the loan principal remaining at the time that the balloon payment is due.

The amortization term to be used in the loan adjustment will be equal to the number of years remaining on the original amortization period at the time that the balloon payment is due. Examples:

- 1) A loan with a 6% interest rate, 5 year balloon, and 20 year term – will be re-amortized in year 6 using an 8% interest rate with a term and amortization of 15 years.
- 2) A loan with a 6% interest rate, 10 year balloon, and 20 year term – will be re-amortized in year 11 using a 9% interest rate with a term and amortization of 10 years.

Developments that require loan adjustments due to balloon payments must be able to demonstrate positive cash flow for no shorter than twenty (20) years. If the financing structure includes a repayable HOME loan that is amortized and paid over the course of thirty (30) years then the development must be able to demonstrate positive cash flow for the entire loan period. Failure to do so may result in disqualification.

Reductions to the permanent loan between the time of award and the point at which a development places in service are allowable based on the terms of the agreement with the lender. However, for underwriting purposes, at the time that the development places in service, the permanent loan must maintain at least the same ratio to total funding as determined at the time of the initial award.

#### **Replacement Reserves:**

Applicants are required to establish and make annual contributions to replacement reserves. The minimum replacement reserves are three hundred dollars (\$300) per unit, per year for all development types.

Annual contributions are made from operating cash flow and are cumulative. Annual contributions are required to the replacement reserve account until the account reaches a funding level of three thousand dollars (\$3,000) for all development types.

Once these levels are met, the accounts must be replenished, when used, through annual contributions as stated above. Any use of replacement reserve funds must be approved in advance by the Authority. All requests for the use of replacement reserves must be in writing and must include detailed quantity and pricing information for replacement items. Requests made via email will satisfy the “in writing” requirement and should be addressed to [Chris.McMillan@schousing.com](mailto:Chris.McMillan@schousing.com). If Authority approval is not received within five (5) business days of receipt, the Replacement Reserve request is automatically granted.

**Operating Reserves:**

Operating reserves are funded initially from development costs and replenished, when used, from operating cash flow. Operating reserves must be maintained at the required level throughout the affordability period, as follows:

- **Less than ten (10) units:** Three (3) months of projected operating expenses
- **Ten (10) or more units:** Six (6) months of projected operating expenses

**Placed in Service Application:**

**PIS Requirements:** The owner must submit a placed in service application once construction is one-hundred percent (100%) complete and final certificates of occupancy have been issued. The placed in service application must be submitted in a three ring binder and must include the following:

- All unpaid fees or charges owed the Authority to include compliance monitoring and/or administrative fees; and
- All supporting documentation required by the PIS Application Checklist (Exhibit 6).

This process is subject to change to comply with additional guidance, notices, or regulations issued by HUD and SCSHFDA.

**Cost Certification Requirements:** As part of the Application for final allocation of Authority funds, the Applicant is required to submit a cost certification acceptable to the Authority. The cost certification must be in the form outlined in Exhibit 8. The cost certification must be prepared and certified as to accuracy by an independent third party CPA licensed by the South Carolina Board of Accountancy. It must include a statement that a final copy of all costs incurred has been reviewed and is in accordance with the requirements of the SRDP program. The certification must indicate that after careful review and investigation into the eligible costs, the costs that are not includable have been excluded from Authority funds. The Authority reserves the right to request an additional CPA opinion, at the expense of the Applicant, for costs that are questionable as to their eligibility relating to the program being administered. The Authority assumes no responsibility for determining which costs are eligible and urges the Applicant and their CPA to perform an independent investigation into the eligibility of all cost items.

*The Authority, in its sole discretion, reserves the right to waive any of the above financial requirements if the facts and circumstances regarding a project warrant the waiver. Any such waiver will be decided solely by Authority staff on a case-by-case basis.*

**GENERAL INFORMATION**

1. Anticipated SRDP Schedule:

|   |                    |
|---|--------------------|
| Application Workshop:                                   | <b>March 14th</b>  |
| Application Submission Deadline:                        | <b>April 27th</b>  |
| Review for Threshold Criteria and Missing Documents:    | <b>April - May</b> |
| Missing Documentation Letters Mailed:                   | <b>May</b>         |
| Construction Cost and Underwriting Review and Analysis: | <b>May</b>         |
| Conditional Commitment Letters Mailed:                  | <b>June - July</b> |

2. Any revisions to the contents of the SRDP Manual by the Authority will be documented in the form of a bulletin. Bulletins will be posted on the Authority’s website and disseminated to all persons on the Authority’s contact lists via email. It is the Applicant’s responsibility to check the Authority’s website for any revisions that may occur.

3. The Authority reserves the right to:
- Award Applicants less than the amount of funds requested.
  - Reject any and all applications received.
  - Waive or modify minor irregularities in applications upon notification to the Applicant.
  - Adjust or correct any mathematical errors in the application.
  - Request and receive clarification from the Applicant to ensure an understanding of the application submitted.
  - Adopt or utilize all or any part of the application unless covered by legal protection that the Applicant has notified the Authority simultaneously with submission.
  - Negotiate with the Applicant to serve the best interest of the Authority.

4. Awarded Applicants, whose project successfully completes the environmental review process and receive FINAL plans and specifications approval, will receive a SRDP Funding Agreement.
  - a. Funding Agreements contain deadlines for committing and expending funds as well as deadlines for providing other required documentation.
  - b. The Authority may exercise its right to terminate any Funding Agreement, at any time prior to the Agreement's end date, due to lack of project productivity and/or non-compliance with program requirements.
5. Each Applicant will be required to submit a Placed In Service application that:
  - a. Is due when the project is one hundred percent (100%) complete and in receipt of a Certificate of Occupancy (CO);
  - b. Will be reviewed by the underwriting staff to ensure that the project is entitled to the full amount of funds originally awarded. The final draw will not be provided until the underwriting of the Placed in Service application has been completed.
  - c. Contains all information listed on Exhibit 6 - Placed in Service Application Checklist.
  - d. May result in reduced funds based on final underwriting by Authority staff.
  - e. Contains compliance/monitoring fees (\$35 per affordable rental unit) for the first 15 years, payable in certified funds.
6. Consultants are limited to the administrative management of the project only and may not be involved with more than two (2) open awards at a time. Consultants must be in compliance with Conflict of Interest requirements and will be required to certify to such.
7. No member, officer, agent, or employee of the Authority shall be held personally liable concerning any matters arising out of, or in relation to, the commitment of funds with regard to feasibility or viability of the proposed project.
8. By submitting an application to the Authority, the Applicant agrees to, hold harmless, and releases any claim or cause of action against the Authority or its staff related to or arising under the processing or scoring of any application or for the award under this program, and further the Applicant covenants not to sue the Authority or its staff related to or arising under the processing or scoring of any application under this program. The Applicant further agrees to indemnify the Authority for any claim or cause of action brought against the Authority related to or arising under the Applicant's application.
9. All legally binding executed financial commitments from any funding sources other than the Authority's, must be submitted at the time of the initial SRDP application submission. The revised HOME Final Rule and NHTF Interim Final Rule require that all other sources of financing for a project be committed to the project prior to committing federal funds. Therefore, the Authority cannot accept any proposed or anticipated to be applied for funding sources as part of the project's financial structure.

## **PROGRAM SUSPENSION/DEBARMENT**

1. Any of the following actions may result in a one (1) year suspension from participating in all Authority administered programs. This list is not all inclusive:
  - a. Failure to begin construction within one year of the date of the SRDP Funding Agreement.
  - b. Failure to complete a project by the completion deadline specified in the SRDP Funding Agreement and Implementation Schedule.
  - c. Failure to complete or comply with the environmental review requirements as specified by 24 CFR Parts 50 and 58, as amended.
  - d. Failure to provide a legally executed Construction Design Certification (Form M-36) or providing a false or inaccurate certification that a project meets the standards and requirements as stated in the body of the certification when, in fact, it does not, will result in the disqualification of the developer and the architect. The Authority may also file a complaint against the architect with the S.C. Department of Labor, Licensing and Regulation.
  - e. Failure to comply with program requirements.
2. Any of the following actions may result in the permanent debarment from participating in all Authority administered programs. This list is not all inclusive:

- a. Any Applicant who provides false, fraudulent or misleading information to the Authority, in any capacity whatsoever, regardless of when such false or misleading information is discovered. Any award received on the basis of such false or misleading information shall become void.
- b. An Applicant who provides agreements, written or otherwise, that attempt to circumvent Authority requirements regardless of when the violation is discovered.
- c. Any Applicant that omits information material to an application submitted to the Authority for funding regardless of when such omission is discovered. Any award received on the basis of such omission(s) shall become void.
- d. Failure to complete corrective actions required as a result of any financial and/or compliance monitoring review.

