

Housing Trust Fund



2016 – 2017

**As Presented to the Board
March 29, 2016**

**Based on comments received by
5:00 p.m. CT, March 21, 2016**

**Applications due:
August 31, 2016 and August 31, 2017
5:00 p.m. Central Time**



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Contents

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY.....	1
I. SDHDA PURPOSES AND GOALS.....	1
II. POLICIES AND PROCEDURES	2
A. THE PLAN	2
1. <i>Application Cycle(s)</i>	2
2. <i>Limitations</i>	3
3. <i>Application Eligibility</i>	3
4. <i>Disclaimers</i>	3
B. AMENDMENTS TO THE PLAN	4
1. <i>Administrative Amendments</i>	4
2. <i>Substantive Amendments</i>	4
3. <i>Deferral to Federal Law</i>	4
III. GENERAL REQUIREMENTS	5
A. ELIGIBLE ACTIVITIES	5
1. <i>Rental Acquisition and/or Rehabilitation</i>	5
2. <i>Rental Acquisition/Conversion</i>	6
3. <i>Rental New Construction</i>	6
B. INELIGIBLE ACTIVITIES.....	6
C. PROJECT PERIOD OF AFFORDABILITY	7
D. FORMS OF ASSISTANCE	7
E. COST ALLOCATION	7
F. MINIMUM AMOUNT OF ASSISTANCE.....	7
G. MAXIMUM PER-UNIT SUBSIDY AND SUBSIDY LAYERING	7
H. TENANT RELOCATION AND DISPLACEMENT	8
I. GUARANTEES	8
IV. PROGRAMS.....	8
A. RENTAL HOUSING	8
1. <i>Income Targeting</i>	8
2. <i>HTF Rents</i>	8
3. <i>Subsequent Rent Schedule, Utility Allowances, and Rent Adjustments</i>	9
4. <i>Mixed Income Project</i>	9
5. <i>Mixed Use Project</i>	9
6. <i>Public Housing Notification</i>	10
7. <i>Tenant Certifications and Recertifications</i>	10
8. <i>Tenant Income Increases (Not applicable for combined HOME/HTF/Housing Tax Credit Properties)</i>	10
9. <i>Tenant Protections</i>	10
V. APPLICATION PROCESS.....	10
A. APPLICATION STAGE.....	10
1. <i>Underwriting Review Criteria</i>	10
2. <i>Project Finance Limits</i>	11
3. <i>Reserves</i>	12
4. <i>Determination of HTF Amount</i>	12
B. RESERVATION STAGE.....	13
C. COMMITMENT STAGE.....	13
D. DISBURSEMENT OF FUNDS.....	13
1. <i>Loan Documentation</i>	13
2. <i>Construction Start</i>	14
3. <i>Draws</i>	14

4. Cost Certification	14
VI. PROJECT SELECTION CRITERIA	14
A. LOCAL HOUSING NEEDS (MAXIMUM 150 POINTS).....	14
B. PRIMARY SELECTION CRITERIA	15
1. Extended Use Commitment (Maximum 50 points).....	15
2. Construction Type (Maximum 70 points)	15
3. Concerted Community Revitalization Plans (Maximum 30 points)	15
4. Mixed Income Use (Maximum 50 points).....	15
5. Financial Support from Local Sources (Maximum 25 points)	15
6. Applicant Characteristics (Maximum 40 points).....	15
7. Service Enriched Housing (Maximum 25 points)	16
8. Units for Persons with Disabilities – HUD Section 811 (Maximum 40 points)	17
9. Accessibility (Maximum 20 points)	17
10. Leveraging (Maximum 50 points).....	18
11. Percentage of Soft Costs Used for Project Costs (Maximum 40 points)	18
12. Project Location (Maximum 40 points).....	19
13. Individuals with Children (Maximum 10 points).....	19
14. Public Housing Notification (Maximum 10 points).....	19
15. Promise Zone Designation (Maximum 20 points).....	20
C. READINESS TO PROCEED CRITERIA	20
1. Plans and Specifications (Maximum 25 points)	20
2. Site Control (Maximum 25 points).....	20
3. Financing Commitments (Maximum 60 points).....	20
4. Utilities (i.e. water, sewer, electric, heat) (Maximum 20 points).....	21
5. Zoning (Maximum 10 points).....	21
6. Platting (Maximum 10 points).....	21
D. PROJECT DEVELOPMENT CHARACTERISTICS (MAXIMUM 200 POINTS)	21
VII. GENERAL FEDERAL REQUIREMENTS	22
A. GENERAL.....	22
B. FAIR HOUSING	22
C. ENVIRONMENTAL REVIEW	23
D. LEAD-BASED PAINT	24
E. CONFLICTS OF INTEREST	24
F. DEBARMENT AND SUSPENSION	24
G. HISTORIC PROPERTIES	24
H. FLOOD INSURANCE	24
I. FUNDING ACCOUNTIBILITY AND TRANSPARENCY ACT	24
J. EMINENT DOMAIN	24
VIII. MONITORING FOR COMPLIANCE	24
IX. DEFINITIONS	25

EXHIBITS

- 1. Required Submissions**
- 2. Market Study Requirements**
- 3. Local Governing Body Approval**
- 4. Project Development Characteristics**
- 5. HTF Tenant Questionnaire**
- 6. South Dakota HTF Subsidy Limits**
- 7. Prohibited Lease Terms**
- 8. Tenant Selection Criteria**
- 9. Summary of Lead-Based Paint Requirements by Activity**
- 10. Rental - Lead-Based Paint Disclosure of Information**
- 11. Application Checklist**
- 12. Self-Scoring Worksheet**

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY HTF PROGRAM ALLOCATION PLAN

I. SDHDA PURPOSES AND GOALS

Within the Federal U.S. Department of Housing and Urban Development (HUD) Housing Trust Fund (HTF) Program the purposes and goals are to:

Expand the supply of decent, safe, sanitary and affordable housing, with primary emphasis placed on affordable housing, for extremely low-income South Dakotans.

Mobilize and strengthen the abilities of the State of South Dakota and units of local government to implement strategies for achieving an adequate supply of decent, safe, sanitary, and affordable housing.

Provide participating entities, on a coordinated basis, with the various forms of federal housing assistance.

SDHDA will focus on the following purposes and goals:

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

In those areas where greatest need is identified, give preference to those projects which provide the highest quality of qualified affordable units compared to the lowest amount of HTF funds allocated while giving consideration to serving the lowest income South Dakotans, and where appropriate, provide mixed-income housing.

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

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

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

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

Give preference to those applications that show a greater degree of readiness to proceed with the project.

Increase the investment of private capital to leverage HTF funds in so far as practicable, and use existing agencies and private sector mortgage finance institutional resources while retaining the affordability of housing with local and private investment.

In accordance with these stated purposes and goals, SDHDA will not process any application that is not consistent with the purposes and goals of this HTF Program Allocation Plan (the Plan), the State Consolidated Plan, or the Updates made thereto. SDHDA may implement changes to this plan as mandated by the final rule when issued by HUD.

Furthermore, in carrying out the duties of the aforementioned purposes, SDHDA will provide only that amount of HTF funds as are necessary to make a project financially feasible and viable as a qualified low-income housing project.

II. POLICIES AND PROCEDURES

A. THE PLAN

SDHDA is the agency responsible for the administration of the HUD HTF Program in accordance with Title 24 Code of Federal Regulations Part 93 Subparts C through J. The Plan provides a system for allocation of HUD HTF formula and SDHDA program income funds. Funding under the Plan is available throughout the State of South Dakota. SDHDA anticipates a minimum annual allocation of \$3,000,000.

1. Application Cycle(s)

August Application Cycle: Applicants may apply (using SDHDA forms) to receive a HTF funds allocation. Complete applications (refer to Exhibit 1) must be received at SDHDA by 5:00 p.m. Central Time the last working day of August. Applications may be hand delivered or delivered via postal or private mailing service by that time and date. Applications via facsimile or e-mail will NOT be accepted.

If the applications received exceed the available HTF funds, SDHDA may prepare a waiting list. If a waiting list is developed, SDHDA will notify each applicant to whom HTF funds were neither awarded nor denied. Any such applicant may then submit a written request to be maintained on the waiting list to compete for any additional funds that become available during that calendar year ending December 31. SDHDA will permit each applicant on the waiting list to submit additional information to support the applicant's readiness to proceed with development of the project and to receive an award of HTF funds without due risk of such funds subsequently being returned or rescinded by SDHDA.

SDHDA reserves the right, in its sole discretion, to (i) hold back a portion of the annual allocation of HUD HTF formula funds and/or available SDHDA program income for later use, (ii) issue an award for all or some portion of the next year's HUD HTF formula funds and/or available SDHDA program income, (iii) hold another application cycle, or (iv) award HTF funds for applications submitted to SDHDA under another program that need additional funds for feasibility. If SDHDA holds another application cycle, it will provide an announcement thereof. Please refer to SDHDA's web site at www.sdhda.org for availability of funds.

SDHDA will annually set-aside \$600,000 of the Housing Trust Fund allocation for applicants developing housing on Indian Reservations. If no application for funds from the set-aside are received during the August application cycle, the funds will automatically revert to the General Pool and may be utilized for other eligible applications. Application for the funds from the set-aside must meet all eligibility requirements of the Plan to be considered. Applications for funds from the set-aside and awards of such funds are subject to all other provision of the Plan. Available funds under the set-aside does not guarantee funding for any applications.

2. Limitations

During the August application cycle, no more than 25 percent may be awarded to any one developer/sponsor/owner, and no more than 20 percent to any one project. If funds remain in the General Pool after the August application cycle, funds exceeding the foregoing limitations may be allocated to any project (i) that was allocated funds in the August application cycle and (ii) whose allocation was limited due to the foregoing limitations.

3. Application Eligibility

SDHDA will only process applications that it determines are:

- a. Consistent with the purposes and goals of this Plan;
- b. Proposing an eligible activity;
- c. Financially feasible.
- d. Meeting Project Finance criteria – SDHDA will not process any application where the total project is over 15% of the finance limits.

SDHDA may reject applications that are incomplete or that contain incomplete or inaccurate information.

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

Additional documentation required and requested to complete the evaluation of the application must be received 30 days prior to the next scheduled Board meeting in order to be considered at such Board meeting.

