

National Housing Trust Fund

2017 Rental Manual

South Carolina State Housing Finance & Development Authority
Development Division

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INTRODUCTION and PURPOSE

The National Housing Trust Fund (NHTF) is a new affordable housing production program that is designed to complement existing federal, state and local efforts to increase and preserve 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 NHTF was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289). Section 1131 of HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 et seq.) (Act) to add a new section 1337, entitled "Affordable Housing Allocation" and a new section 1338, entitled "Housing Trust Fund." On January 30, 2015, HUD published an Interim Rule which guides implementation of the NHTF by the state-designated entities. As the state-designated entity, the South Carolina State Housing Finance and Development Authority (Authority) will have the opportunity to offer comments regarding the initial implementation to HUD for the eventual issuance of a final rule.

The Authority is required to use at least 80 percent (80%) of each annual allocation for rental housing; no more than 10 percent (10%) for homeownership housing; and up to 10 percent (10%) for reasonable administrative and planning costs. All NHTF-assisted rental housing must meet a minimum affordability period of 30 years. **For the 2017 program year, NHTF will be used for rental housing only.**

In any fiscal year that total NHTF funding is less than \$1 billion nationally, 100 percent (100%) of each state's allocation must benefit households at or below 30 percent (30%) of the area median income or households below the poverty line, whichever is greater. Should national NHTF funding equal or exceed \$1 billion, at least 75 percent (75%) must benefit households at or below 30 percent (30%) of the area median income or below the poverty line, whichever is greater. Any NHTF funding not used for ELI households must be used for VLI households. In 2016, HUD determined the total amount of the trust fund to be approximately \$174 million. In January of 2017, the Authority received notice that South Carolina had been allocated \$3,000,000 for the initial NHTF program year.

The Authority's mission is to create quality affordable housing opportunities for the citizens of South Carolina. More specifically, our goal is to promote partnerships with various municipalities, banking institutions, nonprofit organizations, for-profit organizations, and Public Housing Authorities (PHAs). The Authority will work with these partners to increase awareness of the NHTF Program while increasing housing quality and capacity statewide.

According to the Interim Rule, there are ten (10) criteria to be considered when selecting applications and recipients to receive NHTF funding. Such criterion are listed below as well as discussed throughout this manual.

1. Geographic Diversity - Priority based upon geographic diversity as defined by a state's consolidated plan. According to the 2016-2020 South Carolina State Consolidated Plan for Housing and Community Development, there are no specified geographic priorities or regional targeting of funds as it pertains to HUD programs, with the exception of the HOPWA program. As such, NHTF will be available statewide to the highest ranked applications until all NHTF funds are exhausted.
2. Applicant Capacity
3. Project-based Rental Assistance
4. Duration of Affordability Period
5. Priority Housing Needs of the State - As designed, South Carolina's NHTF program will be available to new construction affordable rental housing units only. As such, all applications will meet at least one of South Carolina's priority housing needs; improve affordable housing opportunities statewide, particularly rental housing. Depending on the variety of applications submitted, additional priority housing needs may also be addressed
6. Leveraging
7. Eligible Activities

8. Eligible Recipients
9. Performance Goals and Benchmarks - The Authority anticipates the NHTF program will assist 100 extremely low-income households over the course of the 2016-2020 Consolidated Plan years.
10. Rehabilitation Standards - Not applicable, new construction only projects for 2017.

DEFINITIONS

Acquisition of vacant land: NHTF funds may be used for acquisition of vacant land only if construction will begin on a NHTF project within 12 months of the date of purchase. Land banking is prohibited.

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

Applicant or Applicant Entity: Any eligible organization, agency, or other entity (including a public housing agency, or a for-profit entity or a nonprofit entity), proposing to acquire and construct affordable housing utilizing NHTF program funds.

Application: The completed forms, exhibits, attachments, and any additional documentation requested in the NHTF application package. This includes but is not limited to, financial statements, audits and/or letters of support from the local unit of government.

Application Deadline: Not later than 5:00 p.m., (EST) on Friday, June 30, 2017.

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

Application Cycle: The timeframe during which applications for NHTF funding will be accepted by the Authority; this is June 26-30, 2017.

Appraisal: A written report which provides an estimated value of a piece of property prepared by an independent third party licensed real estate appraiser. For rehabilitation developments, appraisals must represent the income approach. For new construction developments containing only vacant land, 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 for which construction must start within twelve (12) months of the agreement date.

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

Deferred 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 NHTF Funding Agreement or the Mortgage and Security Agreement.

Development Costs: The total costs incurred in the development of a project that are considered 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 indefinite, 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 Authority which administers the NHTF Program.

Draw: The disbursement of NHTF funds to a project.

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

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

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

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

Extremely Low-Income (ELI): Low-income households whose annual incomes do not exceed 30 percent (30%) of the median family income of a geographic area, as determined by HUD with adjustments for smaller and larger households.

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

Financial Commitment: An original executed letter, contract, or agreement from each funding source verifying that an NHTF Applicant has firm commitments for a project. A commitment 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 terms and interest rate, if applicable, for the funds.

Financial Statements: Statements that have been compiled, reviewed, or 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. **Applicants or Applicant Entities must have a minimum of \$100,000 in unrestricted liquid assets and a minimum net worth of \$200,000.**

General Contractor: A duly licensed entity, or individual, licensed by the State of South Carolina who agrees for a specific period, to furnish all materials, labor, and services related to the new construction of a building or buildings.

Homeless: An individual who lacks a fixed, regular, and adequate nighttime residence; as well as 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.

Housing Trust Fund (HTF): The South Carolina Housing Trust Fund was 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 NHTF assistance are income eligible according to the 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.

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.

Infill housing: The insertion of additional housing units into an already established subdivision or neighborhood. Examples include additional units built on the same lot by dividing existing homes into multiple units or by creating new residential lots by further subdivision or lot line adjustments. Housing units may also be built on vacant lots.

Letter of Commitment: An original 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 Study Needs Assessment Report: An independent third party report prepared to review the market conditions in a specified area. Applications with twelve (12) or fewer units must submit a Market Demand Needs Assessment Report.