## SUBMISSION REQUIREMENTS

1. Applications may be obtained from the Authority's website at [www.schousing.com](http://www.schousing.com) or requested in writing at the address below:  
South Carolina State Housing Finance and Development Authority  
ATTN: Development Division - SRDP  
300-C Outlet Pointe Blvd.  
Columbia, SC 29210
2. Applications for the 2018 SRDP Rental Application cycle must be submitted to the Authority between April 23 – 27, 2018 during regular business hours of 8:30 a.m. to 5:00 p.m. (EST). **Applications received after the deadline will not be considered for funding and will be returned to the Applicant.**
3. Applications may be delivered by hand, mail, or other shipping services. Applications will **NOT** be accepted by facsimile and/or e-mail transmission.
4. Each project should have a unique identifiable name that does not contain the Applicant organization's name or proposal's city name. Unacceptable: City of Greenville 2016, GHF 2016, etc. Acceptable: Purple Cow Crossing, Purple Cow Crossing Phase II, Garnet Grove, etc.
5. Applicants must submit one (1) original and one (1) copy of the application package in 3-ring binders appropriately separated with the tabs provided; as well as one electronic copy of the entire application package provided on a CD or thumb drive. Electronic copies by e-mail will NOT be accepted.
6. All applications, including copies, must be self-contained and complete. The Authority will not rely on any previously submitted information, written or verbal, to evaluate applications.
7. Complete applications must include all pages of the application and all items identified on the 2018 SRDP Rental Application Tab Checklist (Exhibit 1) along with any supporting documentation. The Construction Costs Addendum form M-35 is required as part of a complete application.
8. All documentation, unless otherwise stated in this Manual, must not be dated prior to September 1, 2017.
9. A nonrefundable \$300 application processing fee must be submitted with each application. The processing fee must be in the form of a cashier's check and made payable to the South Carolina State Housing Finance and Development Authority. **Applications submitted without the processing fee will not be accepted or reviewed and will be returned to the Applicant.**
10. All costs incurred by the Applicant in the preparation, transmittal, or presentation of the application package are the responsibility of the Applicant.

## REVIEW PROCESS

Authority staff will review the rental applications received as outlined below:

1. Evaluation Criteria - Applications will be reviewed for, but not limited to, the following:
  - a. Mandatory threshold criteria
  - b. Compliance with federal and state laws
  - c. Application package completeness
  - d. SRDP program requirements
  - e. An underwriting evaluation to review for financial feasibility
  - f. Construction cost analysis to review for cost reasonableness
2. Applications that do not meet the following criteria may be disqualified:
  - a. Application packages with four (4) or more missing and/or incomplete items may be disqualified.
  - b. Applicants with three (3) or less missing and/or incomplete items will have seven (7) business days from the date of notification to provide the information to the Authority. Failure to meet this requirement may result in the automatic disqualification of the application.
  - c. Applications that cannot be made financially feasible during underwriting may be disqualified.
3. Applications deemed to be financially feasible, and consistent with SRDP policies may be recommended to the Executive Director for Round One funding. Funding allocations will start with the highest scoring application and funding will continue in order until all available funds are depleted.
4. If the entire SRDP rental allocation is not exhausted during the Round One funding selection, there will be an immediate Round Two funding selection. Round Two funding will be awarded starting with the highest scoring applications remaining, which adhere to all threshold requirements EXCEPT the requirement that Applicants may only be allocated one (1) SRDP award.
5. If the CHDO set-aside of \$1,000,000 is not fully awarded, the Authority reserves the right to accept and fund SRDP applications outside of the Round One and/or Round Two funding cycles to ensure the 15% CHDO commitment amount mandated by federal regulations is met.
6. Proposal acceptance or rejection and utilization of unused funds are at the discretion of Authority staff.
7. Conditional Commitment letters will be offered to awardees of Round One and Round Two (if applicable). If the conditional commitments are accepted, awardees will be required to submit FINAL plans, specs, etc., no later than three (3) months after the conditional letter date. Failure to do so will result in the commitment being rescinded. The following must be submitted:
  - a. Specifications - which include all 2018 SRDP mandatory design criteria as well as all design criteria for which points were awarded in the Round One or Two competition; should submitted specifications not include such design criteria, the Authority reserves the right to rescind the conditional commitment.
  - b. Plans for each home site – Must reflect all Specifications, Design Criteria and Geotechnical recommendations, as well as:
    - 1) Each house must have a plan name clearly identified on the plan; Lot 1, Lot 2, etc. is NOT acceptable, the "Townsend," "Carson," etc. are acceptable.
    - 2) 911 addresses should be clearly marked on each plan
    - 3) Be sealed by the project architect indicating they are final and released for construction;
    - 4) Mechanicals
      - i. Electrical
      - ii. Plumbing
      - iii. HVAC (must be designed/engineered using Manuals J, S & D. Manual calculations must be included/attached to plans or specifications)
    - 5) Window and door schedule
    - 6) Details page and sections page
    - 7) Landscaping plan – NOTE: must include 20 ft. of sod from each exterior building wall



- 8) Complete Civil plans if proposing a development
  - 9) Site plans, if proposing a single residential building, for each site
  - c. Soil borings – NOTE: the Authority highly recommends soil borings be done PRIOR to initial application submittal to accurately develop a construction budget.
8. Once Final plans, specs, etc. have been reviewed and approved, and the proposed project has been given environmental review clearance by the Authority and/or HUD, a Funding Agreement will be offered to the Applicant. The agreement will include an Implementation Schedule that must be adhered to until project completion.
  9. The implementation schedule will include specific construction accomplishments that will require an Authority inspection. Should Authority inspectors not be notified and work continues without Authority inspector approval, funds may be immediately rescinded. Following are the **minimum construction landmarks requiring an inspection**:
    - a. Site Inspection - request when erosion/sediment controls are in place and clearing, grubbing, and rough grading is complete.
    - b. Footing Inspection – provide photographs of dug footings with rebar in place ready for placement of concrete. Photographs must be clear and provide location characteristics. These can be emailed to PC and Construction Manager.
    - c. Foundation completion – request when foundation is complete, **BEFORE** slab is poured or floor framing is finished.
    - d. Dried-in inspection – framing complete to include windows and exterior doorways, and exterior wrapped
    - e. Rough-in inspection – to include electrical, plumbing, HVAC, and insulation
    - f. Approximately 75% completion or when interior doors, trim, kitchen cabinets, etc. are installed, whichever comes first
    - g. 100% completion
    - h. ALL CHANGE ORDERS – submit as necessary.
  10. One year from the commitment date, tangible, ongoing, and continuous construction must have started. There will be no extensions. Projects not meeting this benchmark will be cancelled.

## THRESHOLD REQUIREMENTS

**Applications that do not meet the following minimum threshold requirements will be eliminated from further review.**

1. Participating Jurisdiction localities/consortiums (PJs) are not eligible to apply for SRDP funds. South Carolina’s designated PJs are:
  - a. City of Charleston
  - b. City of Columbia
  - c. City of Greenville
  - d. City of Spartanburg
  - e. Charleston County
  - f. Greenville County
  - g. Lexington County
  - h. Spartanburg County
  - i. Anderson County Consortium (*Anderson City and County*)
  - j. Beaufort County Consortium (*Beaufort, Jasper, Hampton, Colleton*)
  - k. Georgetown County Consortium (*Horry, Georgetown and Williamsburg*)
  - l. Orangeburg County Consortium (*Aiken, Allendale, Bamberg, Barnwell, Calhoun, Orangeburg*)
  - m. Sumter County Consortium (*Sumter, Lee, Clarendon, Kershaw*)
  - n. Richland County
2. Financial Criteria: Each Applicant must meet a minimum financial capacity standard based on the total number of rental units to be developed:
  - a. 8 - 13 total units – Applicant must have a minimum net worth of \$1 million and a minimum of \$150,000 in unrestricted liquid assets.
  - b. 14 - 19 total units – Applicant must have a minimum net worth of \$1.5 million and a minimum of \$200,000 in unrestricted liquid assets.

- c. 20 - 24 total units – Applicant must have a minimum net worth of \$2 million and a minimum of \$250,000 in unrestricted liquid assets.

All organizations must provide audited financial statements. If individuals are required as financial guarantors, compiled financial statements will be accepted for those individuals. The Authority reserves the right to perform an independent verification of assets. A form will be provided by the Authority at a later date. Financial statements must include a balance sheet dated on or after September 30, 2016.

- i. The Authority defines liquid assets as cash, cash equivalents, and investments held in the name of the entities and/or persons, including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including, but not limited to: 1) stock held in the Applicant’s own company or any closely held entity, 2) investments in retirement accounts, 3) cash or investments pledged as collateral for any liability, and 4) cash in property accounts including reserves.
  - ii. All liquid assets must be identified in the submitted financial statement.
  - iii. If no individual member of an Applicant group meets the minimum financial requirements, then members may combine assets to meet the requirements by including a combined schedule in addition to their individual statements.
  - iv. The Authority reserves the right to verify information in the financial statements and all financial capacity statements made by Applicants, lenders, accountants, and others. If false statements are found to have been made at any point in time, all entities and/or persons associated with the application will be debarred from all Authority programs for three (3) years.
3. Applicants must be in good standing with all Authority and SC Housing Corporation administered programs. A SRDP Eligibility Certification (M-47), signed by the Authority's Development Awards Manager prior to application submission, must be submitted with ALL applications. ANY participating organization, developer(s), general partner(s), or managing member(s) will be automatically disqualified if any of the following issues of noncompliance are demonstrated. Issues of noncompliance may include, but is not listed to:
    - a. Open investigation(s) involving federal and/or state officials alleging fraud, misuse, waste, or abuse of funding;
    - b. Uncorrected non-compliance violations with the Authority or SC Housing Corporation administered programs, or uncorrected breaches of agreements in conjunction with Authority or SC Housing Corporation administered programs;
    - c. Not in good standing with other Authority and SC Housing Corporation administered programs (including delinquent loan payments owed to the Authority, compliance monitoring fees, etc.);
    - d. Debarred from participation in other federal programs (i.e. HUD, RHS, CDBG, HOPWA, ESG, FHLB, etc.) or any Authority administered programs (i.e. HOME, LIHTC, HTF, NHTF, NIP, NSP, etc.); and/or
    - e. The Applicant’s audited financial statements contain findings that have not been cleared that are relative to administering or managing housing assistance programs.

The Authority has sole discretion in the determination of non-compliance and it is not subject to interpretation, appeal or final resolution.