4. Disclaimers

SDHDA reserves the right to reserve and allocate HTF funds to any project. Further SDHDA reserves the right to deny HTF funds for any project, regardless of ranking under the project selection criteria, if it determines, in its sole discretion, the project is unacceptable based on, but not limited to, the following:

- a. comments from or lack of support from officials of local governmental jurisdictions,
- b. information indicating that a particular market is saturated with affordable housing projects,
- c. likelihood that the project may not comply with HTF program requirements in a timely manner,
- d. applicant's (including any related party's) lack of or unacceptable prior experience and performance related to project reservations, construction, and compliance with housing assistance or other government-sponsored programs, regardless of type and location, or
- e. desirability of site based on SDHDA inspection.

If SDHDA determines not to reserve HTF funds on such basis, it will set forth the reasons for such determination.

All funding decisions made under this Plan will be made solely at the discretion of SDHDA. SDHDA in no way represents or warrants to any applicant, investor, lender, or any other party that the project is, in fact, feasible or viable.

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

SDHDA reserves the right to modify or waive, on a case-by-case basis for good cause, any condition of this Plan that is not mandated by the 24 CFR Part 93.

SDHDA may request additional information and perform additional project evaluation as deemed necessary and appropriate to verify project costs, feasibility, and need. SDHDA reserves the right to exchange information with other State and Federal allocating agencies and with other parties as deemed appropriate. By submitting an application for HTF funds, the applicant is acknowledging and agreeing to this exchange of information.

If HTF funds are expended on a project that is terminated prior to Project Completion, the funds must be repaid with interest calculated based on one year Treasury rates as of the date of cancellation.

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

B. AMENDMENTS TO THE PLAN

1. Administrative Amendments

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

- a. To reflect any changes, additions, deletions, interpretations, or other matters necessary to comply with 24 CFR Part 93 or regulations promulgated thereunder;
- b. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Plan;
- c. To insert such provisions clarifying matters or questions arising under this Plan as are necessary or desirable and are not contrary to or inconsistent with this Plan or 24 CFR Part 93;
- d. To modify identified housing needs and selection criteria reflecting those needs, based upon SDHDA's continuing assessment of such needs, provided that no such amendment will retroactively affect a reservation of funds previously made under this Plan; and
- e. To facilitate the award of HTF funds that would not otherwise be awarded.

2. Substantive Amendments

This Plan may be amended for substantive issues at any time following public notice and public hearing. Any substantive amendments will require approval of the Board.

3. Deferral to Federal Law

To the extent that anything contained in the Plan does not meet the minimum requirements of federal law or regulation, such law or regulation will take precedence over this Plan.

III. GENERAL REQUIREMENTS

A. ELIGIBLE ACTIVITIES

At the discretion of SDHDA and where allowable under federal law, activities allowed under HTF may include:

1. Rental Acquisition and/or Rehabilitation

Acquisition or refinancing of affordable housing projects (permanent only) that need rehabilitation and require financial assistance to maintain the affordable status of the project.

Rehabilitation must meet the applicable rehabilitation standards in effect at the time a building permit is obtained from the locality. This includes the costs of essential improvements including energy-related repairs or improvements, modifications necessary to permit use by persons with disabilities, abatement of lead-based paint hazards, and repair or replacement of major housing systems in danger of failure. The application must describe in detail the level of rehabilitation and the cost necessary for the exterior and for the interior by apartment unit, if applicable. If the description is not detailed, the application may be rejected.

Within 60 days of reservation, SDHDA will require submission of an appraisal that complies with Uniform Standards of Professional Appraisal Practice (USPAP) and a physical needs assessment. If there are significant variances between the original application and the appraisal or the physical needs assessment submitted later, the award of HTF funds may be withdrawn. The selected appraiser and physical needs inspector must be approved by SDHDA. The applicant must pay for all costs for these services, which are eligible project costs.

Three years of historical financial information must be submitted with the application. If the proposed transaction is an arm's-length transaction, the applicant must submit the last three years' operating statements. If the proposed transaction is not an arm's-length transaction, the applicant must submit three years audited financial statements. SDHDA reserves the right to request additional years of financials or supporting documentation if necessary.

Management practices will be reviewed by SDHDA. The applicant must provide documentation that Disinvestment of the property has not occurred, the long term needs of the project can be met, and the feasibility of serving the targeted population over an extended affordability period (no less than 30 years) can be maintained. If SDHDA determines that Disinvestment has occurred, SDHDA will finance the property only if the property is purchased through an arm's-length transaction and the current owner and management are completely removed from the proposal.

The new investment must be made to maintain current affordable units or create additional affordable units. The cost in terms of assistance to acquire and rehabilitate an existing property may not exceed the amount of assistance to construct a new property of like quality.

The HTF funds must be limited to 90 percent of the market value of the property as determined by an appraisal of the property (excluding all subsidies) or the total cost of the project, whichever is less.

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

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

Under no circumstances will the term of the loan exceed the expected remaining useful life of the property.

For refinancing with rehabilitation projects, under no circumstances can HTF funds be used to refinance multifamily loans made or insured by any federal program, including Community Development Block Grant (CDBG) and HOME.

2. Rental Acquisition/Conversion

Acquisition and conversion of a non-residential structure to an affordable housing project is considered rehabilitation or reconstruction, unless the conversion entails adding one or more units beyond the existing walls, in which case the project is then considered new construction.

3. Rental New Construction

New Construction of modest, affordable rental housing projects as defined under 24 CFR Part 93.302, in which costs to acquire the land and meet the construction codes in effect at the time a building permit is obtained from the locality.

Eligible costs include land acquisition, demolition of existing structures, improvements to the project site that are comparable with the surrounding projects, development hard costs, related soft costs, and relocation assistance.

Improvements to the project site may include on-site roads and sewer and water lines necessary for the development of the project. The project site consists only of that property owned by the project owner and upon which the project is located.

Acquisition of vacant land or demolition will be undertaken only in conjunction with a specific housing project intended to provide affordable housing under this Plan and for which construction funds have been committed prior to and conditioned only upon the SDHDA commitment of HTF funds for the acquisition or demolition.

B. INELIGIBLE ACTIVITIES

HTF funds may not be used to:

1. Provide assistance to a project previously assisted with HTF funds during the period of affordability established by the grantee in the written agreement under 24 CFR Part 93.404 (c)(2)(iv). However, additional HTF funds may be committed to a project up to one year after project completion (24 CFR {Part 93.200), but the amount of HTF funds in the project may not exceed the maximum per-unit development subsidy amount established by SDHDA per Exhibit 6;

2. Pay for the acquisition of property owned by the grantee, except for property acquired by the grantee with HTF funds or property acquired in anticipation of carrying out an HTF project;
3. Pay delinquent taxes, fees, or charges on properties to be assisted with HTF funds;
4. Pay for political activities, advocacy, lobbying, counseling services, travel expenses (other than those eligible under 24 CFR Part 93.202 (b)) or preparing or providing advice on tax returns. The prohibited use of funds for political activities includes influencing the selection, nomination, election, or appointment of one or more candidates to any Federal, State, or local office as codified in Section 501 of the Internal Revenue Code of 1986 (26 U.S.C. 501).
5. Pay for administrative, outreach, or other costs to manage and operate the grantee of HTF funds, except those administrative costs necessary to carry out the HTF program in 24 CFR Part 93.202;
6. Pay for any cost that is not eligible under 24 CFR Part 93.201 and 24 CFR Part 93.202

C. PROJECT PERIOD OF AFFORDABILITY

The applicant must keep the property in compliance with SDHDA and HTF guidelines for the minimum affordability period of thirty (30) years plus any additional extended use period selected in the application.

D. FORMS OF ASSISTANCE

HTF funds may be provided as equity investments, interest-bearing loans or advances, non-interest-bearing loans or advances, interest subsidies consistent with the purposes of this part, deferred payment loans, grants, or other forms of assistance that HUD determines to be consistent with the purposes of the HTF. Each grantee has the right to establish the terms of assistance, subject to the requirements of 24 CFR Part 93.200.

E. COST ALLOCATION

HTF funds may be used to assist in the development of one or more housing units in a multi-unit project. Only the actual HTF eligible development costs of the assisted units may be charged to the HTF program. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation. If the assisted and non-assisted units are comparable in terms of size, features, and number of bedrooms, the actual cost of the HTF-assisted units can be determined by prorating the total HTF-eligible development costs of the project so that the proportion of the total development costs charged to the HTF program does not exceed the proportion of the HTF-assisted units in the project.

F. MINIMUM AMOUNT OF ASSISTANCE

The minimum amount of HTF funds invested in a project involving rental housing is \$1,000 per each HTF assisted unit in the project.

G. MAXIMUM PER-UNIT SUBSIDY AND SUBSIDY LAYERING

The amount of HTF funds that may be invested in an affordable housing project are regulated under 24 CFR Part 93.300(a). HTF funds may not exceed the per unit dollar limits in Exhibit 6. Please refer to Exhibit 6 for the listing of counties located within each zone.

For those projects which combine HTF and other governmental subsidies, SDHDA must perform a subsidy layering review in accordance with HTF Subsidy Layering Policy (24 CFR Part 93.300(b)).

SDHDA has a Subsidy Layering Policy which incorporates HUD CPD Notice 15-11, dated December 22, 2015. A copy of this policy and notice is available from SDHDA upon request.

H. TENANT RELOCATION AND DISPLACEMENT

SDHDA typically will not allow permanent displacement of current residents of any project funded with HTF funds. If the project is currently occupied, the applicant must comply with Federal Relocation Requirements found in 24 CFR Part 93.352 and an HTF Tenant Questionnaire, Exhibit 5, must be completed for each current resident. All residential tenants in place prior to the submission of the application through the completion of the proposed construction and issuance of the certificate of occupancy are candidates for relocation assistance. The applicant may only request relocation assistance for vacant units or those occupied by eligible tenants. Please notify SDHDA before proceeding with an application to ensure that proper procedures are followed per SDHDA's Relocation Plan, which can be downloaded from SDHDA's web site at www.sdhda.org. Improper procedures may substantially increase the costs to the project or render the project infeasible or ineligible. Relocation payments and other relocation assistance will be paid by the project owner. Relocation payments include replacement housing payments, payments for moving expenses, and payments for reasonable out-of-pocket costs incurred in the relocation of tenants. Applications involving rental acquisition and/or rehabilitation must include a relocation plan and budget.