National Housing Trust Fund (NHTF): The Housing Trust Fund, Interim Rule pursuant to the HUD Regulations 24 CFR Parts 91 and 93, as amended.

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

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.

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 for the 2017 NHTF program year.)

Poverty Line: The official poverty line defined by the Office of Management and Budget based on the most recent data available from the Bureau of the Census, revised annually.

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 a NHTF 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: A site or sites together with any building or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with NHTF funds as a single undertaking. The project includes all the activities associated with the site and building.

Project Completion: Occurs when all necessary title transfer requirements have been finalized; NHTF 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 NHTF funds has been disbursed for the project; the project completion reports have been submitted to, and approved by, the Authority; 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 the NHTF Program loan together with interest, if applicable, on a specified date.

Recipient: An Applicant or Applicant Entity that has been awarded NHTF program funds.

Reconstruction: The rebuilding on the same lot, of housing standing on a site at the time of project commitment, except that housing that was destroyed may be rebuilt on the same lot if NHTF funds are committed within 12 months of the date of destruction. The number of housing units on the lot may not be decreased or increased as part of a reconstruction project, but the number of rooms per unit may be increased or decreased.

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 NHTF award will count towards the limitation per Principal. Notwithstanding anything to the contrary contained herein, the Authority will not award more than two (2) NHTF awards, directly or indirectly, to one (1) Principal.

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 NHTF projects regardless of target population. This definition applies to each Applicant individually. The following requirements must also be met:

1. All buildings must be under the ownership of one entity;
2. All buildings must be developed under one plan of financing and considered a single development by all funding sources;
3. All units must be managed by one management entity;
4. All sites must be within a 2,000 feet radius of each other for environmental review purposes; and
5. 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 receive points based on parcel B);
6. 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 either food preparation or sanitary facilities (and may contain both). If the unit does not contain sanitary facilities, the building must contain sanitary facilities that are shared by tenants.

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: Sustaining at least ninety-three percent (93%) occupancy for six (6) consecutive months.

Transitional Housing: Facilities designed to provide housing as well as appropriate supportive services to individuals or families who are homeless or at risk of becoming homeless. The goal of transitional housing is to help people live independently and transition into permanent housing. Some programs may require that the individual/family be transitioning from a short-term emergency shelter. The length of stay may be limited. Supportive services may be available like assistance with job hunting and finding permanent housing.

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

Very Low-Income (VLI): Persons/households with income above thirty percent (30%) but not greater than fifty percent (50%) of the median income for the area, as determined by HUD, with adjustments for family size.

GENERAL INFORMATION

1. Anticipated NHTF Schedule:

Workshop	Thursday, May 18, 2017
Application Submission Deadline	Friday, June 30, 2017
Application Review	July - August
Missing Documentation Letters Mailed	Early August
Construction Cost and Underwriting Review and Analysis	July - August
Environmental Provisions Review	August
Conditional Commitment Letters Mailed	August - September

2. After the NHTF Workshop, any clarifications or revisions to the contents of the NHTF Rental Manual by the Authority will be documented in the form of a bulletin. Bulletins will be posted on the Authority’s NHTF website and disseminated to all persons on the Authority’s NHTF contact list via email. It is the Applicant’s responsibility to check the Authority’s website for any revisions that may occur.

3. Applications may be obtained from the Authority’s website at www.schousing.com or requested in writing at the following address: South Carolina State Housing Finance and Development Authority, ATTN: NHTF Program Application Package, 300–C Outlet Pointe Blvd., Columbia, SC 29210.

4. Applications for the 2017 NHTF Rental Application cycle must be submitted to the Authority between June 26-30, 2017, during the regular business hours of 8:30 a.m. to 5:00 p.m. (EST). Applications received after the June 30, 2017 deadline will not be considered for funding and will be returned to the Applicant.

5. Applications may be delivered by hand, mail, or other shipping services. Applications will NOT be accepted by facsimile and/or e-mail transmission.

6. Applicants must submit one (1) original application package in a 3-ring binder and one (1) copy, both applications must be appropriately separated with tabs; 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.

7. All applications, including copies, must be self-contained and complete. Complete applications must include all pages of the application and all items identified on the **F-1 - 2017 NHTF Rental Application Tab Checklist** along with all supporting documentation. The **F-35 - Construction Costs Addendum** is required as part of a complete application. The Authority will not rely on any previously submitted information, written or verbal, to evaluate applications.
8. A nonrefundable \$200 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. All costs incurred by the Applicant in the preparation, transmittal, or presentation of the application package are the responsibility of the Applicant.
9. All documentation must not be dated prior to January 1, 2017, unless otherwise stated in this Manual; such as site control documentation which can be dated after July 1, 2016.
10. All legally binding executed financial commitments from all funding sources must be submitted at the time of the initial NHTF application submission. The NHTF Interim Rule requires that all other sources of financing for a project be committed to the project prior to committing NHTF funds. Therefore, the Authority cannot accept any proposed or anticipated to be applied for funding sources as part of the project's financial structure.
11. Consultants are limited to the administrative management of the project only and may not be involved with more than two (2) open NHTF awards at a time.
12. The Authority reserves the right to:
 - a. Award Applicants less than the amount of NHTF funds requested.
 - b. Reject any and all applications received.
 - c. Waive or modify minor irregularities in applications upon notification to the Applicant.
 - d. Adjust or correct any mathematical errors in the application.
 - e. Request and receive clarification from the Applicant to ensure an understanding of the application submitted.
 - f. Adopt or utilize all or any part of the application unless covered by legal copyright, patent or property rights; in which case the Authority must be notified in advance.
 - g. Negotiate with the Applicant to serve the best interest of the Authority.
13. Awarded Applicants, whose project(s) successfully complete the environmental review process, will receive a NHTF Funding Agreement.
 - a. NHTF Funding Agreements contain deadlines for committing and expending NHTF funds as well as deadlines for providing other required documentation.
 - b. The Authority may exercise its right to terminate any NHTF Funding Agreement, at any time prior to the Agreement's end date, due to lack of project productivity.
14. 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, in receipt of a Certificate of Occupancy (CO), and final inspection approval from an Authority inspector;
 - b. Will be reviewed by the underwriting staff to ensure that the project is entitled to the full amount of NHTF, HTF, or any other Authority funds, if applicable, originally awarded. The final draw will not be released until the underwriting of the Placed in Service application has been completed;
 - c. Contains all information listed on **F-10 - Placed in Service Application Checklist**;
 - d. May result in reduced NHTF and/or HTF funds based on final underwriting by Authority staff.
15. The affordability period of at least thirty (30) years will be enforced through a recorded Restrictive Covenant.