4. Applicants who currently have HOME Program Income or CHDO Program Proceeds are not eligible to apply for additional funds until those funds have been expended.
5. In order to be eligible to participate in the 2018 SRDP application cycle, previous HOME awardees must have met the following deadlines:
  - a. All 2014 and prior projects officially closed out (see “project completion” definition)
  - b. All 2015 projects must have 75% construction completed or 75% HOME funds drawn down by April 13, 2018 as evidenced by a completed Authority Inspection.
  - c. 2016 and 2017 HOME awards must be in compliance with the HOME Funding Agreement Exhibit A - Implementation Schedule by April 13, 2018 as evidenced by a completed Authority Inspection.
6. No County, in any given year, can receive more than 20% of the current year’s available SRDP Rental funds in the Round One funding selection. It is the Authority’s intent to promote fair and objective administration of the SRDP Program funds by ensuring that no single County receives an excessive share of the available program funds in any one application cycle. Remaining Round One funds will be awarded in a Round Two funding selection. Round Two funding will be awarded beginning with the highest scoring remaining applications which adhere to all threshold requirements.

7. Applicants that are related entities, principals, and/or individuals and are applying for funds are only eligible to apply for two (2) SRDP awards and may only be allocated one (1) SRDP award.
8. All HOME CHDO Applicants must have a designated Program Administrator on staff that will be responsible for the coordination of the project (i.e. project implementation through project completion).
9. A Phase I Environmental Site Assessment report must be submitted at initial application. Only one report is required even if the proposal is for a scattered site project.
10. A Market Study Needs Assessment Report, as required by § 92.250(b)(2), prepared by an Authority approved third party market study provider must be submitted with the application to ensure there is adequate demand for the proposed project. If a Market Needs Assessment is available that is older than six (6) months and was prepared by an Authority approved market study provider, an update to the Market Study will be allowed.
11. Appraisal requirements: The Authority requires appraisals at Application submission for all development proposals.
  - a. An appraisal, dated no more than six (6) months prior to the date the SRDP application is signed, is required with submission of the application.
  - b. Appraisers must be licensed by the South Carolina Real Estate Appraisers Board on a permanent, non-temporary basis. Additionally, appraisers must have a State Certified General Real Property Appraiser's license or State Certified Residential Real Property Appraiser's license, whichever is appropriate for the property being appraised.
  - c. Appraisers must identify the Authority as an authorized user of the appraisal, noting that the Authority may rely on the representations made therein. Additionally, the Authority reserves the right to convey a copy of the appraisal to third parties, assigns and pertinent parties involved in the contemplated allocation of SRDP funds.
  - d. Appraisals must be prepared in conformance with the Uniform Standards of professional Appraisal Practice (USPAP) published by the Appraisal Foundation and with title XI of the Federal Finance Reform, Recovery and Enforcement Act of 1989 (FIRREA).
  - e. Appraisals containing only vacant land, appraisals must use the market data approach.
  - f. Comparable properties must be located in the proposal's sub-market. If an appraiser chooses comparable properties outside of the sub-market, the appraiser must also include a detailed description of every comparable located closer to the proposal and a list detailing why each was not chosen as a comparable. Regardless, comparable must be located in the proposal's home county or in extreme instances, an adjacent county.
  - g. If the appraisal does not substantiate the purchase price submitted in the SRDP application the Authority may decrease the amount proposed in the application to match the appraised value. Developments not meeting minimum underwriting requirements or found to be financially infeasible as a result of this reduction will be disqualified.
  - h. If the Authority deems the appraised value of a proposal to be unusual or excessive, a separate appraiser will be hired by the Authority, at the Applicant's expense, to prepare a second appraisal.
12. Applicants who require HOME funds in combination with a Low-Income Housing Tax Credit (LIHTC) development **may not** apply in this HOME application cycle. HOME funds in combination with LIHTC may only be obtained during the annual competitive LIHTC application cycle.
13. Applicants must have site control of the proposed site:
  - a. All Applicants must provide an option, sales contract, 50+ year land lease, or a warranty deed in the name of the Applicant for the proposed project site.
  - b. Applicants are allowed to enter into options and sales contracts for property prior to the completion of the environmental review if, and only if, the option or sales contract is conditional in nature so as not to provide legal claim to any amount of SRDP funds to be used for the specific project or site until the environmental review process is satisfactorily completed.
  - c. For all projects requesting SRDP funds, the following language **must be** included in any purchase option, purchase contract, or long term lease or included as an executed addendum attached to one of these documents and dated on or before April 23, 2018, "Notwithstanding any provision of this Agreement, if U.S. Department of Housing and Urban Development (HUD) funds are used, including, but not limited to HOME funds, the parties agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of an environmental review and receipt of a release of funds notice from the U.S. Dept. of HUD under 24 CFR Part 58. The parties further agree that the provision of any federal funds to the project is conditioned on the determination to proceed with, modify or cancel the project based on the

results of a subsequent environmental review. If no HUD funds are utilized in regard to this property, this provision shall be considered null and void."

- d. *Notice to Seller for the Acquisition of Property with Federal Funds* (Form M-52) is required. It must be initiated at the time of the option or contract and must be submitted with the application.
- e. Site changes are not allowed once an application is submitted.

14. Zoning – The Applicant must provide and have in place at the time of Application submission proper zoning for the proposed site. The land use requirements for each site on which the development will be located must be zoned for or allow for multifamily residential use. All special/conditional uses specific to zoning approval must be approved and completed. A letter provided from the City/County official should verify that the proposed development site currently meets the local zoning or land use restrictions.

## RENTAL POINT CRITERIA

Points will be awarded as outlined in this section. Both positive and negative points may be assessed.

### Experience

Points are awarded based on the Applicant's demonstration of experience and success in developing, managing, and operating affordable rental housing projects similar to the one(s) proposed. Applicants must appropriately complete the Experience Certification (Form M-34) to claim points.

1. Previous development experience of Rental properties using at least one (1) governmental funding source: Owners (which include individual(s), corporation(s), nonprofit(s), for-profit(s), Public Housing Authorities or units of local government) will receive points for the previous development of successful rental projects utilizing at least one governmental funding source. Previous development experience must be obtained through the successful completion of affordable housing utilizing CDBG, HOME, NHTF, SC HTF, FHLB, LIHTC, NSP Rental, etc. Experience gained as an owner of another entity may be included but not as an employee of another entity. Experience in successful rental projects means coordinating the development team from the planning, financing and construction of a project through receipt of Certificates of Occupancy (COs) and reaching stabilized occupancy. Applicant must have a current ownership interest in the project.

- One point per successfully completed rental project (5 project maximum).

**Up to 5 Points**

2. Previous development experience of rental properties: Owners (which include individual(s), corporation(s), nonprofit(s), for-profit(s), Public Housing Authorities or units of local government) will receive points for the previous development of successful rental projects. An Applicant may demonstrate the ability to implement rental housing projects by providing documentation as to the development of similar projects utilizing private funding or other non-governmental funding. Experience gained as an owner of another entity may be included but not as an employee of another entity. Experience in successful rental projects means coordinating the development team from the planning, financing and construction of a project through receipt of Certificates of Occupancy (COs) and reaching stabilized occupancy. Applicant must have a current ownership interest in the project.

- One point per successfully completed project (2 project maximum).

**Up to 2 Points**

### Performance Issues - Authority Programs

Negative points will be assessed on the Applicant's previous five (5) years of performance with any of the Authority's Programs.

1. Applicant was suspended or debarred for any length of time. **-5 Points**
2. Awarded funds were de-obligated or rescinded by the Authority for lack of progress or an inability to complete the project. Negative points will not be assessed for de-obligated/rescinded funds when issues regarding a project progressing were beyond an awardee's control as determined by the Authority. **-2 Points**

**Site and Neighborhood Characteristics**

Points will be awarded as listed below for services located within one (1) or two (2) miles of the proposed site as indicated by public paved road, existing at the time the application is submitted, and accessible to the public for motor vehicular use. Distances should be measured using a computer based mapping system such as Google Maps or other similar distance calculating systems. Distances to positive characteristics will be measured using lawful driving practices from the site entrance(s) to the positive site service (i.e. no turning through double yellow lines, no crossing grass medians, no driving the wrong way on one way streets, etc.). Longitude and latitude coordinates are required for the site entrance(s) as well as for all corners of the site. All coordinates should be marked with survey tape, survey flags, etc. Submitted area site plan must have ¼ mile, ½ mile and 1 mile radius circles shown from center of proposed site. Color photographs of all services must be included with the application. Duplicate copies of the application must also contain color photographs. The name of the service must be visible in the photograph. Applicants may include a maximum of one (1) positive site service of each service type for scoring purposes. All positive site services must be listed on **Exhibit 7 - Site Distances**. All directions must be printed from the mapping system and included in the application for points to be awarded. **Directions that do not lead to the service, as stated in the directions provided with the Application, will not be awarded points.** Distances are subject to Authority verification and are GPS measured and odometer\* confirmed by third party site analyst from center of entrance into site to center of entrance into service location. Distances for scattered sites will be determined as outlined in the definition for scattered sites. All positive site services must be open to the general public and operational at the time the Authority’s site visit is made or points will not be awarded.

**\*Odometer Calculations:** the distances to positive services are driven and the odometer mileages and electronic tracking data systems used to determine mileage calculations. Distances are measured to one decimal point and are not rounded up or down. Distance less than a ½ mile is measured by using electronic tracking data systems.