I. GUARANTEES

SDHDA will require guarantees from the underlying corporate and individual owners of the general partner(s) of the Developer, the individual owners of any "shell entities" engaged in the ownership of the Developer and general partner(s), and from any other guarantors required by the other financing sources investing in the project. A guarantee of completion will ensure that the Developer will construct and complete the project. A guarantee of performance will ensure that the project will operate in compliance with all applicable federal, state, and local laws and regulations. A guarantee will also ensure that annual deposits will be made to a replacement reserve account in the amount specified in the loan documents.

IV. PROGRAMS

A. RENTAL HOUSING

1. Income Targeting

In any fiscal year in which the total amount of available funding for allocation of HTF funds is less than \$1 billion, the grantee must use 100 percent of its HTF grant for the benefit of extremely low-income families or 30% AMI.

In any fiscal year in which the total amount available for allocation of HTF funds is greater than \$1 billion, the grantee must use at least 75 percent of its grant for the benefit of extremely low-income (30% AMI). Any grant funds not used for extremely low-income families must be used for the benefit of very low-income families (50% AMI) in accordance with 24 CFR Part 93.250.

2. HTF Rents

Every HTF assisted rental unit is subject to rent limitations designed to ensure that rents are affordable to extremely low-income or very low-income tenants. These maximum rents are referred to herein as HTF Rents. Proposed HTF Rents for HTF assisted units subject to maximum rent limitations must be approved by SDHDA and be in accordance with 24 CFR Part 93.302. Final HTF Rents for initial occupancy will be set at the time of project commitment.

- a. Initial rent schedule and utility allowances
SDHDA establishes maximum monthly allowances for utilities and services (excluding telephone) based upon the HUD Utility Schedule Model, an energy consumption software calculation method, or the specific utilities used at the project. For all units subject to the maximum rent limitations for which the tenant is paying utilities and services, SDHDA will ensure that the rents do not exceed the maximum rent minus the monthly allowances for utilities and services.

In addition to these maximum rent limitations, an applicant must consider keeping the established rents at or below the actual market rent and the established FMRs in the community of the proposed project to ensure marketability. Refer to the following for current HUD HTF Program rent limits:

www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm

3. Subsequent Rent Schedule, Utility Allowances, and Rent Adjustments

SDHDA will review all rent and utility allowances. The utility allowance has to be updated annually. Any increase in rents to HTF assisted units is subject to any outstanding lease and SDHDA approval. The owner must have received SDHDA approval and provide 30 day written notice to tenants prior to any increase in rents. If the HTF Rent decreases for projects for which HTF funds have been previously committed, an owner may continue to use the rents in effect at the time of project commitment.

4. Mixed Income Project

All HTF funds used in conjunction with a mixed income project must be used solely for the benefit of the affordable units in the project. Housing that accounts for less than 100 percent of the dwelling units in a project qualifies as affordable housing if the HTF assisted units meet the occupancy requirements and rent limitations as stated in Section IV.A.1 and Section IV.A.2. Each building in a project must contain housing that meets these requirements.

For purposes of meeting affordable housing requirements for a project, the dwelling units specified as affordable housing may be changed over the affordability period, so long as the total number of affordable housing units remains the same and the substituted units are, at a minimum, comparable in terms of size, features, and number of bedrooms to the originally designated affordable housing units.

Common area costs will be prorated based upon the number of affordable units and other units.

5. Mixed Use Project

A building that is designed in part for other than residential housing may qualify as affordable housing under the HTF Program if such housing meets the occupancy and rent limitations in Section IV.A.1 and Section IV.A.2. The laundry or community facilities that a project contains for the exclusive use of the project residents and their guests are considered residential use. Costs for common areas shared by both residential and commercial tenants will be prorated. Each building in a project must contain residential living space.

Main street buildings, rehabilitated for rental use, are eligible for funding under the HTF Program. Adequate off-street parking must be provided for each tenant.

6. Public Housing Notification

All proposed properties must notify local public housing agencies of the impending project and of vacancies after lease-up.

7. Tenant Certifications and Recertifications

Tenant eligibility must be determined by the owner at the time of occupancy and must be reexamined at least annually in accordance with 24 CFR Part 93.302(e).

8. Tenant Income Increases (Not applicable for combined HOME/HTF/Housing Tax Credit Properties)

HTF-assisted units continue to qualify as affordable housing despite a temporary noncompliance caused by increases in the incomes of existing tenants if actions satisfactory to HUD are being filled in accordance with 24 CFR Part 93.302 until the noncompliance is corrected.

9. Tenant Protections

- a. Lease. The lease between a tenant and the owner of rental housing assisted with HTF funds must be for at least one year, unless by mutual consent the tenant and the owner agree to a lesser term.
- b. Prohibited Lease Terms. A list of prohibited lease terms is attached as Exhibit 7.
- c. Termination of Tenancy. An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HTF funds except for serious or repeated violation of the terms of the lease; for violation of applicable federal, state or local law; or for other good cause. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.
- d. Tenant Selection. An owner of rental housing assisted with HTF funds must adopt written tenant selection policies and criteria. A list of the minimum criteria is attached as Exhibit 8. A sample tenant selection policy is available upon request.

Owners may not refuse to lease a HTF assisted unit to a family because the family holds a rental voucher (Rental Voucher Program).

V. APPLICATION PROCESS

Applicants are to use this Plan and the HTF/HOME/Housing Tax Credit Application to request funding for qualified projects.

Requests for HTF funds are considered in a three-step process: Application Stage, Reservation Stage, and Commitment Stage. No construction or acquisition or rehabilitation activities may begin until the process is fully complete (including SDHDA Environmental review) and a start order has been issued by SDHDA.

A. APPLICATION STAGE

The applicant will submit a complete application and all documentation referenced in Exhibit 1.

1. Underwriting Review Criteria

Project Cost Evaluation consists of reviewing:

- a. Land value
- b. Site Improvements (including existing buildings)
- c. Construction or rehabilitation costs
- d. Fees (architectural, legal, consulting, etc.)
- e. Developer's and/or Builder's Profit and risk conclusions
- f. Financing and carrying charges
- g. All other related soft costs
- h. Pro Forma / Debt Service Coverage Ratio: Pro formas submitted must reflect a debt service coverage ratio of not less than 1.15 for the entire affordability period. Compensating factors such as developer's experience, types of financing utilized and financial strength of the applicant/owner may vary this requirement. The debt coverage ratio is the net operating income to the total annual debt service. Furthermore, the application must reflect that rental income, any subsidies and reserve funds are sufficient to cover the property's debt and operating expenses over the period of affordability. Annually, income will be trended at two percent, expenses and replacement reserves will be trended at three percent, and vacancy will be projected at seven percent. A higher vacancy rate may be used for an acquisition/rehabilitation project if the project is currently sustaining higher vacancies and it is not reasonable to expect the project to achieve a seven percent vacancy rate within the first year. Balloon loan repayments will not be allowed.

SDHDA will not process any application that is not financially feasible.

2. Project Finance Limits

The SDHDA Project Finance Limits are maximum cost limits, not target or average costs that SDHDA determines to be sufficient for development of affordable housing projects. Total project costs are not limited to the Project Finance Limits, however, SDHDA will utilize them as the basis for the calculation of SDHDA financing and Developer Fees. All costs to be determined in excess of the Project Finance Limits will not be included in eligible basis for the calculation of the housing tax credits. SDHDA reserves the right to reject any application that it determines, in its sole discretion, to have excessive total project costs. Applications with costs exceeding 15 percent of the unit cost limit will be deemed excessive.

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

<u>Unit Type</u>	<u>Cost Limit</u>
Group Home	\$ 72,500 (per bedroom)
SRO Unit	\$ 87,000
0BR	\$102,500
1BR	\$117,500
2BR	\$144,000
3BR	\$170,000
4BR+	\$187,000

Refer to Exhibit 6 for the maximum HTF funds subsidy per HTF assisted unit.

Projects are encouraged to incorporate the features of brick, energy efficiency systems, additional handicap-adapted units, second bathrooms (for three and four bedroom units), community rooms, townhouse style units with an accessible bathroom on the main floor, creative design features, and

other amenities where appropriate. For the purpose of the above calculation, any employee unit will be calculated as a unit type and not as common space.

The SDHDA Project Finance Limits may be evaluated annually.

In addition, rental new construction or reconstruction projects must meet the following minimum residential unit living square footage (sq. ft.):

- Group Home – 130 sq. ft. (per bedroom)
- Single Room Occupancy (SRO) – 300 sq. ft.
- 0-bedroom (efficiency) – 500 sq. ft.
- 1-bedroom – 600 sq. ft.
- 2-bedroom – 750 sq. ft.
- 3-bedroom – 900 sq. ft.
- 4 bedroom – 1050 sq. ft.

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

3. Reserves

The reserves listed below, at a minimum, will be subject to a Regulatory Agreement between SDHDA and the property owner. The reserve accounts may be maintained by SDHDA.

- a. Taxes and Insurance: Escrowed at levels estimated to meet those expenses.
- b. Replacement: Minimum of \$400 per unit, per year, must be initially funded and maintained for the full affordability period. If not all major systems are replaced or repaired in a rehabilitation project, sufficient reserves must be established to allow for replacement of such components if the normal life span would require such replacement prior to the end of the affordability period. The replacement reserves will be trended at three percent annually.
- c. Operating: Minimum of six month operating reserve from a non-HTF funds source may be used only to pay debt service and operating expenses to prevent an event of default. This account must be maintained for the full term of the HTF agreement or while the SDHDA HTF loan is outstanding, whichever is longer.

4. Determination of HTF Amount

HTF funds are intended to be used as incentive financing and may be provided as a loan or as a forgivable loan. The funding is intended to replace a portion of the conventional financing and in turn, make debt service feasible with the decreased rental income created by the additional 30% AMI units. The difference between total rent received with a single 60% AMI unit and total rent received with a single 30% AMI unit is referred to as the HTF Unit Income Gap. The HTF Unit Income Gap will be used to determine the maximum per unit subsidy limits found in Exhibit 6. Applicants may apply for any amount up to the maximum subsidy per unit, keeping in mind the percentage of overall financing provided by HTF, must be equal to or less than the percentage of HTF units in the project. If HTF funding is in the form of a loan, the payback schedule and interest rate, which will be zero to four percent, will be determined based on the project's feasibility. Based on this evaluation, SDHDA will estimate the amount of HTF funds to be reserved for each application. The analysis to determine the necessary amount of HTF funds will be done at the time of application, at the time a reservation is approved, at the time a commitment is approved, and at the time the project is placed in service, provided all project costs are finalized and certified.