16. 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 NHTF Program funds with regard to feasibility or viability of the proposed project.

ELIGIBLE ACTIVITIES

NHTF funds are available for site-specific new construction of non-luxury rental housing units. A project must contain a minimum of five (5) units all containing suitable amenities. The following are eligible NHTF activities:

1. Acquisition of vacant land for which construction will begin within twelve (12) months of an NHTF commitment;
2. Demolition which will be completed and construction will begin within twelve (12) months of an NHTF commitment;
3. New Construction;
4. Reconstruction;
5. Site Improvements;
6. Operating Reserves - up to six (6) months for NHTF units only. Operating reserve funds are not available for projects using project-based rental assistance (PBRA).

ELIGIBLE APPLICANTS

Eligible NHTF Applicants must:

1. Comply with the requirements of the NHTF program during the entire affordability period and all NHTF-assisted units will remain in compliance with the requirements of the NHTF program during the entire affordability period. Applicants will certify to such in the NHTF application. If awarded, recipients will certify to such within the NHTF Funding Agreement.
2. Demonstrate the financial capacity to undertake, complete, and manage an NHTF eligible activity(s) by providing the following:
 - a. Financial statements that have been compiled, reviewed or audited by an independent CPA licensed by the South Carolina Board of Accountancy;
 - b. Financial statements that include a balance sheet dated on or after September 30, 2015;
 - c. A minimum of \$100,000 in unrestricted liquid assets and a minimum net worth of \$200,000:
 - 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. 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 may be debarred from all Authority programs for three (3) years).
3. Demonstrate familiarity and understanding of federal, state, and/or local housing programs to ensure compliance with all applicable program requirements and regulations by:
 - a. Having a minimum of three (3) full-time, paid staff members, who have successfully participated in and completed federal grant housing programs;

- b. Designating a Program Administrator on staff who will be responsible for the coordination of the NHTF-assisted project from project implementation through project completion; and
 - c. Not having been debarred or remaining in good standing with all Authority and U.S. Department of Housing and Urban Development programs.
4. Demonstrate experience and capacity to conduct an eligible NHTF activity as evidenced by the ability to own, construct, or rehabilitate, **and** manage and operate an affordable multifamily rental housing development. Applicants must have experience in the last eight (8) years of successfully developing at least two (2) multifamily rental developments of at least four (4) units each, or one (1) multifamily rental development with at least eight (8) 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. If the Applicant has not managed such properties they may hire a management company with previous experience managing developments that adhere to strict federal, state, or local occupancy regulations. The management company must be hired through the initial two (2) years after stabilized occupancy.

REVIEW PROCESS

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

1. Evaluation Criteria - Applications will be reviewed for, but not limited to, the following:
 - a. NHTF program requirements
 - b. Compliance with federal and state laws
 - c. Mandatory criteria
 - d. Application package completeness
 - e. An underwriting evaluation to review for financial feasibility
 - f. Construction cost analysis to review for cost reasonableness
2. Applications not meeting all requirements, laws, mandatory criteria, and/or Authority standards will be disqualified.
3. Application packages with four (4) or more missing and/or incomplete items will be disqualified.
4. 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 provide such missing and/or incomplete items by the deadline will result in the automatic disqualification of the application.
5. Applications deemed to be financially feasible, and consistent with NHTF regulations may be recommended to the Executive Director for funding. Funding allocations will start with the highest scoring application and will continue until all available NHTF funds are depleted.
6. NHTF Conditional Commitment letters will be offered to awardees. 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 NHTF commitment being rescinded. The following must be submitted:
 - a. Specifications - which include all 2017 NHTF mandatory design criteria as well as all design criteria for which points were awarded; specifications submitted but not including such design criteria may cause the NHTF conditional commitment to be rescinded.
 - b. Plans for each building site must reflect all Specifications, Design Criteria and Geotechnical recommendations, as well as:
 - i. 911 addresses should be clearly marked on each plan
 - ii. Be sealed by the project architect indicating they are final and released for construction;
 - iii. Mechanicals

- 1) Electrical
 - 2) Plumbing
 - 3) HVAC (must be sealed by an engineer; refer Manuals J, S)
 - iv. Window and door schedule
 - v. Details page and sections page
 - vi. Landscaping plan – NOTE: must include 20 ft. of sod from each exterior building wall
 - vii. Complete Civil plans if proposing a development
 - viii. Site plans, if proposing a single residential building, for each site
 - ix. If constructing single family rental homes, 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.
 - c. Soil borings - NOTE: the Authority highly recommends soil borings be done PRIOR to NHTF application submittal to accurately develop a construction budget.
7. Once all required documents have been reviewed and approved, and the Applicant has provided documentation showing all NHTF environmental provisions (24 CFR 93.301(f)(1)) have been met, a NHTF Funding Agreement will be offered to the Applicant. The agreement will include an Implementation Schedule that must be adhered to until project completion.
 8. 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, NHTF funds may be immediately rescinded. Following are the minimum construction landmarks requiring an inspection:
 - a. Foundation completion - once slab is poured or crawl space completed
 - b. Dried-in inspection - framing complete to include windows and doorways, and exterior wrapped
 - c. Rough-in inspection - to include electrical, plumbing, HVAC, and insulation
 - d. Approximately 75% completion or when interior doors, trim, kitchen cabinets, etc. are installed, whichever comes first
 - e. 100% completion

THRESHOLD CRITERIA

1. Applicants must be in **Good Standing with all Authority programs.**
2. A **Market Study** or **Market Study Needs Assessment Report** prepared by an Authority approved third party market study provider must be submitted with an NHTF application to ensure there is adequate demand for the proposed project. Proposals with twelve (12) or fewer units must submit a Market Study Needs Assessment Report. Applications with thirteen (13) or more units must submit a Market Study. Market assessments cannot be more than six (6) months old of application submission.
3. **Appraisal Requirements:** Appraisals are required for all NHTF project proposals.
 - a. Appraisals must be dated no later than January 1, 2017.
 - 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 tax credits.