The following will be the point structure for Positive Site Characteristics:

| Service  | ½ mile | 1 mile | 1 ½ mile | 2 miles | 2 ½ miles | 3 miles |
|--|--------|--------|----------|---------|-----------|---------|
| Full Service Grocery Store: the store must operate with regular business hours offering a full range and variety of foods, cleaning products and paper products. To qualify as offering a full range and variety of foods, the store must offer sufficient quantities of items from each of the following four categories of staple foods on a continuous basis: 1) meats, poultry and fish; 2) breads and cereals; 3) vegetables and fruits; and 4) dairy products. | 4      | 3.5    | 3        | 2.5     | 2         | 1.5     |
| Pharmacy or Drug Store: does not include specialty pharmacies or drug stores; or pharmacies or drug stores only available for patients of a designated medical practice or facility.   | 4      | 3.5    | 3        | 2.5     | 2         | 1.5     |
| Convenience Store and Gas Station: walk-up “window only service” stores and free standing kiosks do not count as convenience stores.   | 4      | 3.5    | 3        | 2.5     | 2         | 1.5     |
| Public Park or Playground: all to be owned and maintained by a local government or non-profit entity and containing at a minimum, commercial playground equipment and/or walking/bike trails (Playgrounds at churches, schools or in other neighborhoods do not count) or Recreation Center or Senior Activity Center (with scheduled activities offered at least 5 days a week and operated by a local government or nonprofit entity; private gyms will not count) | 3      | 2.5    | 2        | 1.5     | 1         | 0.5     |

**Applicants will receive negative points for the following detrimental site characteristics:**

For the detrimental characteristics below, the Authority defines its determination of distance as the shortest distance, in a straight line, from the closest site boundary line of the proposed site to the closest site boundary line of the detrimental site characteristic to determine whether negative points will be assessed. When a detrimental site characteristic is located on a parcel shared by multiple businesses, the distance between the detrimental site characteristic and the proposed site is measured, in a straight line, from the closest site boundary line of the proposed site to the closest boundary line of the parcel on which the detrimental site characteristic is located. Detrimental site characteristics are determined as of the time of the site visit.

1. Sites within one-half (1/2) mile of an operating commercial beef/hog/chicken/turkey farm or processing plant. As part of the application submission, Applicants are required to identify and provide name(s) and location(s) of any such facility within one-half (1/2) mile of where the development is proposed. **-1 Point**
2. Sites within one-quarter (1/4) mile of adult video/entertainment venue/club. **-1 Point**
3. Sites within one-quarter (1/4) mile of a sewage treatment plant. **-1 Point**

**Project Readiness**

1. Applicant will be awarded points for demonstrating site control by providing a copy of the recorded deed in the Applicant's name. **4 Points**
2. A letter from the City/County official or utility provider, documenting water and sewer utility tie-ins are accessible and within:
  - a. 350 feet of the proposed site; **OR** **2 Points**
  - b. 351 to 500 feet of the proposed site. **1 Point**
3. The proposed project is located within a current identified master plan or revitalization plan or empowerment zone. Applicant must provide a letter from the locality stating such. **2 Points**

**Targeting**

1. Applicant will be awarded points for designating, at a minimum, ten percent (10%) of the total units for disabled, homeless, or special needs tenants. A letter from the appropriate disability agency regarding the need for these units must be submitted with the application. **2 Points**
2. Underserved counties within SC will receive a preference as follows:

| <b>8 points</b>   | <b>4 points</b>   | <b>2 points</b>                             |
|---|---|---|
| Aiken, Allendale, Bamberg, Beaufort, Berkeley, Calhoun, Cherokee, Chester, Chesterfield, Clarendon, Colleton, Dillon, Dorchester, Edgefield, Fairfield, Florence, Georgetown, Hampton, Jasper, Kershaw, Lancaster, Lee, Lexington, Marlboro, McCormick, Newberry, Oconee, Saluda, Sumter, Union, Williamsburg | Abbeville, Barnwell, Charleston, Horry, Marion, Orangeburg, Pickens, Richland, York | Darlington, Greenwood, Laurens, Spartanburg |

**Cost Standards**

The Authority will apply cost standards for TDC per project. Standard deviations will be calculated from the group average of developments submitted. The Authority will use discretion in determining group types for comparison, which may include but are not limited to new construction, rehabilitation, garden style, and single family developments. Developments with a total development cost that deviates above or below the group average will be assigned point values. The point values have yet to be determined at this time.

**Development Design Criteria**

Projects awarded HOME funds must incorporate into the project all of the items chosen for points. As part of the placed in service application submission, the Authority will conduct an inspection to ensure that items for which points were taken exist in the project and will require manufacturer’s data sheets to be submitted, as necessary, as confirmation that items chosen meet the standards as outlined.

1. Limited lifetime 30-year Architectural shingles with 30 lbs. class synthetic felt. **8 Points**
2. Insulated attic and/or ceiling R-38, walls R-15, and crawl space and/or floors R-25. **3 Points**
3. Energy Star rated HVAC systems (15 SEER or greater) in all units. **5 Points**
4. Underground utilities (gas/electric, cable and phone) throughout the project site. **2 Points**
5. Energy Star ceiling fan with light fixture in the living room and all bedrooms. Ceiling fans and light fixtures must connect to separate wall switches. **5 Points**
6. Full size Energy Star refrigerator, with ice maker, having a minimum size of eighteen (18) cubic feet. **5 Points**
7. Energy Star rated dishwasher in all units. **3 Points**
8. Over the range mounted microwave oven, with vented fan, in all units. **4 Points**
9. All units must have a Range Queen, Fire Stop, Auto Stop or comparable extinguishing system over the stove. **1 Point**

10. Provide an easily-accessible area that serves the entire project and is dedicated to the collection and storage of non-hazardous material for recycling, to include paper, corrugated cardboard, glass, plastics, and metals. Property management is responsible for ensuring proper disposal and removal of the recyclables. For scattered site projects, provide a letter from the City/County stating that individual recycle bins will be provided to each house, duplex, or townhouse. **1 Point**
11. Landscaping - Projects using native drought resistance plantings, preserving and protecting existing trees during construction. An **Architect certified landscape plan** should be submitted listing the new plantings and marking the existing trees that indicates (1) the location of all existing plantings and the proposed location of all new planting areas; and (2) a list of all plants to be added, to include both the common and botanical name of the plants. **2 Points**
12. Water Conservation – All units to include toilets with 1.28 GPF, shower heads at 1.5 GPM, and bath and kitchen faucets at 1.5 GPM, or less. **2 Points**
13. All exterior door units to be fiberglass with rot proof jambs. **5 Points**

## **MANDATORY DESIGN CRITERIA**

The following mandatory design criteria **must be** included in the project design for:

### **ALL Project Types:**

1. At a minimum, all construction must be in compliance with the 2015 IRC, or the current adopted code when constructions begins, as well as all of the mandatory design criteria in this section of the manual.
2. At a minimum, all projects must meet the 2009 International Energy Conservation Code.
3. Window coverings for each window must be installed. Metal blinds are not permitted.
4. All kitchen and bathroom interior cabinets must be solid wood or wood/plastic veneer products with dual slide tracks on drawers. New cabinets must have solid wood dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A1 61.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
5. All kitchen sinks must be a minimum of eight (8) inches deep; with the exception of ADA units.
6. All windows must be Energy Star rated with screens and will have manufacturer's data sheet submitted with plans.
7. All exterior doors must be Energy Star metal-clad or fiberglass doors that are paneled.
8. Deadbolt locks are required on all exterior doors. Dead bolt locks must have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited.
9. The minimum clear width of all exterior doors shall be 34 inches.
10. All doors must be side hinged.
11. All retention and/or detention ponds must be fenced in unless a letter is provided from the Department of Health and Environmental Control (DHEC) that a fence is not required. The storm water retention/detention basin design, maintenance and management shall be the sole responsibility of the owner/developer and shall be in strict accordance with all applicable federal, state, local and environmental regulations governing storm water retention/detention basins.
12. A new project sign at the entrance(s) to the complex affixed with a Fair Housing logo. This is not required for scattered site projects.
13. Energy Star exterior lighting at all entry doors including individual units, community buildings and common areas within the building(s). The fixtures at the individual units are to be controlled from the interior of the unit.
14. Wall switch controlled Energy Star lighting is required throughout all units.
15. Energy Star fluorescent lighting, at a minimum, is required in all kitchens.
16. Must use Energy Star fixtures and bulbs such as CFL, LED, or florescent.
17. All units wired for high speed (broadband) Internet hook-up with at least one centrally located connection port or wireless computer network.
18. All units pre-wired for cable television hook-ups in the living room and one per bedroom.
19. All units pre-wired for telephone hook-ups in the living room and one per bedroom.
20. Enclosed trash dumpsters and/or compactors if proposed for the project. The dumpster must be enclosed by solid fencing on at least three sides. The pad and approach pad to the dumpster must be concrete and not asphalt. The trash dumpster/compactor must be ADA accessible and located on an ADA accessible route. May use "herbie curbie" container if the locality provides such and must have one for each unit.
21. Roofing materials shall be anti-fungal shingles with a minimum 25-year warranty.
22. Roofing to be installed per 2015 IRC R905.2 through R905.2.8.5.
23. The following Energy Star appliances must be provided in each unit: Full sized refrigerator-freezer, with ice maker, having a minimum size of fourteen (14) cubic feet.
24. At a minimum, fourteen (14) SEER HVAC units must be installed. All refrigeration lines must be insulated. All projects must have central heat and air. Window units are not allowed for any development type.

25. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units.
26. Sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices. Rehabilitation projects must meet the Radon Mitigation Standards as required by the Environmental Protection Agency.
27. Metal flashing or 20 mil polyethylene when used in conjunction with a self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
28. Mailboxes, playground and all exterior project amenities must be ADA accessible.
29. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly and roof or attic insulation must have an R-30 rating minimum; and floor and/or crawl space R-19.
30. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. All shower units without a tub must have minimum dimensions of 36-inch width by 48-inch length (ADA approved shower). All tubs in designated handicap accessible units must come complete with "factory-installed grab bars".
31. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor. Framed decorative mirrors or recessed medicine cabinets with mirrors are allowed with a minimum size of 14" x 24" and must be hung with the top of mirror a minimum of 6'-0" above finish floor. Vanity cabinets or a medicine cabinet shall be provided in all units. All cabinets in designated handicap accessible units must be installed at ADA mounting heights.
32. Low flow water saving features must be used; showerheads 2.0 GPM, kitchen faucet 2.0 GPM, bathroom faucets 2.0 GPM, toilets 1.6 GPF and will have manufacturer's data sheet submitted with plans.
33. All units must be equipped with an energy efficient rated hot water heater with energy factor of 0.61 for gas or 0.93 for electric and will have manufacturer's data sheet submitted with the plans.
34. Water heaters must be placed in drain pans with drain piping plumbed to disposal point as per the latest approved addition of the International Plumbing Code.
35. Pipe all Water Heater Temperature & Pressure (T&P) relief valve discharges to disposal point as per the latest approved edition of the International Plumbing Code.
36. Water heaters placed on a stand must be secured to the wall.
37. New exterior shutters are required.
38. Gable vents must be made of aluminum or vinyl materials.
39. All attics must be vented.
40. Carpet and Resilient flooring materials must meet minimum FHA standards.
41. The exterior of the home/structure to be finished above foundation of brick / stone veneer with vinyl siding of .044" or better or fiber cementitious siding.
42. No exterior wood finishes may be used.
43. All exterior trim to be covered in painted or vinyl covered coil stock or consist of fiber cement or vinyl composites.
44. Fascia must be covered with painted or vinyl covered coil stock, fiber cement or vinyl composite.
45. Soffits must be vinyl, vinyl covered aluminum, fiber cement or vinyl composite and perforated as required.
46. Exterior ceilings must be vinyl, vinyl covered aluminum, fiber cement or vinyl composite.
47. Exterior steps, porches or patios will be constructed of brick with concrete slab or deck.
48. Multi story second, third, or fourth floor elevated porch or patio may be constructed utilizing composite materials and constructed in such a manner that no wood is exposed. Concealment of wood shall be with composite materials such as vinyl covered coil stock, vinyl 1x's composite 1x's, cementitious board etc. Applies to rehabilitation projects with authority approval.
49. Hand rails and/or guard rail systems used at steps, porches, patios or ramps shall be code compliant systems made of composite materials such as vinyl, fiberglass or metal. Wood railings are not allowed.
50. Public use stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. Handrails and pickets must be constructed from steel or aluminum.
51. Columns must be sized / loaded properly and consist of fiberglass, polyurethane or aluminum. Must be installed with stand offs, bases, caps and vents per manufacture recommendations; 4x4, 4x6 or 6x6 etc. post wrapped with coil stock is not allowed.
52. Seamless 6" gutter and downspout systems complete with leaf guard system and concrete splash blocks will be supplied surrounding all residential buildings. No screen wire leaf guard systems allowed.
53. At a minimum, there must be 20 ft. of sod extending out from each exterior building wall.
54. All HVAC air handlers and hot water heaters must be contained within the conditioned space of the unit/building. These may not be located in the attic or crawl space.
55. Washer/dryer hookups in all units. Hookups for stackable washer and dryers may only be installed in elderly units.
56. Units with three (3) or more bedrooms must have a minimum of one (1) full bathroom and one (1) three-quarter bathroom. Bathrooms are defined as follows: ½ bathroom contains a toilet and vanity with sink; ¾ bathroom contains a toilet, vanity



with sink, and a shower; and a full bathroom contains a toilet, vanity with sink, and a tub/shower combination. ADA units ONLY may have a roll in shower.

57. The minimum bedroom size for all bedrooms must be a minimum 120 square feet. The minimum bedroom square footage excludes the closet space.
58. The minimum square footage per unit based on the number of bedrooms per unit must be as listed below. All of the units in the project must meet the minimum square footage per unit. The Authority considers the square footage of an individual unit to be the usable living space measured from the interior wall to interior wall.

| <u>Bedrooms per Unit</u> | <u>Minimum Sq. Ft. per Unit</u> |
|--------------------------|---------------------------------|
| SRO                      | 550                             |
| One                      | 750                             |
| Two                      | 950                             |
| Three                    | 1,100                           |
| Four                     | 1,250                           |

59. All elderly projects will be one-story structures, or if greater than one story, all stories will be accessible by elevators.
60. All sidewalks and walkways shall be a minimum of 36" in width and made of concrete and shall provide access to all parking spaces, front entryway doors, common amenities and driveways and shall be ADA compliant. Where ADA accessible routes, walkways, etc. are required within the development, clearly marked ramps, crosswalks, signage, etc. shall be furnished in accordance with ADA regulations.
61. Sliding glass doors are prohibited.
62. Water closets must be centered, at a minimum, 18 inches from sidewalls, vanity/lavatories and bath tubs.
63. Roof pitch to be a minimum of 4/12.
64. Slab constructed homes / structures. Slab will be elevated a minimum of 16" above fished grade on all elevations.
65. Slab foundations will consist of brick / stone veneer at a minimum height of 16" above finished grade on all elevations.
66. Crawl space constructed home/structures will have a minimum of 30" clearance from the bottom of the lowest structural floor system framing member to grade.
67. Crawl space foundations will consist of brick / stone veneer at a minimum height of 16" above finished grade on all elevations.
68. Wall Framing: Sound proofing or sound batt insulation is required between the studs framing in party walls. A sound rating of STC 54 is required.
69. All new construction projects must submit a complete site specific soils report and boring site plan at the time of submission of final plans and specifications, bound within the project specifications. The soils report and boring site plan must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum of one (1) soil boring at the planned paved area of the project. A registered professional engineer or a certified testing agency with a current license to practice in the State of South Carolina must prepare the report.

**ALL Single Family, Townhouse, and Duplex Projects:**

1. When targeting family populations for single family, townhouse or duplex projects, the Authority will allow only ten percent (10%) of the total units in the project to be two (2) bedroom and one and one half (1½) bathrooms. All other units must be three (3) bedrooms and two (2) full bathrooms.
2. When targeting elderly populations for single family and duplexes, the Authority will allow all units to be two (2) bedrooms and one (1) bathroom. Townhouses may not be developed when targeting elderly populations.
3. All townhouses must contain a minimum of two (2) bedrooms and one and one-half bathroom. At a minimum, a half bathroom must be located on the first floor. Bathrooms are defined as follows: ½ bathroom contains a toilet and vanity with sink; ¾ bathroom contains a toilet, vanity with sink, and a shower; and a full bathroom contains a toilet, vanity with sink, and a tub/shower combination. ADA units ONLY may have a roll in shower.
4. Projects must have concrete driveways, curbing at street and front entry walkways. In the case of new infill scattered site projects, drainage swales will be allowed along the front (street side) in lieu of curbing at the street.
5. Washer and dryer hookup in each unit. Hookups for stackable washer and dryers may only be installed in elderly units.
6. All HVAC air handlers and hot water heaters must be contained within the conditioned space of the unit/building. These may not be located in the attic or crawl space.

# REGULATORY AND/OR PROGRAMMATIC GUIDELINES

## 1. GUIDELINES

- a. Applicants must have identified a specific site or project and have site control of the property at the time of application submission.
- b. Sites submitted as part of an application must be used exclusively for the proposed project; sites cannot be part of a larger parcel which will be delineated at a later time.
- c. All projects are subject to HUD regulations and all other applicable federal and state requirements.
- d. 2018 SRDP Rental Application Tab Checklist (Exhibit 1) is provided to identify the required documentation and its placement in the HOME Rental Application Package.

## 2. PROPERTY STANDARDS

- a. Applicants must adhere to the written standards and specifications developed by the Authority as well as to all State and local standards, codes, ordinances, and zoning requirements in order to use SRDP funds for any activity.
- b. Applicants must adhere to all mandatory design criteria included in this Rental Manual as well as all development design criteria chosen for points.
- c. Where relevant, the housing must be constructed to mitigate the impact of potential disasters (e.g. earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or other State and local requirements, or such other requirements as HUD may establish.

## 3. SITE & NEIGHBORHOOD STANDARDS

Housing provided through the SRDP program must promote greater choice of housing opportunities.

- a. All housing must be suitable from the standpoint of facilitating and furthering full compliance with Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C. 2000d), Title VIII of the Civil Rights Act of 1968, as amended "The Fair Housing Act" (42 U.S.C. 3601) and Equal Opportunity in Housing (Executive Order 11063).
- b. Sites proposed for new construction developments or rehabilitation that includes increasing the number of units in an existing development must:
  1. be adequate in size, exposure, and contour to accommodate the number and type of units proposed;
  2. have utilities available and have adequate streets to service the site;
  3. not be located in areas of minority concentration or in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents
- i. Minority concentration, for purposes of this section, shall be defined as census tracts where the percentage of the total minority population and/or the population of any minority group listed below is greater than or equal to twenty percentage points higher than the population of the same group for the State as a whole. Those proposals which are located in a census track where the percentage of the total minority population and/or the population of a minority group is greater than or equal to the percentages listed below are deemed areas of minority concentration:

| Minority Group                             | Statewide | Equal To or Greater Than  |
|--|-----------|---------------------------|
| Total Minority Population                  | 33.8 %    | 33.8 + 20 = <b>53.8 %</b> |
| Black or African American                  | 27.9 %    | 27.9 + 20 = <b>47.9 %</b> |
| American Indian and Alaska Native          | 0.4 %     | 0.4 + 20 = <b>20.4 %</b>  |
| Asian                                      | 1.3 %     | 1.3 + 20 = <b>21.3 %</b>  |
| Native Hawaiian and Other Pacific Islander | 0.1 %     | 0.1 + 20 = <b>20.1 %</b>  |
| Hispanic or Latino                         | 5.1 %     | 5.1 + 20 = <b>25.1 %</b>  |