Current rents, along with any anticipated changes in operating expenses, will be utilized at each underwriting stage.

Applications may be reviewed and ready for consideration by the Board within 75 days of receipt of the fully completed submission. Upon Board action, each applicant will be notified, in writing, whether or not its application has been selected to advance to the second (reservation) stage.

B. RESERVATION STAGE

Upon notification from SDHDA of a reservation, the applicant will have approximately 120 days in which to provide SDHDA with all necessary documentation needed to complete the evaluation required to provide a commitment of funds. The information must be received 30 days prior to a scheduled Board meeting to be considered at the Board meeting. Failure to provide the required information within this time period may result in SDHDA cancellation of the reservation. In the reservation stage, the applicant must provide the details of the proposed project, including a detailed analysis of the financial feasibility of the project and final architectural plans, owner's organizational documents, binding financial commitments from private sources, site control, etc. (refer to Exhibit 1). SDHDA will evaluate the proposal based on the additional information required for the commitment stage and again determine the amount of HTF funds necessary to make the project feasible.

C. COMMITMENT STAGE

Upon a commitment from the SDHDA Board of Commissioners, SDHDA will issue a Loan Commitment to the applicant outlining the terms and conditions of the HTF loan. The applicant will have six months from the time the Loan Commitment is executed to begin construction or rehabilitation on the proposed project. Failure to start within this timeframe may result in loss of the Commitment.

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

D. DISBURSEMENT OF FUNDS

1. Loan Documentation

Loan documentation will include the HTF Development Agreement, Mortgage Note, Mortgage 180 Day Redemption, Security Agreement, and Fixture Filing, Assignment of Rents and Leases, Declaration of Land Use Restrictive Covenants, Completion Guaranty, Performance and Repayment Guaranty, Replacement Reserve Guaranty, and UCC financing statements.

The Declaration of Land Use Restrictive Covenants shall be filed in 1st lien position and will include all extended or reduced rent elections made by the applicant and any other special use restriction elections made by the applicant which may or may not give rise to points under Primary Selection Criteria section of this Plan.

2. Construction Start

The new construction or rehabilitation of the building may begin when SDHDA has received all executed loan documentation and the owner has received a written construction/rehabilitation start order from SDHDA. Construction must commence no later than six months after execution of the loan commitment.

3. Draws

SDHDA will make periodic site reviews of the project throughout the construction period and at the completion of construction. With respect to the construction of projects, SDHDA assumes no liability for construction quality or code compliance.

The local building official will be required to approve both the proposed project and completed work. SDHDA may disburse funds at 25 percent, 50 percent, 75 percent and 10 percent of construction completion based on receipt of lien waivers from all contractors, bills and receipts for all costs outside of the construction contract, an updated Sworn Construction Statement, AIA Forms G702 Application and Certificate for Payment and G703 Continuation Sheet evidencing the percent of project completion. SDHDA will retain ten percent of the HTF loan amount until all final Project Completion information is received (i.e., CPA cost certification). All owners or representatives of the owner must complete a two hour training session with SDHDA staff.

4. Cost Certification

The owner will be required to submit a complete cost certification on SDHDA approved forms prepared by a Certified Public Accountant prior to the final disbursement of HTF funds. All cost overruns are the responsibility of the owner. SDHDA may reduce the amount of HTF funds committed to a project based on a cost certification indicating reduced total project cost, change in financing, or increase in cash flow since the time of the HTF funds commitment. SDHDA is charged with allocating only that amount of HTF funds as are necessary to make any given project financially feasible and viable as a qualified low-income project. This decision will be made solely at the discretion of SDHDA, and in no way represents or warrants to any applicant, lender, or any other party that the project is, in fact, feasible or viable.

VI. PROJECT SELECTION CRITERIA

Proposals will be reviewed initially for completeness, including all submission requirements referenced in Exhibit 1.

Applications must obtain a minimum of 400 points to be considered for funding. Applications that do not receive at least this cumulative total will be denied.

A maximum of 1,020 points per application may be awarded as specified below:

A. LOCAL HOUSING NEEDS (Maximum 150 points)

All applicants, must submit a narrative addressing the local housing needs assessment and complete market analysis that is less than six months old. Refer to Exhibit 2. The applications from markets considered to be facing the highest overall need will receive the highest score. All other applications will be ranked against the highest scoring applicants. Each applicant will receive from zero to 150 points depending upon identified need. When determining the need, SDHDA may take into consideration including but not limited to the need for additional housing units in the community, the physical condition of the proposed project, the need of SDHDA funding sources to retain the proposed project, retention of existing project based rental subsidies, and the

degree of rehabilitation necessary depending on the proposed project activity. Communities with two or more low-income housing projects under construction or in the process of rent-up (less than 90 percent occupied) may receive zero points in this category.

B. PRIMARY SELECTION CRITERIA

1. Extended Use Commitment (Maximum 50 points)

Applicants who make a commitment to extend the affordability period for 10 years beyond the required affordability period as defined in Section III.C. Project Period of Affordability will receive 50 points. Applicants applying for both HTF and Housing Tax Credits must elect extended use under both programs to receive points.

2. Construction Type (Maximum 70 points)

A rehabilitation project that remodels an existing rental building to like new or takes other types of existing buildings and converts them to new rental units will receive 50 points.

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

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

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

3. Concerted Community Revitalization Plans (Maximum 30 points)

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

4. Mixed Income Use (Maximum 50 points)

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

5.0% - 10.0% Market Rate	20 points
10.01% - 20.0% Market Rate	30 points
20.01% - 30.0% Market Rate	40 points
30.01% - 40.0% Market Rate	50 points

5. Financial Support from Local Sources (Maximum 25 points)

Proposals containing one of the following will receive up to 25 points:

- a. Local governmental/private incentives, including but not limited to cash, in-kind services, or tax abatements, to reduce project costs or enhance feasibility; or
- b. Other private or foundation assistance to achieve greater affordability.

6. Applicant Characteristics (Maximum 40 points)

The applicant and all members of the development team as identified in Exhibit A of the HTF/Housing Tax Credit Application Form must be in good standing, as defined below. In addition, any applicant or member of the development team who has an Identity of Interest with any person or entity not in good standing may not be eligible in the sole discretion of SDHDA. An attorney's opinion that the applicant and all members of the development team are in good standing is

required in all cases. Such opinion must also identify any persons or entities with whom the applicant or any member of the development team has as Identity of Interest. "Good standing" shall mean that the individual has not been (i) convicted of, entered into an agreement for immunity from prosecution for, or pled guilty, including a plea of nolo contendere, to: a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records, or (ii) debarred from any South Dakota program, other state program, or federal program. If any applicant or members of the development team are involved with a proposed project that has serious and repeated non-compliance issues at the time of application, the application may be rejected. The prior performance considered may include, but is not limited to, progress made with a previous reservation or commitment, project compliance and payment of monitoring fees under the HTF Program, Housing Tax Credit Program or other SDHDA or federal program.

HTF funds may not be provided to primarily religious organizations, such as churches, for any activity including secular activities. Wholly secular entities may participate under limited circumstances. Contact SDHDA with any questions regarding this qualifier.

Proposals, which include the following, will be awarded the points indicated for each provable characteristic (maximum 40 points):

- a. 20 points: Participation by an entity with a demonstrated track record of quality experience in development or management of subsidized housing, or a new developer that contracts with a developer or consultant with a demonstrated record of quality experience in development or management of subsidized housing;
- b. 10 points: Participation by a minority- or woman-owned business enterprise* - Refer to the SDDOT Compliance Office web site address at: www.sddot.com/operations/compliance/certified.asp; or
- c. 10 points: Owner equity contribution in excess of 10 percent of the total project costs (excludes developer fees).

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

- a. Within two years prior to the HOME/HTF/HTC Application date has made a significant change to another Housing Tax Credit, HOME, HTF or other SDHDA administered project without the prior approval of SDHDA; or
- b. Has unresolved compliance issues on other Housing Tax Credit, HOME, HTF or other SDHDA administered projects.

Further, any project with these characteristics shall not be eligible to receive any points for a demonstrated track record of quality experience. The foregoing shall not limit the right of SDHDA to reject an application pursuant to section II.A.4.

*To be considered a minority- or woman-owned business enterprise, at least 51 percent of the sponsorship must be owned by either a minority individual or a woman.

7. Service Enriched Housing (Maximum 25 points)

Projects providing verifiable on-site services to the tenants of the following types of projects may receive up to 25 points depending upon the extent of the services. The services must be provided long-term and on a continuous basis. The services may be provided by the owner, the management company, or a third party entity. The application must include letter of intent from the

service provider detailing the services, the tenants who will receive the services, the method of delivering the services, and the staffing for the service. A letter of need for housing is not adequate to obtain points in this section.

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

Note: SDHDA, the Department of Human Services (DHS), and the Department of Social Services (DSS) have entered into an agreement whereby full integration of citizens with disabilities into individualized housing settings rather than group home type housing will be promoted. All housing designed specifically for people with disabilities must receive prior approval from DHS and/or DSS. Applicants serving the homeless are required to participate in the Homeless Management Information System (HMIS), through SDHDA. Documentation of approval or that an application has been submitted to DHS or DSS must be submitted with the application.

8. Units for Persons with Disabilities – HUD Section 811 (Maximum 40 points)

SDHDA will work with DHS to provide support services and rental assistance through the Section 811 program (811). The 811 program allows up to a maximum of 25 percent of the units within a project to be set aside for persons with disabilities. There is no requirement for additional accessible units over the required five percent accessible and two percent sensory units. Up to 40 points will be awarded to projects that provide Section 811 units. If SDHDA is not successful in receiving continuing or future funding for the 811 program points will not be eligible.

<u>Points</u>	<u>Total % of Section 811 units</u>
20	10.01% to 15.00%
30	15.01% to 20.00%
40	20.01% to 25.00%

9. Accessibility (Maximum 20 points)

Multifamily rental housing projects containing five or more dwelling units must include five percent of the total units or one unit minimum for individuals with mobility impairments and two percent of the total units or one unit minimum setup for individuals with sensory impairments (i.e. hearing or vision impairments). The above unit requirements may NOT be consolidated so as to provide only one unit. For projects that must comply with Section 504 of the Rehabilitation Act of 1973, a roll-in shower with a seat must be installed in at least 50 percent of the units accessible to individuals with mobility impairments (but at a minimum, in at least one unit).