- 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 Financial Reform, Recovery and Enforcement Act of 1989 (FIRREA).
 - e. For rehabilitation developments, appraisals must represent the income approach. For new construction developments, 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 NHTF 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.
4. Applicants for NHTF funding must have **Site Control** of any 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. **F-52 - Notice to Seller** for the Acquisition of Property with Federal Funds is required. It must be initiated at the time of the option or contract and must be submitted with the application.
 5. All projects require a Phase I Environmental Site Assessment (ESA-ASTM). If the Phase I ESA identifies recognized environmental concerns [conditions] (RECs), a Phase II (ESA-ASTM) will be required. ASTM reports must be prepared in accordance with the most current ASTM standard.
 - a. The ESA(s) must show all properties assisted with NHTF funds are free from hazardous materials, contamination, toxic chemicals and gases, and radioactive substances, where a hazard could affect the health and safety of occupants or conflict with the intended use of the property.
 - b. Proposed project sites cannot be a Superfund or CERCLIS (Comprehensive Environmental Response, Compensation, and Liability Information System) site nor be located within one-quarter (1/4) of a mile from a Superfund or CERCLIS site.
 6. Letter from the City/County verifying the project site is appropriately zoned for the proposed development.

RENTAL POINT CRITERIA

1. **Project-based Rental Assistance** – Points will be given for the extent to which a project has federal, state or local project-based rental assistance (PBRA) so that rents are affordable to extremely low-income households. Points will be awarded for the percentage of PBRA provided to a project. A signed conditional commitment from the appropriate official regarding PBRA is required to obtain points. Points will be awarded as follows:

a. 51% and up project based units	3 points
b. 21% - 50% project based units	2 points
c. Up to 20% project based units	1 point
2. **Duration of Affordability Period** - Preference will be given to those applications voluntarily adding five years to the affordability commitment beyond the required 30-year period. **2 points**
3. **Leveraging** – To encourage use of non-federal funding sources, points will be awarded to applications which have committed funding sources which are non-federal and non-Authority. If applicable, the appraised value of land that has been owned by the Applicant for less than one year can be used as a non-federal leveraged funding source.

- | | |
|-------------------------------------------------------------------------------------|-----------------|
| a. 5% up to 10% of total sources comprised of non-federal and non-Authority funds | 1 point |
| b. 10% up to 20% of total sources comprised of non-federal and non-Authority funds | 2 points |
| c. 21% and higher of total sources comprised of non-federal and non-Authority funds | 3 points |

4. **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 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 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.). 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.
- 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.
- 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 **F-6 - Site Distances**.
- 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.
- Distances for scattered sites will be determined as outlined in the definition for scattered sites.
- An area site plan must be submitted and have ¼ mile, ½ mile and 1 mile radius circles shown from center of proposed site.

*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.

- a. Full Service Grocery Store within one (1) mile of the development site entrance. The store must operate with regular business hours selling 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 points**
- b. The following services located within two (2) miles of the development site entrance:
- i. Full Service Grocery Store as defined in "a." above (no points if claiming 4 points in "a." above);
 - ii. Pharmacy or Drug Store - must operate during regular business hours;
 - iii. Convenience Store and Gas Station combo - walk up "window only service" stores and free standing kiosks are not eligible for points;
 - iv. Recreation Center/Senior Center, Library, Public Park or Playground - if claiming a Public Park or Playground for points, it must be owned and maintained by a local government and contain, at a minimum, playground with commercial playground equipment and/or walking/biking trails.
- 3 points each for up to 12 points total**
- c. Applicants will receive negative points for 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.

- i. 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**
- ii. Sites within one-quarter (1/4) mile of adult video/entertainment venue/club. **-1 point**
- iii. Sites within one-quarter (1/4) mile of a sewage treatment plant. **-1 point**

5. Project Readiness

- a. Applicant will be awarded points for demonstrating site control by providing a copy of the recorded deed in the Applicant's name. **4 points**
- b. A letter from the City/County official or utility provider, documenting water and sewer utility tie-ins are accessible and within:
 - i. 350 feet of the proposed site; OR **2 points**
 - ii. 351 to 500 feet of the proposed site. **1 point**
- c. 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**
- d. Projects proposing the redevelopment of Authority funded NSP1 land banked parcels.
 - i. Redevelopment of one land banked parcel. **4 points**
 - ii. Redevelopment of more than one land banked parcel. **6 points**

6. Development Design Points

- a. Limited lifetime 30-year Architectural shingles with 30 lbs. class synthetic felt. **8 points**
- b. Insulated attic and/or ceiling R-38, walls R-15, and crawl space and/or floors R-25. **3 points**
- c. Energy Star rated HVAC systems (15 SEER or greater) in all units. **5 points**
- d. Underground utilities (gas/electric, cable and phone) throughout the project site. **2 points**
- e. 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**
- f. Full size Energy Star refrigerator, with ice maker, having a minimum size of eighteen (18) cubic feet. **5 points**
- g. Energy Star rated dishwasher in all units. **3 points**
- h. Over the range mounted microwave oven, with vented fan, in all units. **4 points**
- i. All units must have a Range Queen, Fire Stop, Auto Stop or comparable extinguishing system over the stove. **3 points**
- j. 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**
- k. All windows must be Energy Star rated with screens. **8 points**
- l. 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 indicate:
 - i. the location of all existing plantings and the proposed location of all new planting areas; and
 - ii. a list of all plants to be added, to include both the common and botanical name of the plants. **2 points**
- m. 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**
- n. All exterior door units to be fiberglass with rot proof jambs. **5 points**

MANDATORY DESIGN CRITERIA

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. No laminate or particleboard cabinet faces or door 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) states 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.
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 (ANSI/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.
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 and elderly units.