Source: U.S. Census Bureau, 2010 Census (this is still the most recent data)

To determine whether a project is located in an area of minority concentration, the Authority will use the 2010 U.S. Census Bureau data for the census track where the project is located:

- A. Go to [www.factfinder.census.gov](http://www.factfinder.census.gov)
- B. Click on "Advanced Search;" the option "Show me all" will appear - click that box.
- C. Click on the "Geographies" box from the choices on the left hand side of the page.
- D. From the *Select Geographies* box that appears, see the second bullet "Select a geographic type" drop-

- down box; choose “Census Tract – 140.” A new pull down box will appear.
- E. From the “Select a State” option, select “South Carolina” and the corresponding county and Census Tract for which your site is located.
  - F. Once you have selected your Census Tract, click the gray “Add to your selection” button at the bottom of the page. Close the *Select Geographies* box by selecting the “X” in the upper right hand corner.
  - G. Next to “Refine your search results,” type in topic or table name “QT-P6.” Two options will appear below the box once you have typed in the report number. Select the report related to “2010.” Click on the gray box to the right labeled “Go.”
  - H. A list of only one report should appear that reads “Race Alone or in Combination.” Click the check box next to this option; click on the table title itself to be taken to the report. You may also click on “View” or “Download” to see the report.
- ii. The two available exceptions to the prohibition against being located in an area of “minority concentration” as defined above are identified in 24 CFR 983.57(e)(3). They include:
1. The project is necessary to meet overriding housing needs that cannot be met in the housing market area.
    - To meet this exception, the overriding housing need must not be caused by the fact that discrimination on the basis of race, color, religion, sex, national origin, age, familial status, or disability renders sites outside areas of minority concentration unavailable. For example, the site is integral to the overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably improving the economic character of the area (a “revitalizing area”).
  2. Sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration.
    - To meet this exception, units may be considered comparable opportunities if they have the same household type (elderly, disabled, family, large family) and occupant type (owner/renter); require approximately the same tenant contribution towards rent; serve the same income group; are located in the same housing market; and are in standard condition. Additionally, there must be an assessment of the overall impact of HUD-assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration which must take into account the extent to which the following factors are present, along with other factors relevant to housing choice:
      - a significant number of assisted housing units are available outside areas of minority concentration;
      - significant integration of assisted housing projects constructed or rehabilitated in the past 10 years relative to the racial mix of the eligible population;
      - whether there are racially integrated neighborhoods in the locality;
      - programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration;
      - minority families have benefited from local activities (*e.g.*, acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration;
      - a significant proportion of minority households have been successful in finding units in non-minority areas under the tenant-based assistance programs; and
      - comparable housing opportunities have been made available outside areas of minority concentration through other programs.

Units produced under this exception should produce a reasonable distribution of assisted units each year that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance must be determined in light of local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality's population.

- iii. Should a proposal be located in an area of minority concentration but is eligible for an exception, the Applicant must provide the Authority with an opinion letter that adequately addresses which exception applies and why.

The Authority will allow information gained from discussions with city/county officials to be part of the letter if clearly relevant to one of the listed exceptions. Documentation should be attached in support of the letter. For example, if a development is located in a designated "Revitalization Area," documentation evidencing the designation must be included. **Exhibit 4** provides a sample letter for use by Applicants.

4. promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons;
  5. not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
  6. be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents;
  7. except for new construction housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, must not be excessive.
- c. If the Authority determines any detrimental site characteristics exist on, adjacent to, or within unallowable distances from the site, the Authority may reject the application.
  - d. Complete and submit a Site and Neighborhood Standards Certification (Form M-40).

#### 4. INCOME TARGETING

- a. HOME Income Targeting
  1. INITIAL OCCUPANCY - Rental housing will qualify as affordable only if the project meets the following requirements at initial occupancy:
    - i. Four or less HOME-assisted units – all HOME-assisted units occupied by families who have annual incomes that are sixty percent (60%) or less of the area median income, adjusted for family size;
    - ii. Five or more HOME-assisted units:
      - 1) At least twenty percent (20%) of the units occupied by families who have annual incomes that are fifty percent (50%) or less of the area median income, adjusted for family size;
      - 2) The remaining units must be occupied by families who have annual incomes that are sixty percent (60%) or less of the area median income, adjusted for family size;
  2. LONG TERM OCCUPANCY - Applicants are required to maintain the following occupancy requirements throughout the affordability period:
    - i. Four or less HOME-assisted units - all HOME-assisted units occupied by families who have annual incomes that are eighty percent (80%) or less of the area median income, adjusted for family size;
    - ii. Five or more HOME-assisted units:
      - 1) At least twenty percent (20%) of the units must be occupied by households with incomes at or below fifty percent (50%) of the area median income, adjusted for family size.
      - 2) The remaining HOME-assisted units may be occupied by households with incomes at or below eighty percent (80%) of the area median income, adjusted for family size.
- b. NHTF Income Targeting - All NHTF-assisted units are to be rented to extremely low-income tenants. Such tenants are those households with incomes at or below 30% AMI or the federal poverty line, whichever is greater.
- c. HTF Income Targeting - all HTF assisted units occupied by families who have annual incomes that are eighty percent (80%) or less of the area median income, adjusted for family size;
- d. Determining Income - An Applicant must determine that each potential tenant (individual or family) is income eligible by determining the family's anticipated annual income as defined in 24 CFR Part 5.
  1. Income must be examined and verified by using third party source documents evidencing annual income (e.g., wage statement, interest statement, and unemployment compensation statement) for the family. In verifying incomes for potential beneficiaries, Applicants should use the Authority's "Determining Income Manual" which can be downloaded from the Authority's website by going to this web address: <http://www.schousing.com/library/Monitoring/DetermineIncomeManual.pdf>.
  2. Income limits are updated annually by HUD. Current income limits can also be downloaded from the Authority's website: <https://www.schousing.com/Home/PartnerIncomeLimits>.

## 5. RENT LEVELS

- a. Rents amounts will be determined on an annual basis by HUD and are restricted for the length of the applicable affordability period.
- b. The HOME Final Rule and NHTF Interim Rule require approval of **all** rents on an annual basis for developments with HOME or NHTF-assisted units. The approval process will be handled by the Compliance Monitoring Department. Annual Rent Approval Form M-66 will be submitted to Compliance Monitoring staff to begin the approval process.
- c. Current Rent limits can be downloaded from the Authority's website: <https://www.schousing.com/Home/PartnerIncomeLimits>.
- d. The rents, as listed, include all applicable utilities. Utilities paid by tenants must be subtracted from the rents to determine the maximum allowable rent. Rents may increase or decrease from year to year. Applicants must use the Utility Allowances provided on the Authority's website **ONLY**. These utility allowances are based on the HUD Model. The Utility Allowances can be found by going to the following web address: <https://www.schousing.com/Home/UtilityAllowances>
- e. Rents are not necessarily representative of current market conditions for projects. The rents are calculated by HUD annually.

## 6. AFFORDABILITY REQUIREMENTS

All HOME and HTF assisted units must remain affordable throughout the twenty (20) year affordability period. All NHTF-assisted units must remain affordable throughout the thirty (30) year affordability period.

## 7. FIXED AND FLOATING UNITS

All units will be fixed not floating. Fixed units – specific units are designated as HOME, NHTF, or HTF assisted units and therefore, subject to each program's rent and occupancy requirements. The unit's designation never changes.

## 8. TENANT SELECTION PROCEDURES

There must be a formal written document that contains policies and criteria on how tenant selections are made. The document must:

- a. Be consistent with the purpose of providing housing for very low and low-income families;
- b. Be reasonable but adhere to Program eligibility and acceptance requirements;
- c. Give consideration to housing needs of families with federal preferences for admission to Section 8 and public housing;
- d. Detail that tenants will be selected in chronological order from a written waiting list;
- e. Establish a policy which ensures prompt written notification will be given should a tenant be rejected and the grounds for such rejection.

## 9. DISPLACEMENT

- a. A tenant is considered displaced if they permanently move from the property as a direct result of rehabilitation, demolition, or acquisition of a HOME or NHTF-assisted project.
- b. A tenant is **not** considered displaced if:
  1. The tenant is evicted for cause, assuming the eviction was not carried out to evade the Uniform Relocation Act (URA) obligations;
  2. The person has no legal right to occupy the property under State or local law (e.g., squatter);
  3. The tenant moved in after the application was submitted for funding and before commencing occupancy they were provided written notice of the planned project stating construction and the possible impact such construction may have on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and that they would not qualify as a "displaced person" as a result of the project; and
  4. The Authority, with HUD's approval, determines they are not displaced.
- c. A temporarily displaced tenant is not considered displaced.

## 10. DISPLACEMENT MAY BE TRIGGERED IN THE FOLLOWING WAYS

- a. Before Application: A tenant moves permanently from the property before the Applicant submits an application for HOME or NHTF assistance and the Authority or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition of the project (e.g., the Authority determines that the Applicant displaced tenants in order to propose a vacant building for assistance).
- b. After Application or Approval: A tenant moves permanently from the property after submission of the application because:
  1. The Applicant requires the tenant to move permanently because of the unit size or the unit is eliminated;

2. The Applicant fails to provide timely required notices to the tenant;
  3. The tenant is required by the Applicant to move temporarily and the Applicant does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable;
  4. The tenant moves permanently from the project because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project. Such tenants are considered economically displaced;
  5. The tenant receives temporary relocation assistance beyond one year; therefore, are considered displaced and are eligible for permanent relocation assistance.
- c. The Authority HIGHLY ENCOURAGES Applicants to make EVERY effort to not trigger displacement.
1. Applicants should offer tenants the opportunity to lease an affordable suitable unit within the project if possible.
  2. All Applicants should become familiar with the URA and Section 104(d) of the Housing and Community Development Act (also known as the "Barney Frank Amendments" and any applicable relocation rules).