Up to 20 points will be awarded for projects with additional fully accessible units above the federal minimum requirements, a minimum of one additional unit must be added. Accessible units may not all be located in one building of a multi-building project.

<u>Points</u>	<u>Percent</u>
20	15.01 to 20.00
15	10.01 to 15.00
10	5.01 to 10.00

10. Leveraging (Maximum 50 points)

The owner will be required to provide a minimum of 10 percent of the total project cost as equity in the project. SDHDA will award up to 50 points if HTF funds are leveraged against other financial resources used to cover costs allocated to the HTF assisted units as follows (note that points will not be awarded for funds utilized to finance market rate units):

<u>Points</u>	<u>HTF Funds per HTF assisted unit</u>
50	Less than \$20,000
40	\$20,000 to \$29,999
30	\$30,000 to \$39,999
20	\$40,000 to \$49,999
10	\$50,000 to \$59,999

11. Percentage of Soft Costs Used for Project Costs (Maximum 40 points)

Reasonable and necessary soft costs incurred by the owner and associated with the financing or development (or both) of new construction, rehabilitation, conversion or acquisition with rehabilitation of housing assisted with HTF funds may include but are not limited to the following:

- a. Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups.
- b. Costs to process and settle the financing for a project, such as private lender origination fees; credit reports, title insurance, fees for recordation and filing of legal documents building permit fees, attorney's fees directly related to the project; appraisal fees and fees for independent cost estimates; and developer's fee or builder's fee.
- c. Costs for an audit or cost certification that SDHDA may require with respect to the development of the project.
- d. Costs to provide information services such as affirmative marketing and fair housing information to prospective tenants as required in the Fair Housing section.
- e. For rental projects, the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months) and which may only be used to pay project operating expenses, reserve for replacement payments, and debt service. Any HTF funds placed in an operating deficit reserve that remain unexpended when the reserve terminates may be retained for reserves at SDHDA's option.

Developer's Fees: The developer of a HTF project will be entitled to a Developer's Fee not to exceed 15 percent of the total project costs minus Developer's Fees and Consultant's Fees for projects of 16 units or less and not to exceed 12 percent of the total project costs minus Developer's Fees and Consultant's Fees for projects of 17 units or more. For purposes of the foregoing limitations, "total project costs" do not include any costs that exceed the Project Cost Limits. The Developer Fee will be limited to the fee calculated at the time of Board reservation.

Developers may choose to defer their Developer Fee. The amount of deferred Developer Fee or owner equity presented in the application will be underwritten as a project financing source. The submitted pro forma must evidence sufficient project cash flow after all debt service applied; with repayment of the deferred Developer Fee within the first twelve years of operation.

Consultant's Fees: Consultant fees will be included within the Developer's Fees limitation and cannot exceed two percent of the total project costs minus consultant's fees. For purposes of the

foregoing limitations, “total project costs” do not include any costs that exceed the Project Cost Limits. The Consultant will be expected to provide services through Project Completion and a copy of the Consultant Agreement/Contract must be submitted with the application.

Builder/General Contractor’s Fees: Builder’s Profit is limited to six percent, Builder’s Overhead is limited to two percent, and General Requirements is limited to six percent of those respective amounts divided by the total project hard costs for the project.

An application with the percentage of soft costs compared to the total project costs as follows will be awarded up to 40 points. Soft costs include, but are not limited to, all items in a - e of this section and developer’s fee, developer overhead, consultant fees, operating reserves, origination fees, partnership organizational fees, and rent-up reserves.

<u>Points</u>	<u>% Soft Costs</u>
40	0.00% - 9.99%
30	10.00% - 14.99%
20	15.00% - 19.00%

12. Project Location (Maximum 40 points)

Projects located in close proximity of community services and areas of opportunity will be eligible for up to 40 points. Five points will be awarded for each category item. Close proximity will be defined as within one half mile of the property.

- a. (20 Points) Community services include but are not limited to:

Grocery/Retail Stores
Hospital/Medical Clinics
Schools/Senior Center (as applicable)
Special Service Offices

A project that has a bus stop within one city block or provides free transportation to the tenants on a regularly scheduled (minimum 4 times per week) or on-call basis will receive 20 points. Projects that have on-call transportation services provided to tenants at reduced rates may receive 10 points.

- b. (20 Points) Area of Opportunity:

Low Poverty Census Tracts – less than 10% poverty rate
High Ratio of Jobs to Population – above the state average ratio
Below Average Unemployment – less than the state unemployment rate
High Scoring Schools – above average school performance index posted by South Dakota Department of Education

13. Individuals with Children (Maximum 10 points)

Projects that will be serving tenant populations of individuals with children and provide written documentation at time of application will receive 10 points.

14. Public Housing Notification (Maximum 10 points)

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

15. Promise Zone Designation (Maximum 20 points)

Projects which are located within a HUD-Designated Promise Zone and provide documentation of their location at the time of application will receive 20 points.

C. READINESS TO PROCEED CRITERIA

SDHDA, at its discretion, may allow up to 150 points to projects that most clearly demonstrate readiness to proceed. Such determination may include but is not limited to any of the following factors:

1. Plans and Specifications (Maximum 25 points)

Applications containing architectural plans/working drawings that are at least 50 percent complete or submission of a physical needs assessment prepared by an independent 3rd party provider will receive 25 points.

2. Site Control (Maximum 25 points)

Applications containing documentation that the applicant and/or owner has a recorded warranty deed, a recorded long term lease, or approval of Transfer of Physical Assets (TPA) from the appropriate HUD, Rural Development, or SDHDA office for existing projects in the name of the applicant will receive 25 points.

3. Financing Commitments (Maximum 60 points)

- a. Construction Financing (Executed by Applicant and Lender) (Maximum 20 points)
Applications containing documentation of enforceable construction/interim financing commitments for the project that is executed by the Applicant and Lender, as applicable.
- b. Permanent Financing (Executed by Applicant and Lender) (Maximum 20 points)
Applications containing documentation of enforceable permanent financing commitments must have a fixed rate and a term of at least 15 years and disclose all conditions. Generally, an enforceable financing commitment is a written approval of a loan or grant from a lender which is subject only to conditions of which are within the applicant's control (other than the award of other funding). The loan commitment must contain a representation and acknowledgement from the lender that such lender has reviewed the HTF funds application submitted by the applicant to SDHDA in support of the HTF funds for the project to which such commitment relates and that such lender acknowledges that the project will be subject specifically to rent and income restrictions and other special use restrictions made by the applicant will receive 20 points. Commitment with fixed rate and term of less than 15 years will receive 10 points.
- c. Equity Commitment (Executed by Applicant and Equity Investor) (Maximum 20 points)
Applications containing documentation of an equity commitment disclosing all conditions. The equity commitment must contain a representation and acknowledgement from the equity investor that such investor has reviewed the application submitted by the applicant to SDHDA in support of the credits for the project to which such commitment relates and that such investor acknowledges that the project will be subject specifically to rent and income restrictions and other special use restrictions made by the applicant.

4. Utilities (i.e. water, sewer, electric, heat) (Maximum 20 points)

Applications containing documentation from the utility providers stating utilities are currently at the project site and have the capacity to support the proposed project. Documentation from the providers must be specific to the utility type being provided and that it is at or adjacent to the project site and with sufficient capacity to serve the new development. Close proximity or that the utility can be extended to the site does not meet the requirement for points. Generally 5 points are awarded for each category of water, sewer, electricity, and heat (electric or natural gas).

5. Zoning (Maximum 10 points)

Applications containing documentation that the project site is properly zoned for its proposed use will receive 10 points.

6. Platting (Maximum 10 points)

Applications containing documentation that the project site has had a final plat recorded (includes referencing plat book and number) will receive 10 points.

D. PROJECT DEVELOPMENT CHARACTERISTICS (Maximum 200 points)

Housing that is constructed or rehabilitated with HTF funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of Project Completion. All housing assisted with HTF funds must meet, at a minimum, the Housing Quality Standards in 24 CFR Part 982.401. If rehabilitation standards in effect in the locality of the project are less restrictive, or there are no rehabilitation standards, then at a minimum, the Uniform Building Code (ICBO), National Building Code (BOCA), Standard Building Code (SBCCI), Council of American Building Officials (CABO) or the Minimum Property Standards (MPS) in 24 CFR Part 200.925 or 200.926 will apply.

Newly constructed housing must meet the current edition of the Model Energy Code published and maintained by the International Code Council and all applicable local and State building code requirements in effect at the time of Project Completion.

The housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. "Covered multifamily dwellings" as defined at 24 CFR Part 100.201, must also meet the design and construction requirements at 24 CFR Part 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619).

The proposed site must be suitable for the proposed project. If the site includes any detrimental characteristic, the applicant must provide a remediation plan and budget to make the site suitable for the project. If any detrimental site characteristic exists on, or adjacent to the site, SDHDA may reject the application. Detrimental characteristics may include but are not limited to: location within one mile of pipelines, storage areas for hazardous or noxious materials, sewage treatment plant, sanitary landfill; location within 2500 feet of an airport runway clear zone, 3000 feet of a railroad, 1000 feet of a major roadway, commercial property or 15,000 feet of military clear zone; physical barriers; unsuitable slope or terrain; location within 1000 feet of registered historic property; or location in flood hazard area.

All rental property managers must attend the Crime Free Multi-Housing Program course administered through the South Dakota Law Enforcement Officers Standards and Training

Commission, but are not required to certify the property itself if the program is not available in their community.

Points will be awarded to proposed projects based on the points as detailed in Exhibit 4. A completed copy of Exhibit 4 must be signed by the applicant and architect. Characteristics indicated by the applicant and architect will be verified by SDHDA staff based on final architectural plans and specifications and physical inspection prior to a final disbursement of HTF funds. A maximum of 200 points may be obtained.