56. Units with three (3) or more bedrooms must have a minimum of one (1) full bathroom and one (1) three-quarter (3/4) bathroom. Bathrooms are defined as follows: One-half (½) bathroom contains a toilet and vanity with sink; Three-quarter (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.

# of Bedrooms per Unit	# of Bathrooms per Unit	Minimum Sq. Ft. per Unit
0 Bedroom/Efficiency	One (1) Full	550
1 Bedroom	One (1) Full	750
2 Bedroom	One (1) Full	950
3 Bedroom	One (1) Full & One (1) Three-quarter (3/4)	1,100
4 Bedroom	One (1) Full & One (1) Three-quarter (3/4)	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 and Townhouse Projects:

1. All single family, townhouse or duplex projects must contain a minimum of two (2) bedrooms and one and one half (1½) bathrooms. At a minimum, one half (1/2) bathroom must be located on the first floor of all townhouses.
2. Townhouses may not be developed when targeting elderly populations.
3. 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.

FINANCIAL TERMS and CONDITIONS

The Authority will make at least **\$2,700,000** in NHTF funds available for the 2017 Program Year.

1. Terms and conditions are as follows:
 - a. The total maximum award amount per project is \$700,000;
 - b. Funds may be awarded as follows based on the financial structure of the proposed application:
 - i. A thirty (30) year forgivable loan; or
 - ii. A thirty (30) year repayable loan at zero percent (0%).
2. NHTF funds are secured through an Applicant's execution of a Promissory Note and the recordation of a Mortgage.
3. The Authority will only allow the NHTF loan to be subordinated to a conventional lender.
4. All NHTF loans will be underwritten to ensure there will be cash flow sufficient to cover debt service for the entire 30-year affordability period.
5. The project's initial Debt Coverage Ratio (DCR) must fall within the range of 1.20 to 1.45.
6. The maximum per-unit subsidy limits have been established by the Authority as follows:
 - a. 0 bedroom - \$125,000
 - b. 1 bedroom - \$130,000
 - c. 2 bedroom - \$135,000
 - d. 3 bedroom - \$140,000
 - e. 4+ bedroom - \$145,000
7. Eligible costs include:
 - a. Development hard costs
 - b. Demolition
 - c. Site improvements
 - d. Acquisition costs of acquiring unimproved real property limited to appraised value
 - e. Related soft costs
 - f. Operating reserves - up to six (6) months for NHTF-assisted units for which PBRA is not available.
8. Prohibited costs include:
 - a. Delinquent taxes, fees, or charges on properties for proposed NHTF projects;
 - b. Utility connections (i.e. tap fees, lift or pump stations); and
 - c. Any cost that is not eligible under § 93.201 and § 93.202.

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 Development Costs page 9 of the application):

1. **Development 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, **F-35 Construction Costs Addendum**, and **F-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 may be required to revise costs accordingly. The

Authority reserves the right to determine whether costs are appropriate and acceptable at both initial application and at placed in service.

2. **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** - 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)

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

3. **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)
Other (Acquisition Costs)	(line 3)
Demolition	(line 4)
On-Site Improvements	(line 5)
New Building	(line 6)

4. **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	6% of hard construction costs
Contractor profit & overhead (line 9)	may not exceed	8% of hard construction costs
Total contractor fees	may not exceed	14% of hard construction costs

5. **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)

6. **Operating Costs:**

- Projected operating expenses, for all developments, must be between **\$2,000 and \$2,600** 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.

- d. The Applicant must, upon request, provide a detailed explanation of the determination of annual operating costs.
 - e. The Applicant must justify operating costs, and such costs may be accepted or rejected by the Authority in its sole judgment.
7. **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.
8. **Debt Coverage Ratio (DCR)**
- a. NHTF funding will not be reserved or allocated to developments that are not made financially feasible by the NHTF funding or which are financially feasible without the NHTF funding. The development's initial DCR must fall within the range of 1.20 to 1.45.
 - b. 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).
 - c. The maximum DCR of 1.45 restrictions will be waived if the initial projected annual Cash Flow/Unit (CFU) does not exceed **\$900**. CFU is calculated by subtracting annual debt service from NOI and dividing this result by the number of units that will be rented to tenants. In the event that the development DCR, as submitted, is greater than 1.45 and the development CFU, as submitted, is greater than **\$900**, the Authority will increase debt based upon the terms submitted in the application in order to reduce the DCR to 1.45 or the CFU to **\$900**, whichever is met first, for calculation of NHTF funding to be allocated.
10. **Annual Rent and Expense Trends and Cash Flow**
- a. Development rents will be trended upward at a two percent (2%) annual increase.
 - b. Operating expenses will be trended upward at a three percent (3%) annual increase.
 - c. The Proforma Income Statement must demonstrate that the project will maintain a positive cash flow for the entire NHTF loan amortization period or in the case of NHTF grant funds, the project must demonstrate a positive cash flow for a period of 20 years using the same rent and expense trending criteria referenced above.
11. **Permanent Loan Requirements** - All permanent debt used to finance a project must meet the following requirements:
- a. 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.
 - b. 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.
 - c. 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:
 - i. Balloon payment due in less than 10 years = initial interest rate + 200 basis points.
 - ii. Balloon payment due in 10 years or more = initial interest rate + 300 basis points.
 - d. 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.
 - e. 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:
 - i. 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.
 - ii. 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.

- f. Developments that require loan adjustments due to balloon payments must be able to demonstrate positive cash flow no shorter than twenty (20) years. If the financing structure includes a repayable NHTF 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.
 - g. 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.
11. **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. If Authority approval is not received within five (5) business days of receipt the Replacement Reserve request is automatically granted.