## 11. TENANT PROTECTIONS

- a. The Tenant Applicant is required to:
1. Follow the provisions of 24 CFR Part 92.253 of the HOME regulations and 24 CFR Part 93.303 for tenant lease protections;
  2. Execute a lease agreement for a minimum of twelve (12) months, unless by mutual consent, the tenant and owner agree to a lesser term.
- b. An owner may not terminate the tenancy or refuse to renew the lease of a tenant for rental housing assisted with HOME or NHTF funds except for serious or repeated violations of the terms of the lease; for violation of applicable federal, state or local law; or for other good cause.
- c. Any termination or refusal to renew must be preceded by no less than thirty (30) days written notice specifying the grounds for the action.
- d. Owners may not refuse, except for just cause, to lease a HOME or NHTF-assisted unit to a family, which holds a rental certificate or voucher or a comparable document under the HOME or NHTF Program.
- e. Owners may not refuse to lease to a tenant applicant solely because he or she is a victim of domestic violence, dating violence or stalking. Compliance for units under the Violence Against Women Act (VAWA) went into effect December 16, 2016. Furthermore, Owners may have additional obligations under the VAWA Act to include permitting a tenant to move units, terminate a lease early, etc.

## 12. PROHIBITED LEASE TERMS

- a. Agreement to be sued: Agreement by the tenant to be sued, admit guilt or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
- b. Treatment of Property: Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law.
- c. Excusing the Owner from Responsibility: Agreement by the tenant not to hold the owner or the owner's agents legally responsible for actions or failure to act, whether intentional or negligent.
- d. Waiver of Notice: Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant.
- e. Waiver of Legal Proceedings: Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant would have the opportunity to present a defense.
- f. Waiver of Legal Trial: Agreement by the tenant to waive any right to a jury trial.
- g. Waiver of Right to Appeal Court Decision: Agreement by the tenant to waive their right to appeal or to otherwise challenge in court a decision in connection with the lease.
- h. Tenant Chargeable with Cost of Legal Actions regardless of Outcome: Agreement by the tenant to pay attorney fees or other legal costs even if the tenant wins the court proceeding by the owner against the tenant. The tenant however, may be obligated to pay costs if the tenant loses.
- i. Requirement for tenants to participate in mandatory services.

## 13. ELIGIBLE PROJECT COSTS (24 CFR PART 92.206)

All costs must be "reasonable and necessary", included in the application, and approved as part of the development budget. Costs include the following:

- a. *Development Hard Costs*
1. Costs to meet the applicable building standards in effect at the time a building permit is obtained from the locality.

2. Costs to make essential improvements including the actual costs of construction.
3. Energy-related improvements.
4. Improvements necessary to permit use by handicapped persons.
5. Lead Based Paint Hazard Reduction.
6. Costs to demolish existing structures for which construction will begin within twelve (12) months of a commitment.
7. Costs for improvement to the project site (Please note, any site work completed before the application is submitted cannot be included in costs. Any value of site work previously completed must be captured only by the appraised value).
8. Costs of acquiring optioned improved or unimproved land for which construction will begin within twelve (12) months of a commitment.
9. Improved or unimproved land being acquired must be valued at the lesser of the purchase price or the appraised value submitted with application.
10. For projects that contain 24 affordable units, construction costs of a small, approximately 500 sq. ft., on-site office.

b. *Related Soft Costs*

- Loan origination fees
- Title report and update fees
- Recordation fees
- Preparation and filing legal document fees
- Appraisals
- Market Study Report fees
- Attorney's fees
- Loan processing fees
- Developer fees
- Architectural fees
- Engineering fees
- Preparation of work write-ups/cost estimate fees
- Project audit costs (only eligible under certain circumstances)
- Affirmative marketing and fair housing costs
- Operating Reserves for NHTF-assisted units ONLY for which project based rental assistance is not provided.

- c. *Project Pre-Development Costs* – Pre-development soft costs incurred up to 24 months before a commitment of funds may be reimbursed. Eligible pre-development costs are those necessary to develop and prepare plans, drawings, specifications, or work write-ups, etc. Costs for such must be documented through invoices and submitted with the application as part of the underwriting process.

**14. PROHIBITED ACTIVITIES/COSTS (24 CFR PART 92.214 & 24 CFR PART 93.204)**

Funds may not be used for:

- a. Utility connections – (i.e. tap fees, lift or pump stations)
- b. Project reserves (rent-up and replacement reserves)
- c. Limitations on Actions Pending Environmental Clearance. HOME funds may not be used to reimburse a non-governmental entity for project-related costs incurred after the Applicant has submitted an application for HOME funds and before the environmental review process has been completed, approved by HUD and the Authority in receipt of the Authority to Use Grant Funds
- d. Delinquent taxes, fees or charges on properties to be assisted with funds
- e. Any cost that is not eligible under § 92.206 through 92.209, and § 93.201 and 93.202.
- f. Infrastructure costs
- g. Playground equipment
- h. Use of stored materials
- i. Purchase of construction equipment

**15. CONSTRUCTION & PROCUREMENT**

- a. All projects must complete the Construction Cost Addendum (Form M-35) included with the application. The Construction Cost Addendum can be completed by an architect, general contractor or local government personnel who will not bid on the project. It **cannot** be completed by the Applicant.

- b. Applicants must ensure that every entity awarded a contract is not on the list of Parties Excluded from Federal Procurement or Non-Procurement Programs as published by the U. S. General Services Administration and HUD Regional and Field Offices' Limited Denials of Participation lists.
- c. Applicants must receive notice from the Authority that an environmental review is complete and an *Authority to Use Grant Funds* notice from HUD (or other certification from the Authority, if applicable) has been released before executing a construction contract, starting construction, or taking any physical actions on a site.
- d. If the proposed project is already underway, all work must cease immediately once the application for funds has been made. No work or choice limiting actions may occur after the application submission date. Work may only recommence after an environmental review has been completed and an *Authority to Use Grant Funds* notification (or other certification from the Authority, if applicable) has been received. Projects already underway are only eligible if they were started without the intent of using federal assistance.
- e. **Procurement for construction services must be performed using a competitive sealed bid process.** Applicants must have an established procurement policy that is submitted as part of the application that describes compliance with:
  - 1. Applicable state, local laws and regulations, along with Federal regulations 24 CFR Part 200.36
  - 2. Regulations of Section 3, MBE/WBE, Minority Outreach requirements and Federal Labor Standards, if applicable
  - 3. A competitive sealed bid process
    - i. **A minimum of three bids**
    - ii. Bids from general contractors who are licensed in the State of South Carolina.
    - iii. Bids submitted with line item costs.
    - iv. Acceptable bids no more than 10% higher or lower than the independent cost analysis or the work write-up approved by the Authority, maintaining and following the written procurement policies approved during the application approval process.
  - 4. Procurement transactions conducted in a manner to provide, to the maximum extent practical, open and free competition.
  - 5. Organizational and personal conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade are prohibited.
  - 6. Solicitations that clearly set forth all requirements that the bidder shall fulfill in order for the bid to be evaluated by the recipient. Bidders must be informed of all the federal requirements the project will be subject to.
  - 7. Contracts entered into only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.
  - 8. Award recipients are not allowed to act as their own general contractor or perform any contractual services on awarded projects.
  - 9. **Any exception to the above items must be approved in writing by the Authority.**

#### 16. PAYMENT & PERFORMANCE BOND

- a. Applicants drawing funds during construction are required to provide either:
  - 1. *A Direct Pay Irrevocable Letter of Credit*, or
  - 2. *A Payment and Performance Bond*.
- b. Acceptable letters of credit must be payable directly to the SC State Housing Finance & Development Authority in an amount equal to the total construction contract.
- c. All letters of credit will be reviewed to limit the Authority's liability.
- d. A Payment and Performance Bond must be in an amount equal to the total construction contract.

#### 17. DAVIS-BACON ACT

- a. All projects containing twelve (12) or more HOME-assisted units shall comply with the Davis-Bacon Act. When funds are used in twelve (12) or more units, the Applicant must comply with the provisions requiring the payment of not less than the prevailing wages in the locality.
- b. The wage rates are predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act, to all laborers and mechanics employed in the development of any part of the housing ([www.wdol.gov](http://www.wdol.gov)).
- c. The Applicant will be required to enforce labor standards, process weekly payroll forms, and include the Federal Labor Standards Provisions and Wage Rates in all applicable contracts.
- d. The Authority will randomly conduct on-site inspections for employee interviews.