VII. GENERAL FEDERAL REQUIREMENTS

A. GENERAL

The Federal Requirements set forth in 24 CFR part 5, subpart A, are all applicable to participants in the HTF program. The requirements of this subpart include: nondiscrimination and equal opportunity; disclosure requirements; debarred, suspended, or ineligible contractors; and drug-free workplace in accordance with 24 CFR Part 93.350. All entities applying for funds through the HUD HTF Program will provide certification of compliance with all federal requirements under the Equal Opportunity legislation. In addition, any other federal requirements as required by HUD will pertain to HTF funds recipients.

B. FAIR HOUSING

It is SDHDA's policy for Affirmative Marketing that SDHDA informs the public, homebuyers, homeowners, landlords and potential tenants about the Federal Fair Housing laws and the affirmative marketing goals by:

- Making the SDHDA programs available for public review;
- Notifying proposed HTF project owners of Equal Opportunity requirements;
- Including the Equal Housing Opportunity logo or slogan on all advertising and literature used for the HTF Program;
- Maintain for public review, copies of media releases, advertisements, and paid ads where the HTF Program was presented;
- Placement of Public Notices and Ads in local newspapers; and
- Attending and providing information at meetings on a statewide basis with developers, realtors, lenders, and other housing and community officials.

Participants in the SDHDA HTF Programs will be required to use affirmative fair housing marketing practices in soliciting renters, determining eligibility and concluding all transactions. Each participating entity must affirmatively further fair housing according to 24 CFR Part 93.350.

1. Advertising with respect to vacant units must include the equal housing opportunity logo or statement. Advertising media may include newspapers, radio, television, brochures, leaflets, or may involve simply a sign in a window.
2. SDHDA will require the owner to solicit applications for vacant units from persons in the housing market who are least likely to apply for the affordable housing without benefit of special outreach efforts. In general, persons who are not of the race/ethnicity of the residents of the neighborhood in which the affordable project is located and persons with disabilities will

be considered those least likely to apply. In many communities, these persons have been identified as either Native American persons or persons with physical, mental, or developmental disabilities. In addition to advertising in local newspapers, the owner will be required to notify community organizations, places of worship, employment centers, fair housing groups, housing counseling agencies, social service centers or medical service centers to reach applicants who are least likely to apply for units.

3. The owner must maintain a file available for inspection by SDHDA containing all marketing efforts (i.e., copies of newspaper ads, memos of phone calls, copies of letters, etc.) and the records necessary to assess the results of such efforts.
4. The owner must maintain a listing of all tenants residing in each unit at the time of application submittal through the end of the compliance period.

SDHDA will assess the affirmative marketing efforts of the owner by comparing predetermined occupancy goals (based on the area from which potential tenants will come) to actual occupancy data that the owner is required to maintain. Outreach efforts on the part of the owner will also be evaluated by reviewing marketing efforts.

SDHDA will assess the affirmative marketing efforts of the owners during the rent-up and marketing of the units, by use of a compliance certification or personal monitoring visit to the project.

If an owner fails to follow the affirmative marketing requirements, corrective actions will include extensive outreach efforts to appropriate contacts to achieve the occupancy goals as well as other sanctions SDHDA may deem necessary.

An applicant requesting HTF funds for projects containing five or more units must include with its application details of proposed marketing efforts designed to inform and attract, to the available housing, eligible persons from all racial, ethnic and gender groups in the housing market area (does not apply to families with tenant based rental assistance).

The owner must provide SDHDA with an annual assessment of the affirmative marketing program of the project and the assessment must include:

1. Method used to inform the public and potential tenants about federal fair housing laws and affirmative marketing policy (e.g., the use of the Equal Housing Opportunity logo or slogan in print advertising);
2. Method used to inform and solicit applications from persons in the housing market area who are not likely to apply without special outreach (e.g., use of community organizations, places of worship, employment centers, etc.); and
3. Records describing actions taken by the owner to affirmatively market units and records to assess the results of these actions.

C. ENVIRONMENTAL REVIEW

The environmental effects of each activity carried out with HTF funds must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and HUD's 24 CFR Part 93.301(f).

D. LEAD-BASED PAINT

Housing assisted with HTF funds constitutes HUD assisted housing for the purpose of the Lead-Based Paint Poisoning Prevention Act and is therefore subject to 24 CFR Part 35 subparts A, B, J, K, and R, as summarized in Exhibit 9. Refer to Exhibit 10 for notification disclosure information.

E. CONFLICTS OF INTEREST

No person who (a) is an employee, agent, consultant, officer, or elected or appointed official of SDHDA or of any designated public agency that received HTF funds and who exercises or has exercised any functions or responsibilities with respect to assisted HTF Program activities or (b) is in a position to participate in a decision making process or gain inside information with regard to such activities may obtain a personal or financial interest or benefit from his or her activity, or have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds hereunder, either for such individual or for those with whom such individual has family or business ties, during the individual's tenure or for one year thereafter. HUD may grant exceptions to this rule under circumstances as outlined in 24 CFR Part 93.353(d).

F. DEBARMENT AND SUSPENSION

Owners and contractors are prohibited from employing, awarding contracts, or funding any contractors or subcontractors that have been debarred, suspended, proposed for debarment or placed on ineligibility status by HUD. In addition, any owners who are debarred, suspended, proposed for debarment or ineligible will be prohibited from participating in the HTF Program.

G. HISTORIC PROPERTIES

An application proposing rehabilitation in a structure which is over 50 years old must provide documentation from the State Historical Preservation Office that notification of the rehabilitation has been received and that the proposed rehabilitation will have no effect on the historical significance of the structure or that cooperation and adherence to the National Historic Preservation Act (16 U.S.C. 470) is being met through continued correspondence and mutual agreement on the proposed rehabilitation.

H. FLOOD INSURANCE

HTF funds may NOT be used in connection with acquisition, conversion, new construction, or rehabilitation of a project located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, unless the locality in which the site is located is participating in the National Flood Insurance Program or less than a year has passed since FEMA notification regarding such hazards, and flood insurance is obtained as a condition of approval of the commitment. A flood certification will be obtained by SDHDA.

I. FUNDING ACCOUNTIBILITY AND TRANSPARENCY ACT

All assistance provided to subgrantees and recipients shall be considered a Federal award for purposes of the Federal Funding Accountability and Transparency Act of 2006 (31 U.S.C. 6101 note).

J. EMINENT DOMAIN

No HTF funds may be used in conjunction with property taken by eminent domain, unless eminent domain is employed only for a public use, except that, public use shall not be construed to include economic development that primarily benefits any private entity.

VIII. MONITORING FOR COMPLIANCE

SDHDA will monitor housing projects for compliance with HTF Program requirements. Program compliance will be assessed through annual certification of compliance and on-site reviews conducted by SDHDA staff. SDHDA's HTF Program Rental Compliance Manual details the required responsibilities for continuing program compliance.

SDHDA will require the owner or management company to attend compliance training at a minimum of once every three years from the date of final disbursement of funds. All extended or reduced rent elections made by the applicant and any other special use restriction elections made by the applicant will be made part of the Declaration of Land Use Restrictive Covenants, whether or not such election resulted in points under the Primary Selection Criteria section of the Plan.

IX. Fees

A. MONITORING FEE

Projects using HTF funds as their sole federal funding source will be assessed monitoring fees. Annual fees of \$50 per project and \$25 per HTF assisted unit are payable each year throughout the entire affordability period. Annual Fees will be imposed after the first full year in service, which is measured from the month the last building in the project is placed in service. If the project is also receiving HOME or other federal assistance, the monitoring fees will be waived.

IX. DEFINITIONS

Adjusted Income: For rental housing, SDHDA uses the adjusted income definition as defined in 24 CFR Part 5.611.

Affirmative Marketing: Consists of actions to provide information and attract eligible persons from all racial, ethnic, and gender groups in the housing market area, to the available housing.

Affordability: Affordability refers to the requirements of the HTF Program that relate to the cost of housing both at initial occupancy and over established timeframes, as prescribed in the HTF Final Rule. In all cases, affordability requirements for rental housing assisted with HTF funds are 30 years.

Annual Income: For rental housing, SDHDA uses the annual income definition as defined in 24 CFR Part 5.609 (Part 5 Annual Income).

Applicant: Applicant refers to the owners, developers, and/or sponsors involved with the project.

Area Median Income (AMI): The income determined by HUD on which program income and rent limits are based.

Assisted Living Facility: Living arrangement that offers tenants assistance with activities of daily living, including eating, bathing, dressing, and personal hygiene; three meals per day every day of the week; supervision of self-administration of medication; laundry services; housekeeping; 24 hour staffing and activities. Transportation to and from doctor's appointments and personal errands, counseling services, and companion services are optional. Note: Projects in which continual or frequent nursing, medical, or psychiatric services are provided do not qualify as residential rental property.

Builder's Profit: Compensation to the builder for completing the construction contract.

Builder's Overhead: Builder's business expenses (e.g., rent, insurance, heating, etc.) not chargeable to a particular part of the work or product to build the project.

Commitment: The written, legally binding agreement between SDHDA and the project owner providing HTF funds to a project.

Community Development Block Grant (CDBG): Federal funding that allows communities to create flexible, locally designed comprehensive community development strategies to enable them to develop viable urban communities (Title I, Housing and Community Development Act of 1974).

Concerted Community Revitalization Plan: Locally approved revitalization plan targeting specified areas or neighborhood within the community for housing and economic development through the rehabilitation of existing and construction of new housing. To qualify, the plan must be officially adopted by the local governing body, identify a specific time period, target a specific area within the community, and call for new construction or rehabilitation of affordable housing within the boundaries of the plan, Local housing need surveys, consolidated housing and/or economic development plans, short term work plans, municipal zoning or land use plans do not qualify as Concerted Community Revitalization Plans.

Congregate Care Facility: Housing units which provide a semi-independent living environment which offers residential accommodations, central dining facilities (where at least one meal a day is provided seven days a week), related facilities, and supporting staff and services to persons of at least 62 years of age or with disabilities. The cost of the meals and other services must be covered in an agreement separate from the lease. A practical alternative must exist for tenants to obtain meals other than from the dining facility.

Consolidated Plan: A five year housing and community development planning document for the State of South Dakota. The Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG), HOME Investment Partnerships Program (HOME), and Housing Trust Fund (HTF) are covered under this Plan.

Developer's Fee: Compensation to the developer for time and risk involved to develop the project.

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

Extremely Low-Income Family: Family whose annual income does not exceed 30 percent of the area median income for that area (adjusted for family size). HUD may establish, on an exception basis, income ceilings higher or lower than 30 percent of median income for an area.

