

Public comments received on the Draft 2016 National Housing Trust Fund Allocation Plan and SC Housing's responses to the comments:

Comment: There should be no limit on how much NHTF funding should be allowed per project.

SC Housing Response: With the first year's allocation of just \$3 million for the entire state, SC Housing is maintaining the up to \$700,000 per project limit.

Comment: The geographic diversity limit of \$900,000 for each of the three regions of the state, Low Country, Midlands, and Upstate, should be abandoned.

SC Housing Response: Although geographic diversity is a funding priority of the National Housing Trust Fund Interim Rule, such geographic diversity is to follow the State's Consolidated Plan. As there are no specified geographic or regional targeting of funds stated in the State's Consolidated Plan, SC Housing removed the geographic distribution limit.

Comment: Market studies or market analysis reports are unnecessary development expenses.

SC Housing Response: § 93.300 (b)(2) of the National Housing Trust Fund Interim Rule mandates that an assessment must be done, at minimum, of the current market demand in the neighborhood in which a NHTF project will be located.

Comment: Appraisals are unnecessary development expenses.

SC Housing Response: While the National Housing Trust Fund Interim Rule does not require appraisals, appraisal costs are eligible NHTF project costs. SC Housing believes requiring appraisals is financially prudent and does not add significantly to a project's total development costs. As such, appraisals are still a NHTF project requirement.

Comment: The current liquidity requirement of \$200,000 and net worth minimum of \$500,000 for all NHTF applicants will preclude several local nonprofits.

SC Housing Response: Reductions were made in both requirements. The NHTF Allocation Plan submitted to HUD states the following, "An applicant or applicant group must have a minimum of unrestricted liquid assets of \$100,000 and a minimum net worth of \$200,000."

Comment: Requiring an applicant entity to have a minimum of three (3) full time staff members will restrict some nonprofit and smaller housing authorities from qualifying as eligible applicants.

SC Housing Response: It is not SC Housing's intent to exclude nonprofits or smaller housing authorities from participating in the NHTF program. The current applicant experience threshold criterion is meant to ensure awardees have the appropriate development experience and staff capacity, as mandated by the interim rule, to demonstrate the ability to undertake, complete, and manage a NHTF project. Requiring a staff of three (3) full time staff members to perform all of the tasks necessary to develop a project which must adhere to multiple federal regulations does not appear to be unreasonable.

Comment: Clarify applicant/recipient capacity criteria so as not to eliminate public housing authorities from participating.

SC Housing Response: The following is HUD's response to comments regarding PHA participation: Public housing agencies (PHAs) are already eligible entities to be NHTF recipients. They are eligible to apply for NHTF funding if they have the required capacity defined in the NHTF statute and at § 93.2. PHAs, if qualified as recipients, can compete for NHTF funding to develop NHTF-assisted projects. HUD has considered the comments that the NHTF should be permitted to be used for public housing projects and agrees that there is a role for the NHTF in public housing. HUD has decided to allow the use of NHTF funds (1) in connection with the Choice and LIHTC programs for construction of new units that replace existing public housing properties; and (2) for the rehabilitation of existing public housing units in connection with the Rental Assistance Demonstration (RAD), Choice, and LIHTC programs. When the NHTF program proposed rule was published on October 29, 2010, RAD was not yet established. RAD was established by HUD's 2012 Appropriations Act (Pub. L. 112-55, 125 Stat. 552, approved November 18, 2011, at 125 Stat. 673). Consequently, there were no public comments submitted on the NHTF

program proposed rule about the possible interplay between NHTF and RAD. However, with RAD now an active demonstration program, questions have been raised to HUD about whether NHTF may be used for RAD units, and HUD takes the opportunity to address those questions in this preamble. NHTF funds can be used in connection with RAD for the rehabilitation of public housing properties in which assistance will be converted and used. NHTF funds can also be used for rehabilitation of “RAD units” (that is public housing properties in which assistance has been converted) after conversion takes place. Such uses are not contrary to HUD’s position that use of NHTF funds for public housing is limited to use with other programs to rehabilitate or replace public housing properties, and not for the expansion of the public housing inventory, which can be achieved through other funding sources.

Comment: Do not use NHTF with the Low-Income Housing Tax Credit Program (LIHTC).

SC Housing Response: Information disseminated regarding the NHTF program, including HUD’s response in the answer above, clearly indicates the expectation that NHTF is to be used with LIHTC. Additionally, many SC affordable housing stakeholders have expressed a desire to see NHTF combined with LIHTC. As such, it is probable NHTF will be combined with LIHTC as this program moves forward.

Comment: Include provisions which will make local developers priority NHTF recipients.

SC Housing Response: SC Housing does not give priority to in-state developers in any of its affordable housing programs; rather, developers are assessed based on the capacity of their development team to undertake, complete and manage affordable housing projects.

Comment: Rather than use 30% AMI or the poverty line as rent and income limits, use 30% of 30% income and rent limits.

SC Housing Response: SC Housing will be using NHTF rent and income limits as determined and released by HUD. This determination may be revisited as the NHTF program moves forward.

Comment: Do not use NHTF for operating expenses/reserves.

SC Housing Response: The NHTF Interim Rule does not allow operating subsidies for those projects utilizing project based rental assistance (PBRA). SC Housing is currently finalizing NHTF financial requirements and may allow the use of NHTF for a small operating reserve.

Comment: Do not require project signs.

SC Housing Response: SC Housing requires project signs with a fair housing logo. Existing signs for rehabilitation projects which are in good condition may be allowed without the installation of a new sign based on an Authority inspection.

Comment: Do not require townhomes to have 1 and ½ bathrooms.

SC Housing Response: SC Housing does not consider requiring at least a ½ bathroom on every level of a home unreasonable. As such, the requirement for 1 and ½ bathrooms in townhomes will remain.

Comment: Do not require rehabilitation of units to have 1 and ½ bathrooms.

SC Housing Response: SC Housing made adjustments in the number of bathrooms required for rehabilitation projects. Units containing up to three (3) bedrooms must have one (1) full bathroom. Full bathrooms are defined as containing a toilet, vanity with sink, and a tub/shower combination. Units with four (4) or more bedrooms must have one (1) full bathroom and one (1) three-quarter (3/4) bathroom. Three-quarter bathrooms are defined as a toilet, a vanity with sink, and a shower.

Comment: Use current per unit subsidy limits to ensure other funding sources are leveraged.

SC Housing Response: SC Housing calculated NHTF per unit subsidy limits based on actual per unit construction costs for SC Housing’s HOME only program. According to the NHTF Interim Rule, leveraging of other funding sources is required, and as such, is part of the 2016 NHTF Allocation Plan as submitted to HUD.