## 18. ENVIRONMENTAL REVIEW REQUIREMENTS

**Completion of the environmental review process, including HUD approval for use of HOME funds, is mandatory before taking action on a site, including the purchase of the site, or making a commitment or expenditure of HUD or non-HUD funds for property acquisition, rehabilitation, conversion, lease, repair or construction activities.** In accordance with 24 CFR Part 58 participants, recipients, owners, developers, sponsors or any third party partners CAN NOT take any physical actions on a site, begin construction, commit, expend, or enter into any legally binding agreements that constitute choice limiting actions for any HUD or non-HUD funds before the environmental review process has been completed and an “Authority to Use Grant Funds” has been received from HUD. **Any violation of the statutory regulation will result in the automatic de-obligation of a conditional commitment.**

- a. Applicants will commission environmental consultants to prepare environmental reviews that meet NEPA and NHTF environmental provisions for their applications. Applicants must use an Environmental Consultant/Firm from the Authority’s Approved Environmental Consultant List to complete the environmental review. The consultant/firm completing the environmental review can be a different firm than the one that completed the Phase I environmental report. The environmental review is due three months after a conditional commitment is made.
- b. Once an awardee’s environmental review has been approved, the Authority will publish a Notice of Intent (NOI) and a Request for Release of Funds (RROF). Local governments are responsible for their own publishing of these notices.
- c. Funds will **not** be awarded to projects which require mitigation of any hazardous materials, other than lead-based paint and/or asbestos, found on, within, or adjacent to the proposed site(s).
- d. For projects involving acquisition, an option agreement on a proposed site or property is allowable prior to the completion of the environmental review **if and only if** the option agreement is conditional in nature so as not to provide legal claim to any amount of HOME funds to be used for the specific project or site until the environmental review process is completed. Language to meet this requirement is provided below:

“Notwithstanding any provision of this Agreement, if U.S. Department of Housing and Urban Development (HUD) funds are used, including, but not limited to HOME funds, the parties agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of an environmental review and receipt of a release of funds notice from the U.S. Department of HUD under 24 CFR Part 58. The parties further agree that the provision of any federal funds to the project is conditioned on the determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review. If no HUD funds are utilized in regard to this property, this provision shall be considered null and void.”
- e. If the proposed project is already underway **all work must cease immediately** once the application for funds has been made. No work or choice limiting actions may occur after the application date. Work may only recommence after an environmental review has been completed and approval by the *Authority to proceed* has been given.
- f. All Applicants should refer to the Authority’s Environmental Review Manual for further information.

## 19. LEAD-BASED PAINT

- a. Projects are subject to compliance with Lead-Based Paint Regulations. Effective September 15, 2000, the U.S. Department of Housing and Urban Development (HUD) issued a regulation designed to protect young children from lead-based paint hazards in housing that is financially assisted by the federal government or being sold by the government. The regulation, “Requirements for Notifications, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance,” was published in the Federal Register on September 15, 1999. This regulation appears within title 24 of the Code of Federal Regulations as part 35 24 CFR Part 35. The requirements apply to housing built before 1978; the year lead-based paint was banned nationwide for consumer use. The regulation sets hazard reduction requirements that give a much greater emphasis than previous regulations to reducing lead in house dust. The regulation requires dust testing after paint is disturbed to make sure the home is lead-safe. Specific requirements depend on whether the housing is being disposed of or assisted by the federal government, and also on the type and amount of financial assistance, the age of the structure, and whether the dwelling is rental or owner-occupied.
  1. *Types of Housing Covered:*
    - i. Federally-owned housing being sold
    - ii. Housing receiving a federal subsidy that is associated with the property, rather than with the occupants (project-based assistance)
    - iii. Public housing
    - iv. Housing occupied by a family (with a young child) receiving tenant-based subsidy (such as a voucher or certificate)
    - v. Multifamily housing for which mortgage insurance is being sought

- vi. Housing receiving federal assistance for rehabilitation, reducing homelessness, and other special needs
- 2. *Types of Housing Not Covered:*
  - i. Housing built since January 1, 1978, when lead paint was banned for residential use
  - ii. Housing exclusively for the elderly or people with disabilities, unless a child under age 6 is expected to reside there
  - iii. Zero-bedroom dwellings, including efficiency apartments, single-room occupancy housing, dormitories, or military barrack
  - iv. Property that has been found to be free of lead-based paint by a certified lead-based paint inspector
  - v. Property where all lead-based paint has been removed
  - vi. Unoccupied housing that will remain vacant until it is demolished
  - vii. Non-residential property
  - viii. Any rehabilitation of housing improvement that does not disturb a painted surface
- b. All Applicants proposing projects subject to the Lead- Based Paint requirements must provide a copy of the lead based paint evaluation and include in the cost estimate the costs for the lead hazard reduction.

## 20. SECTION 504

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination against persons with disabilities in the operation of programs receiving Federal financial assistance. HUD regulations implementing Section 504 contain accessibility requirements of housing as well as requirements for ensuring that the programs themselves are operated in a manner that is accessible to and usable by persons with disabilities.

New Construction projects with five (5) or more units must have a minimum of five percent (5%) of the units accessible to individuals with mobility impairments AND an additional two percent (2%) of the units accessible to individuals with sensory impairments.

## 21. SECTION 3

- a. Section 3 requirements apply to the following all assisted projects:
  - a. Projects assisted with HUD funds for construction and rehabilitation activities in excess of \$200,000
  - b. Contracts and subcontracts exceeding \$100,000 that were awarded in connection with projects assisted with HUD funds for construction and rehabilitation activities in excess of \$200,000.
- b. If a new construction or rehabilitation project is assisted with any HUD program funds in excess of \$200,000 but no single contractor or subcontractor is awarded more than \$100,000 in association with the project then only the organization that directly received the HOME and/or NHTF assistance is subject to comply with the Section 3 requirements concerning training, employment and contracting activities.
- c. If there are contracts and subcontracts awarded in conjunction with the Section 3 applicable project, then Section 3 requirements apply to the organization that directly received the HOME and/or NHTF funds and all the contracts and subcontracts for work awarded in connection with the project that are in excess of \$100,000.
- d. These include all contracts and subcontracts awarded in excess of \$100,000, even those not funded with Authority funds and those that are for non-construction related activities.
- e. The purpose of Section 3 of the Housing and Urban Development Act of 1968, as amended is to ensure that “the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low and very low income persons, particularly those who are recipients of government assistance for housing.”
- f. To the greatest extent feasible, HOME participants and their contractors and subcontractors must provide opportunities for job training, employment, contracting and subcontracting to Section 3 residents and businesses. See 24 CFR Part 135 for regulations enacted in furtherance of Section 3.

## 22. MONITORING & COMPLIANCE

All projects are subject to HOME and NHTF compliance monitoring requirements. At a minimum, the owners of projects are responsible for conducting the following annually:

- a. Maximum rent and utility allowances must be reviewed and recalculated annually upon the anniversary of the lease renewal date. Updated rents are published annually by HUD and are provided on the Authority’s website.
- b. The HOME and NHTF Rules require approval of **all** rents on an annual basis for developments with such units regardless if rents are increasing, decreasing, or staying the same. The approval process will be handled by the Compliance Monitoring Department. Annual Rent Approval Form M-66 will be submitted to Compliance Monitoring staff to begin the approval process.

- c. HUD Utility Schedule Model. All utility allowance calculations on the Excel Spreadsheets as part of the HUD Utility Schedule Model must be provided. The Authority reserves the right to review all backup data used for calculations. HUD link: <http://www.huduser.org/portal/resources/utimodel.html>.
- d. The annual income or annual gross income of tenants must be reviewed and verified each year. Updated incomes are published annually by HUD and are provided on the Authority's website.
- e. The annual income definition found at 24 CFR Part 5: income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12 month period.
- f. On-site inspections for compliance with the Uniform Physical Conditions Standards (UPCS) should be conducted by the owners:
  - 1. The Authority conducts periodic on-site compliance reviews throughout the affordability period to ensure compliance with HOME and NHTF rental program requirements. These reviews include, but are not limited to, occupancy requirements and property standards. Refer to the *Compliance Manual* located on the Authority's website for further compliance monitoring requirements.
  - 2. Rental projects with 10 or more units will be required to submit financial statements annually to determine the financial health of the project. Specifics will be determined upon release of guidance from HUD.

### 23. TERMINATED PROJECTS

- a. Any assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and any funds invested in the project must be repaid to the Authority
- b. The Authority allows Applicants ninety (90) days from the date of termination to repay the funds back to the Authority or risk future eligibility for funding and debarment from Authority administered programs.

### 24. STALLED PROJECTS

- a. Projects that do not progress as outlined in the Funding Agreement, fail to meet established deadlines and/or require extensions and/or waivers are considered stalled projects.
- b. One year from the commitment date, tangible, ongoing, and continuous construction must have started. Should this benchmark not be met, the project will be considered stalled.
- c. Projects in which construction stops for 60 days or more will be considered stalled, with the exception of those projects stopped by the locality for reasons beyond the owner/recipient's control.
- d. Projects not completed within three years from the date of project commitment **may be terminated** and all funds invested in the project must be repaid to the Authority.

### 25. AFFIRMATIVE MARKETING PLAN - steps consisting of actions to provide information and otherwise attract eligible persons in the housing market area to the proposed assisted housing without regard to race, color, national origin, sex, religion, familial status, or disability. The steps must include requirements (use of commercial media, use of community contacts, use of Equal Housing Opportunity Logo or slogan, and display of fair housing poster) and practices each Applicant will take in order to carry out affirmative marketing procedures such as:

- a. Informing and soliciting applications from persons in the housing market who are not likely to apply for the housing without special outreach. Include the special outreach planned for this particular project.
- b. Describe records that will be kept documenting actions taken to affirmatively market the program and units as well as records to assess the results, positive or negative, of the actions taken.

### 26. ADDITIONAL FEDERAL REQUIREMENTS

Applicants shall comply with all other federal requirements that may not be listed in this manual that are outlined in 24 CFR Part 91, 92, and 93 such as, **but not limited to**;

- a. General Audit Requirements – audits must be conducted in accordance with 2 CFR Part 200, subpart F.
- b. Equal Opportunity, Nondiscrimination, and Fair Housing
- c. Flood Insurance and Executive Order 12372
- d. Affirmatively Furthering Fair Housing Final Rule at 24 C.F.R. §5.162
- e. Conflict of Interest
- f. Debarment and Suspension
- g. Title VI Civil Rights Act - 1964 (Nondiscrimination in Federal Programs)
- h. Age Discrimination Act – 1975
- i. Development Act of 1968
- j. Executive Orders 11625 (MBE), 12432, and 12138 (WBE)