12. **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:
- a. **Less than ten (10) units:** Three (3) months of projected operating expenses
 - b. **Ten (10) or more units:** Six (6) months of projected operating expenses

SUGGESTED ADDITIONAL FUNDING SOURCES

In an effort to ensure project feasibility, the NHTF rental options are designed to enhance and compliment other housing programs/funding sources, such as:

- 1. **Local Participating Jurisdiction’s HOME Investment Partnerships Program (HOME)** - If utilizing PJ HOME funds as an additional funding source, a NHTF application must meet all Authority underwriting criteria. Additionally, Applicants should consider cost allocation as well as subsidy layering when designing a project’s financial structure.
- 2. **Low Income Housing Tax Credit (LIHTC)** - May be available in the future years.
- 3. **Tax Exempt Bond Program (TEB)** - May be available in future years.
- 4. **Federal Home Loan Bank’s Affordable Housing Program (AHP)**
- 5. **Community Development Block Grant (CDBG)**
- 6. **Community Loan Banks**
- 7. **SC Housing Trust Fund (HTF)** - The Authority will make up to \$2,100,000 in HTF available in conjunction with the 2017 NHTF Funding Cycle. Terms and Conditions are as follows:
 - a. The total maximum HTF award amount per project is \$350,000;
 - b. HTF Funds may be awarded as follows based on the financial structure of the proposed application;
 - i. Eligible nonprofit organizations:

- 1) A twenty (20) year forgivable loan; or
- 2) A minimum twenty (20) to maximum thirty (30) year repayable loan at zero percent (0%).
- ii. All other eligible Applicants:
 - 1) A minimum twenty (20) to maximum thirty (30) year repayable loan at zero percent (0%).
- c. To assist in the financial feasibility of NHTF applications, the Authority will allow multi-unit proposals to designate HTF units separately from NHTF units. If an Applicant chooses this option:
 - i. All units must be comparable in terms of size, features, and number of bedrooms;
 - ii. HTF designated units may use up to **eighty percent (80%) AMI** income and rent limits; and
 - iii. Authority underwriters will ensure the proportion of the total development costs (TDC) to the amount of HTF funding requested is appropriate;
- d. The Authority reserves the right to reduce the HTF requested based on underwriting analysis.
- e. If requested, HTF will be allocated to developments with the highest point score in descending point score order until HTF funds are exhausted.

REGULATORY AND/OR PROGRAMMATIC GUIDELINES

1. Property Standards

- a. NHTF projects must meet State or local residential and building codes, written standards and specifications developed by the Authority as well as all State and local codes, ordinances, and zoning requirements.
- b. **Accessibility** - All projects must have a minimum of five percent (5%) of the total units accessible to individuals with mobility impairments AND an additional two percent (2%) of the units accessible to individuals with sensory impairments. All projects utilizing NHTF funding must meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973, and Titles II and III of the Americans with Disabilities Act. Both of these Acts prohibit discrimination against persons with disabilities in the operation of programs receiving federal financial assistance. HUD regulations contain accessibility requirements for new construction and rehabilitation 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. Rental housing must also meet the design and construction requirements at 24 CFR 100.205 which implements the Fair Housing Act.
- c. **Energy Efficiency** - All projects shall meet or exceed the requirements of the Council of American Building Officials Model Energy Code, 1992 (hereafter referred to as 'CABO Model Energy Code, 1992'), or, in the case of multifamily high rises, the requirements of the American Society of Heating, Refrigerating, and Air-Conditioning Engineers Standard 90.1-1989 (hereafter referred to as 'ASHRAE Standard 90.1-1989'), and shall be cost-effective with respect to construction and operating costs on a life-cycle cost basis. This equates to the 2009 International Energy Conservation Code.
- d. **Disaster Mitigation** - 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.

2. Site & Neighborhood Standards - Housing provided through the NHTF program must promote greater choice of housing opportunities. The **F-40 - Site and Neighborhood Standards Certification** must be completed and submitted as part of the application.

- a. All NHTF-provided 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 tract 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 = 53.8 %
Black or African American	27.9 %	27.9 + 20 = 47.9 %
American Indian and Alaska Native	0.4 %	0.4 + 20 = 20.4 %
Asian	1.3 %	1.3 + 20 = 21.3 %
Native Hawaiian and Other Pacific Islander	0.1 %	0.1 + 20 = 20.1 %
Hispanic or Latino	5.1 %	5.1 + 20 = 25.1 %

Source: U.S. Census Bureau, 2010 Census

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:

- 1) Go to www.factfinder.census.gov Click on “Advanced Search;” the option “Show me all” will appear - click that box.
 - 2) Click on the “Geographies” box from the choices on the left hand side of the page.
 - 3) 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.
 - 4) From the “Select a State” option, select “South Carolina” and the corresponding county and Census Tract for which your site is located.
 - 5) 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.
 - 6) 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.”
 - 7) 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. **F-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).

5. Income Targeting

- a. 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. In South Carolina, that determination will be dependent upon the county. HUD publishes 30% income limits annually; the federal government computes the federal poverty level annually as well. Those income levels are posted on the Authority's website: [www.schousing.com/Housing_Partners/Income & Rent Limits](http://www.schousing.com/Housing_Partners/Income_&_Rent_Limits)
- b. A recipient must determine that each potential tenant household (individual or family) is income eligible by examining at least two (2) months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement).
- c. 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.

6. Rent Levels

- a. Rents for NHTF-assisted units are determined on an annual basis and are restricted for the entire 30-year (or more) affordability period.
- b. Rents plus utilities of an extremely low-income tenant shall not exceed the greater of 30 percent (30%) of the federal poverty line or 30 percent (30%) of the income of a family whose annual income equals 30 percent (30%) of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit. Rents may increase or decrease from year to year.
- c. If a NHTF-assisted unit receives federal or state project-based rental subsidy, and the tenant pays as a contribution toward rent not more than 30 percent of the tenant's adjusted income, the maximum rent is the rent allowable under the federal or state project-based rental subsidy program.
- d. HUD will publish NHTF rent limits on an annual basis; those rent limits are posted on the Authority's website: [http://www.schousing.com/Housing_Partners/Income & Rent Limits](http://www.schousing.com/Housing_Partners/Income_&_Rent_Limits).
- e. Utility allowances will be updated on an annual basis and posted on the Authority's website: [http://www.schousing.com/National Housing Trust Fund/NHTF Utility Allowances](http://www.schousing.com/National_Housing_Trust_Fund/NHTF_Utility_Allowances).
- f. Rents are not necessarily representative of current market conditions for projects.