Fair Market Rents (FMRs): Rents for existing housing for comparable units in the area established by HUD under 24 CFR Part 888.111.

General Pool: The remaining pool of HUD HTF Formula and/or available SDHDA program income funds after taking into consideration the Plan set-asides.

General Requirements: An allowance for the contractor's project-related expenses, such as building permits, fencing around the site, temporary storage for materials, and the cost of a performance and payment bond, etc.

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

HTF Assisted Units: Units within a HTF project where HTF funds are used and rent, occupancy, or resale restrictions apply.

Housing for Older Persons: Housing intended and operated for, and solely occupied by, persons 62 years of age or older as per 24 CFR Part 100.303 OR housing intended and operated for persons 55 years of age or older as per 24 CFR Part 100.304.

HUD: U.S. Department of Housing and Urban Development.

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

Low-Income Family: Family whose annual income does not exceed 80 percent of the area median income for that area (adjusted for family size). HUD may establish, on an exception basis, income ceilings higher or lower than 80 percent of median income for an area.

Modest Housing:

New Construction: Any project involving adding units outside the existing walls of the structure, the construction of new residential units, the acquisition of land or the demolition of an existing structure for the purpose of constructing a new structure, and acquisition of a structure that has received an initial certificate of occupancy within a one year period prior to acquisition.

Other Federal Funds: Other Federal Funds include, but are not limited to, USDA Rural Development sources, CDBG funding, Federal Housing Administration sources and Housing and Urban Development sources.

Participating Jurisdiction (PJ): The term given to any State or local government that HUD has designated to administer a HTF Program. HUD designation as a PJ occurs if a State or local government meets the funding thresholds, notifies HUD that it intends to participate in the program, and obtains approval by HUD of a Consolidated Plan. SDHDA is the PJ for the State of South Dakota.

Project Completion. A project is considered complete when construction of all buildings within the project have been completed and all units are ready for occupancy as verified by the certificate(s) of occupancy.

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

Service Enriched Housing: Projects providing affordable rental housing (permanent or transitional) that include services and assistance that are available to residents upon request. The services and assistance can be provided directly by the project or through collaboration with service organizations but must be tailored to individual residents and managed by the property.

Services and assistance are not a requirement for tenancy but there must be a mechanism for immediate support and assistance when requested by any resident.

Single Family Purchase Price Limits: Maximum purchase price limits as determined by HUD that represent 95 percent of area median purchase price.

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

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

Subrecipient: A public agency or nonprofit organization that is selected by SDHDA to administer a portion of the HTF Program

Townhouse Project: A multifamily housing project where each unit has no more than two common walls.

Transitional Housing: A housing project that is designed to provide housing and appropriate supportive services to persons including, but not limited to, deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children, and that has as its purpose facilitating the movement of individuals and families to independent living within a two-year time period.

Very Low-Income Family: Family whose annual income does not exceed 50 percent of the area median income for that area (adjusted for family size). HUD may establish, on an exception basis, income ceilings higher or lower than 50 percent of median income for an area.

Wage Determination: The wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act.

EXHIBIT 1
REQUIRED SUBMISSIONS FOR HTF PROGRAM

A. Application Requirements. Applications must be submitted on the SDHDA HOME/Housing Tax Credit/HTF Application Form. If you are applying for funding under the HOME, HTF and Housing Tax Credit programs, the original and a copy of the complete application must be submitted. SDHDA may reject applications with incomplete or incorrect application information. The application must be signed by at least one general partner.

1. Local housing needs assessment and complete market analysis. The assessment and analysis must have been completed within six (6) months of submission. Refer to Exhibit 2 for additional information.

A modified market analysis may be submitted at SDHDA's discretion for projects involving rehabilitation or acquisition and rehabilitation of an existing affordable multifamily housing project.

2. Applicants must submit a project narrative outlining the project characteristics (tenants being served, amenities provided, financing in place, etc.). The narrative is intended as a summary of the proposed project to assist SDHDA in reviewing the information in the application and exhibits.
3. Letter from the chief executive officer of the local governing body, in the format prescribed in Exhibit 3, evidencing approval from such body. Documentation of local approval must be in the form of meeting minutes or resolutions of the governing body and must reference the market study provided. If the local charter expressly gives the chief executive officer the power to approve a project and does not require approval of the governing body, a certified copy of such charter provision must be included with the letter of approval from the chief executive officer. The letter of approval must identify the number of units approved, the type of units approved and the exact location of the proposed project.

All applicants are encouraged to contact the local governing body in which they intend to develop HTF properties early in the development process to determine whether the local governing body has adopted procedures and submission dates for approving projects under the HTF program.

4. Copy of utility allowance calculation and supporting documentation.
5. Pro Forma / Debt Service Coverage Ratio: Pro formas submitted must reflect a debt service coverage ratio of not less than 1.15 for the entire affordability period and for the term of the HTF loan. Compensating factors such as developer's experience, types of financing utilized and financial strength of the applicant/owner may vary this requirement. The debt coverage ratio is the net operating income to the total annual debt service. Furthermore, the application will reflect that rental income, any subsidies and reserve funds are sufficient to cover the property's debt and operating expenses over the period of affordability. Annually, income must be trended at two percent, expenses and replacement reserves must be trended at three percent, and vacancy must be projected at seven percent. A higher vacancy rate may be used for an acquisition/rehabilitation project if the project is currently sustaining higher vacancies and it is not reasonable to expect the project to achieve a seven percent vacancy rate within the first year.

6. Three years of annual financial statements from the owner, developer, and general partner.
7. Calculation and supporting documentation of all annual operating expenses evidencing how the applicant arrived at the submitted amounts (e.g., calculation of real estate taxes from county assessor). If the proposed project involves rental acquisition and/or rehabilitation, this requirement may be met with the submission of historical financial information.
8. The submittal of an attorney's opinion stating that to the best of his or her knowledge, the applicant and all members of the development team (See Exhibit A of the HOME/HTF/Housing Tax Credit Application Form) are in good standing as described in Section VI. B. 4. The submittal of applicant information, including but not limited to, the applicants past experience with housing concerns and documentation of capacity to perform, based on other federal, State, and local programs and the ability to carry out the activities and requirements associated with this application.
9. Site control; during the application process, the following is acceptable:
 - a. purchase agreement or option to purchase, signed by both the buyer and seller;
 - b. warranty deed or title (must include purchase agreement);
 - c. long term lease equal to or greater than the term of affordability; or
 - d. contract for deed.

To obtain points under Section VI.C.2. (Readiness to Proceed Criteria) Documentation must be submitted evidencing that the applicant and/or owner has a recorded warranty deed, a recorded long term lease, or approval of Transfer of Physical Assets (TPA) from the appropriate HUD, Rural Development, or SDHDA office for existing projects in the name of the applicant.

Applicants should be cautioned that a reservation of HTF funds is site specific, therefore any changes to the site will require a full review of the application and reconsideration by the SDHDA Board.

10. Drawing of proposed project site plan showing the general build-up of the site including the location of all proposed building, streets, parking areas, service areas, playgrounds, and any other significant details of the site.
11. Typical floor plan, dimensional plan for each typical living unit. To obtain points under Section VI.C1. (Readiness to Proceed Criteria). Architectural plans/working drawings must be at least 50 percent complete.
12. Documentation that the project site is properly zoned at the time of application and documentation that reflects the current status of a project's plat. To obtain points under Section VI.C. (Readiness To Proceed Criteria) 7. and 8, documentation must be submitted evidencing that the project site is properly zoned for its proposed use and project site has had a final plat recorded (includes referencing plat book and number). These items may not be necessary for acquisition and/or rehabilitation applications.
13. Letters of notification to all applicable local housing agencies, e.g., local PHA's. The notification must identify the number and type of units and the exact location of the proposed project.
14. If the applicant is a nonprofit, a description of the organization and its activities.

15. To obtain points under Section VI. B. 14. (Project Location), proposals must include a local area map indicating other assisted housing, proximity to services (hospitals, schools, grocery stores, special services offices), etc.
16. To obtain points under Section VI. D. (Project Characteristics), a completed Exhibit 4 signed by the Applicant and Architect indicating the features included in the project must be submitted.
17. To obtain points under Section VI. B. 6. (Financial Support from Local Source), documentation of such support must be provided.
18. To obtain points under Section VI. B. 7. (Applicant Characteristics), documentation of such applicant characteristics must be provided.
19. To obtain points under Section VI. B. 9. (Service Enriched Housing), a letter of intent from the service provider detailing what will be available must be provided.
20. Letter of intent evidencing the preliminary arrangements for construction, interim, and permanent financing. The amount of the loan, the rate and the term must be included in the letter. For equity investment the price value of syndicated credits must be included. To obtain points under Section VI.C. (Readiness To Proceed Criteria) 3... a. b. and c., the required documentation (executed by Applicant and Lender or Investor) must be submitted.

NOTE: Interim financing (bridge loan) fees will not be allowable project costs if financing is provided by an entity having an identity of interest with the developer, builder, syndicator, or applicant. Only interest costs at or below market rate will be allowed.

21. Projects involving acquisition and/or rehabilitation of housing built before 1978, a Lead-Based Paint Disclosure of Information must be signed by each lessor and lessee (Exhibit 10) or seller and purchaser (Exhibit 11) and the applicant as part of the notification requirements of the Lead-Based Paint Poisoning Prevention Act.
22. Projects involving rental acquisition and/or rehabilitation, the applicant must provide a relocation plan and budget; along with list of tenants for each of the four months previous to application submission. Each tenant presently occupying the project complete a Tenant Questionnaire (Exhibit 5). However, if the project has federal project based rental assistance, the applicant may submit source tenant documentation in lieu of a Tenant Questionnaire. SDHDA is required to send a General Information Notice to each tenant. If a unit is vacant, please note on the Tenant Questionnaire and submit with the owner's signature.
23. Projects involving rental acquisition and/or rehabilitation, three years historical financial information must be submitted with the application. If the proposed transaction is an arm's-length transaction, the applicant must at a minimum submit the last three years' operating statements. If the proposed transaction is not an arm's-length transaction, the applicant must submit three years' audited financial statements. SDHDA reserves the right to request financial information for additional years. In addition, if applicable, the submittal of the latest approved project based rental assistance contract.
24. Projects involving rental rehabilitation, a detailed description of the activities to be completed for the exterior and by apartment unit for the interior and the corresponding cost. The failure

to include a detailed description may result in the application not being selected for a reservation of HTF funds. To obtain points under Section VI.C1. (Readiness to Proceed Criteria), applicant must submit a physical needs assessment.