7. Fixed & Floating Units - A recipient must elect "fixed" or "floating" unit designations at the time of application

- a. Fixed units - specific units are designated as NHTF-assisted units and therefore, subject to NHTF rent and occupancy requirements. The designated units never change.
- b. Floating units - units are designated as NHTF-assisted and these units may change or float over time as long as the total number of assisted units in the project remain constant and remain comparable in size, features, and number of bedrooms.

8. Tenant Protections - There must be a written lease between the tenant and the owner of rental housing assisted with NHTF funds that is for a period of not less than one (1) year, unless by mutual agreement between the tenant and the owner a shorter period is specified.

9. 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.
10. **Tenant Selection Procedures** - Owners of NHTF-assisted housing must adopt and follow 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 extremely low-income families;
 - b. Be reasonable but adhere to NHTF Program eligibility and acceptance requirements, such as pay the rent, not damage the housing, not interfere with the rights and quiet enjoyment of other tenants;
 - 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.

11. Relocation

- a. All NHTF projects are subject to the Uniform Relocation Act (URA).
- b. According to federal regulations, residential tenants may be eligible for permanent or temporary relocation. Relocation payments and other relocation assistance for both permanently and temporarily relocated tenants, both residential and business, are eligible NHTF project costs.
- c. If a tenant is to be temporarily relocated, the associated costs (i.e. moving costs, cable and telephone transfer fees, etc.) incurred by the tenant are an eligible cost of the project. Tenants that are the legal residents at the site at the time of application submission must be provided certain protections. These include:
 - i. Written notices of their right to remain or the need to be temporarily or permanently relocated;
 - ii. Payments for the cost of temporary relocation;
 - iii. Payments to those tenants which are required to move permanently.
- d. As part of the NHTF application, all Applicants proposing projects involving relocation must provide the following:
 - i. A completed **F-39 - Tenant Profile Form** for ALL households on the site;
 - ii. A copy of each **F-8 - General Information Notice; Residential Tenant to be DISPLACED**, that was provided to each household AND a copy of the documentation indicating how it was delivered;
 - iii. General Information Notices may be delivered by certified mail, return receipt requested or in-person. Documentation of the method of service, as well as the tenants served, must be submitted as part of the application. Failure to follow these requirements will disqualify the application from funding consideration.
 - iv. Completed Form **F-67 - Project Occupancy Report** that includes which units are occupied and which are vacant.
 - v. A relocation plan addressing temporary and permanent relocation.
 - vi. Relocation requirements apply to all occupants of a site for which NHTF assistance is sought.

12. Displacement

- a. A tenant is considered displaced if they permanently move from the property as a direct result of acquisition or demolition of a proposed NHTF-assisted project.
- b. A tenant is not considered displaced if:

- i. The tenant is evicted for cause, assuming the eviction was not carried out to evade URA obligations;
 - ii. The person has no legal right to occupy the property under State or local law (e.g., squatter);
 - iii. 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
 - iv. The Authority, with HUD's approval, determines they are not displaced.
- c. A temporarily displaced tenant is not considered displaced.

13. Displacement may be triggered in the following ways:

- a. Before Application: A tenant moves permanently from a property before the Applicant submits an application for NHTF assistance and the Authority or HUD determines that the displacement was a direct result of proposed demolition, or acquisition of an NHTF project (e.g., the Authority determines that the Applicant displaced tenants [ex., living in a mobile home] in order to propose acquisition of a vacant building or vacant land for NHTF assistance).
- b. After Application or Approval: A tenant moves permanently from the property after submission of the application because:
 - i. The Applicant requires the tenant to move permanently because the unit is eliminated;
 - ii. The Applicant fails to provide timely required notices to the tenant;
 - iii. 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;
 - iv. 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;
 - v. 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.
 - i. Applicants should offer tenants the opportunity to lease an affordable suitable unit within the project if possible.
 - ii. 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).

14. Affirmative Marketing - All projects with five or more NHTF-assisted units must have an adopted affirmative marketing procedure and requirements. Affirmative marketing requirements consist of actions to provide information and otherwise attract eligible households in the market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. Such procedure must include:

- a. Methods for informing the public, owners, and potential tenants about federal fair housing laws and the owner's affirmative marketing policy (e.g., the use of the Equal Housing Opportunity logotype or slogan in press releases and solicitations for owners, and written communication to fair housing and other groups);
- b. Requirements and practices the owner will adhere to in order to carry out its affirmative marketing procedures and requirements (e.g., use of commercial media, use of community contacts, use of the Equal Housing Opportunity logotype or slogan, and display of fair housing poster);
- c. Procedures to be used by the owner to inform and solicit applications from persons in the housing market area who are not likely to apply for the rental housing without special outreach (e.g., through the use of community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies);
- d. Records that will be kept describing actions taken by the owner to affirmatively market rental housing units and records to assess the results of these actions; and
- e. A description of how the owner will annually assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

15. Construction & Procurement

- a. New construction projects must submit detailed 11" x 17" preliminary plans and specifications.
- b. Applicants must ensure that every entity awarded a contract to be paid for with NHTF funds 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 meet environmental provisions standards 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 NHTF 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. Projects already underway are only eligible if they were started without the intent of using federal assistance.
- e. **Procurement for construction services regardless of the amount must be performed using a competitive sealed bid process. A competitive sealed bid process must also be used for solicitation of any other goods and services when costs are equal to or exceed \$150,000.** Procurement by small purchase procedures may be used when costs are less than \$150,000. Applicants must have an established procurement policy that is submitted as part of the NHTF application that describes compliance with:
 - i. Applicable state, local laws and regulations, along with federal regulations 2 CFR Part 200;
 - ii. Regulations of Section 3, MBE/WBE, Minority Outreach requirements and Federal Labor Standards, if applicable;
 - iii. A competitive sealed bid process;
 - 1) **A minimum of three bids**
 - 2) Bids from general contractors who are licensed in the State of South Carolina.
 - 3) Bids submitted with line item costs.
 - 4) 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.
 - iv. Procurement transactions conducted in a manner to provide, to the maximum extent practical, open and free competition.
 - v. Recipient alert to organizational and personal conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade.
 - vi. 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.
 - vii. 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.
 - viii. NHTF award recipients are not allowed to act as their own general contractor or perform any contractual services on NHTF awarded projects.
 - ix. **Any exception to the above items must be approved in writing by the Authority.**

16. Payment & Performance Bond

- a. When a contract exceeds \$150,000, recipients drawing NHTF funds during construction are required to provide either:
 - i. *A Direct Pay Irrevocable Letter of Credit, or*
 - ii. *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. Environmental Provisions

- a. NHTF projects are subject to the same environmental concerns that HUD-assisted projects (i.e., HOME, CDBG, etc.) are subject to. The main difference is that the NHTF Environmental Provisions are outcome based, and exclude consultation procedures that would be applicable if NHTF project selection was a federal action.
- b. Due to the outcome based nature of the NHTF Environmental Provisions, compliance with some environmental property standards is streamlined because consultation is not required.
- c. It should be determined prior to construction if a project will meet the NHTF Environmental Provisions. If a project cannot meet the NHTF Environmental Provisions, the project cannot be funded by NHTF. For example, if a project will impact a wetland, it cannot be funded by NHTF.
- d. **F-37 - NHTF Environmental Provisions** must be completed and indicate a proposed site meets NHTF environmental standards.

18. Lead-Based Paint

- a. NHTF-assisted 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.
 - i. *Types of Housing Covered:*
 - 1) Federally-owned housing being sold
 - 2) Housing receiving a federal subsidy that is associated with the property, rather than with the occupants (project-based assistance)
 - 3) Public housing
 - 4) Housing occupied by a family (with a young child) receiving tenant-based subsidy (such as a voucher or certificate)
 - 5) Multifamily housing for which mortgage insurance is being sought
 - 6) Housing receiving federal assistance for rehabilitation, reducing homelessness, and other special needs
 - ii. *Types of Housing Not Covered:*
 - 1) Housing built since January 1, 1978, when lead paint was banned for residential use
 - 2) Housing exclusively for the elderly or people with disabilities, unless a child under age 6 is expected to reside there
 - 3) Zero-bedroom dwellings, including efficiency apartments, single-room occupancy housing, dormitories, or military barrack
 - 4) Property that has been found to be free of lead-based paint by a certified lead-based paint inspector
 - 5) Property where all lead-based paint has been removed
 - 6) Unoccupied housing that will remain vacant until it is demolished
 - 7) Non-residential property
 - 8) 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.

19. Section 3

- a. Section 3 requirements apply to the following NHTF-assisted projects:
 - i. Projects assisted with HUD funds for construction and rehabilitation activities in excess of \$200,000.
 - ii. 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 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 NHTF funds and all the contracts and subcontracts for work awarded in connection with the NHTF 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 NHTF 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, NHTF 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.
- g. Refer to the NHTF Construction Manual for more details.

20. Monitoring & Compliance - All projects are subject to 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 upon the anniversary of the lease renewal date.
- b. The NHTF Interim Rule requires approval of **all** rents on an annual basis for developments with NHTF units. The approval process will be handled by the Compliance Monitoring Department.
- c. The annual income or annual gross income of tenants in NHTF projects must be reviewed and verified each year.
- d. On-site inspections for compliance with the Uniform Physical Conditions Standards (UPCS) should be conducted by the owners:
 - i. The Authority conducts periodic on-site compliance reviews throughout the affordability period to ensure compliance with NHTF rental program requirements. These reviews include, but are not limited to, occupancy requirements and property standards.
 - ii. Rental projects with 10 or more NHTF 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.

21. Terminated projects

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

22. Stalled projects

- a. Projects that do not progress as outlined in the NHTF Funding Agreement, fail to meet established deadlines and/or require extensions and/or waivers are considered stalled projects.
- b. Projects not completed within three years from the date of project commitment will be terminated and all NHTF funds invested in the project must be repaid to the Authority.

23. Additional Federal Requirements – The federal requirements set forth in 24 CFR part 5, subpart A, are applicable to participants in the NHTF program.

- a. Nondiscrimination and Equal Opportunity
- b. Disclosure Requirements
- c. Debarred, Suspended, or Ineligible Contractors
- d. Drug-free Workplace
- e. Displacement, Relocation, and Acquisition
- f. Conflict of Interest
- g. Funding Accountability and Transparency Act
- h. Eminent Domain

24. Applicants shall comply with all other federal requirements that may not be listed in this manual:

- a. General Audit Requirements
- b. Flood Insurance and Executive Order 12372
- c. Age Discrimination Act - 1975
- d. Development Act of 1968
- e. Executive Orders 11625 (MBE), 12432, and 12138 (WBE)

PROGRAM SUSPENSION/DEBARMENT

1. Any of the following actions may result in a one (1) year suspension from participating in all Authority administered programs:
 - a. Failure to complete a project by the completion deadline specified in the NHTF Funding Agreement and Implementation Schedule.
 - b. Failure to complete or comply with the environmental provisions as specified by 24 CFR Part 93.301(f).
 - c. Failure to provide a legally executed **F-36 Construction Design Certification** 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.
2. Any of the following actions may result in the permanent debarment from participating in all Authority administered programs:
 - a. Any applicant who provides false or misleading information to the Authority with regard to a project seeking NHTF funds, 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. Each Applicant will be given written notice by the Development Director stating the reason for which the sanction of debarment was imposed.
 - b. An Applicant who provides agreements, written or otherwise, that attempt to circumvent Authority requirements regardless of when the violation is discovered.