In addition, if there are large variances between the original application and the appraisal and physical needs assessment submitted for commitment of HTF funds, the reservation of HTF funds may be withdrawn.

25. If applicable, applicant must provide a copy of the Concerted Community Revitalization Plan and evidence that the housing is or will be located within the associated qualified census tract.
26. Projects that will be serving tenant populations of individuals with children must provide written documentation.
27. Documentation of utility availability (i.e. water, sewer, electric, natural gas). If utilities are not available, an explanation, including dates, as to when all utilities will be available must be submitted. To obtain points under Section VI. C. 6. (Readiness to Proceed Criteria) must submit documentation from the utility providers stating utilities are currently at the project site and have the capacity to support the proposed project.
28. Copy of Consultant Agreement.
29. Any other information requested by SDHDA.

B. Reservation Stage

All requirements in this section must be provided, within 120 days, before an actual commitment of HTF funds will be made.

1. Signed funding commitment documentation from all sources associated with the project including the amount, rate and term of the financing.
2. A description of any other governmental assistance and/or rental assistance associated with the project. This includes copies of any contracts/agreements executed or any applications made for rental assistance grants for the project.
3. Information on the ownership entity, including an executed copy of the partnership agreement or articles of incorporation, a copy of the certificate of registration from the Secretary of State in the State of South Dakota, and a copy of federal tax payer identification number.
4. An affidavit executed by the owner, general partner, an officer, a director or corporate officer stating that under penalties of perjury all facts and statements contained in all documents and exhibits submitted in conjunction with the application for HTF funds are true and accurate to the best of his or her knowledge.
5. Site ownership documented by a recorded contract for deed, warranty deed, or long term lease (lease must be for longer than the minimum affordability requirement or through the extended use period). All ownership by contract for deed must include an amendment to the contract which states the deed holder is knowledgeable of and agrees to comply with all

requirements of SDHDA and HUD HTF Program regulations for the period of affordability and/or any extended use pledged in the application.

6. Final itemization of the costs related to the completion of the project, including both hard cost and soft costs.
7. Final plans and specifications stamped by the project Architect and Engineer.
8. Copy of the proposed HUD Affirmative Fair Housing Marketing Plan, management plan, management agreement, tenant selection policy (See Exhibit 8), Section 504 reasonable accommodation policy, and the intended lease to be utilized for the project, which may not include any prohibited lease terms as detailed in Exhibit 9.
9. All other agreements and certifications required by SDHDA to comply with the federal regulations governing the use of HTF funds.
10. Projects involving acquisition of an existing property must submit a “Market Value As Is” appraisal meeting the USPAP and completed by an independent, State Department of Revenue and Regulation certified appraiser (http://dlr.sd.gov/bdcomm/appraiser/supervisor_log.aspx). SDHDA will approve the appraiser and the applicant will pay for all costs for this service, which can be included in the total project costs.
11. Projects involving rehabilitation or new construction must submit a “Market Value As If Completed” appraisal meeting USPAP and completed by an independent, State Department of Revenue and Regulation certified appraiser (www.state.sd.us/drr2/reg/appraisers/complain-rosters.htm). In addition, projects involving acquisition and/or rehabilitation of an existing property must submit a physical needs assessment completed by an independent inspector. SDHDA must approve the appraiser and inspector and the applicant will pay for all costs for these services, which can be included in the total project costs.
12. Projects involving acquisition and/or rehabilitation of a pre-1978 property must comply with lead-based requirements as summarized in Exhibit 9. The applicant will pay for all costs for these services, which can be included in the total project costs.
13. Projects will be required to obtain a Dun & Bradstreet D-U-N-S number via www.dnb.com. (For U.S. Government Federal Contractors, Vendors and Grantees) and D-U-N-S Number assignment is FREE for all businesses required to register with the US Federal government for contracts or grants
14. Any other information deemed necessary by SDHDA.

**EXHIBIT 2
MARKET STUDY REQUIREMENTS
FOR THE HTF PROGRAM**

In order to be accepted with an application, a complete market study must be less than six months old at the time of submission. For acquisition/rehabilitation and small projects this market study can be completed by the applicant and should include a short narrative addressing recent sales in the area, demand for housing, lack of supply, and documentation of interest in the project activity, i.e. waiting lists. Small projects will be defined as five units or less.

All other application market studies must be completed by a market analyst who is unaffiliated with the developer and who has experience with multifamily rental housing. A South Dakota licensed appraiser who is MAI certified and meeting the criteria listed may also complete the market study. The study must address in depth the following:

1. Review of proposed site including color photos of the site and adjoining property; definition of the primary and secondary market areas including a map that clearly marks the areas and an explanation of the basis for the boundaries; description of site characteristics including the size, shape and general topography; and evaluation of the accessibility and visibility of the site;
2. Review of the proposed project including the number of units by number of bedrooms and bathrooms, income levels to be served, rent to be charged, calculating utility allowances and amenities to be provided;
3. Review of existing community services and their proximity to the proposed project including a site map identifying such services;
4. Review and listing of existing multifamily projects in the market area for both affordable housing (Section 8, HOME and Rural Development) units and market-rate units listing the type of housing, location, number of bedrooms, number of bathrooms, size of units, condition of buildings, vacancy rates, waiting lists, amenities, utility allowances (whether included in rent or not), and rental rates;
5. Review of the total number of income eligible households* in the market area, (include a breakdown of households (both renters and owners) at 30 percent, 50 percent, and 60 percent level of area median income and projections of the same, for the next five year period);
6. Review of projected new multifamily projects (BOTH affordable and market rate) including number and type of building permits issued in the past three years;
7. Review of current population characteristics, such as total population, income levels, age breakdown, migration trends, and five year projection of future changes to the population and its characteristics;
8. Review of the type of employment opportunities and entry-level wages including economic changes proposed that could potentially affect the number of jobs or wages
9. Review of existing and projected renter and owner occupied households indicating the total number of households, average number of persons per household, and number of

households that are rent burdened (tenants paying more than 30 percent of their income for housing);

10. Review of existing housing conditions and projected rental housing demands, including the breakdown of the number, size and rent level of units necessary to fill the demands of the community;
11. Review of meeting/correspondence with the local Public Housing Authority highlighting the utilization of Section 8 vouchers and the affordable rental housing in the corresponding effective market area;
12. Review of meeting/correspondence with local planners, housing and community development officials, and market participants to evaluate the local perception of the need for additional housing; and
13. Executive Summary with a precise statement of the conclusions reached by the analyst. The statement must include the analyst's opinion of (i) market feasibility, (ii) the prospect of long-term performance of the property given housing and demographic trends and economic factors, (iii) recommended modifications to the proposed project, (iv) market related strengths and weaknesses, (v) positive and negative attributes and issues that will affect the property's lease-up and performance, and (vi) the impact the subject property will have on the existing multifamily projects.

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

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

1. Whether the community experienced growth in recent years and is projected to continue to grow.
2. Whether there has been any significant changes in the economic arena for the area, such as major employers leaving or moving into the area or are expected to leave or move in. Note that the definition of "major" will vary by community.
3. A determination as to whether vacancies that may have existed prior to the population growth have been absorbed, or whether there are vacancies in the market area now. If there are the vacant units, they need to be evaluated to determine if they are obsolete, have deferred maintenance, have deep rental subsidies, or qualify for Section 8 Vouchers (if available).
4. Determine if the need is for housing for families, young professionals, retirees, or the elderly, and what the most suitable housing would be for the identified population; such as whether there is a need for single family homes, townhouse or condominium type housing units with lower maintenance requirements, independent apartments, congregate housing, or assisted living units. Also, determine if there are existing vacant units or structures in the community or region that could be rehabilitated or moved in to address the demand for housing in a more affordable manner than new construction.
5. A determination must be made as to whether there is a need for market rate housing or housing targeted to lower income households.

**EXHIBIT 3
LOCAL GOVERNING BODY APPROVAL**

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

I, _____, [Insert title of Executive Officer] of _____, am writing on behalf of the _____ [Insert name of local governing body, such as Sioux Falls City Council or Cheyenne River Sioux Tribe] in support of the following proposed project:

_____ (Project Name)

_____ (Street Address)

_____ (Number of Units)

The project will be [Insert newly constructed or existing] units targeted to [Insert family or elderly].

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

[Attached are the meeting minutes dated _____ evidencing approval from the local governing body.] or [The [Insert title of C.E.O.] has the express authority to approve the proposed project under the local charter, a certified copy of which is attached.]

Name

Title

Signature

Date

**EXHIBIT 4
PROJECT CHARACTERISTICS**

Applicant only eligible to receive up to 200 points.

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

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

General Project Scope:		
	Minimum Standards	Single family project must include individual exterior storage units at a minimum of 8'x12' or a garage.
	25 points	Single family project that includes an attached or detached garage capable of parking at least 1 vehicle
Site Exterior:		
Parking:		
	Minimum Standards	At a minimum, the parking lot will be engineered asphalt, having concrete curb and gutter where required. Single family home developments must contain concrete off-street parking for two vehicles. Each efficiency, 1 and 2 bedroom units must have 1-1/2 parking spaces and each 3-4 bedroom must have 2 parking spaces. The number of handicap designated spaces must equal the amount of handicap units. In the event that local jurisdiction codes exceed this total then the local code supersedes these requirements. Garage counts as parking space(s).
	25 points	Multifamily projects with off-street concrete parking lot that meets above requirements.
Sidewalks:		
	Minimum Standards	A concrete sidewalk will be provided from each primary entrance door and any accessible entry door to a public right of way.
Exterior Landscaping:		
	Minimum Standards	New construction should have a minimum of a live landscaped area of no less than 5% of the hard surfaced area of the project site. Hard surface includes building pad as well as all sidewalks, parking lots and other hard finish areas.
	Minimum Standards	A Minimum of 2% slope for hard surfaces adjoining foundation and no less than 5% for landscaped surfaces.
	Minimum Standards	Multifamily rental project of 16-47 units must have at least one Section 504 compliant playground area. Projects of 48 or more units, must have at least two Section 504 compliant playground areas.
	Minimum Standards	Downspouts must discharge away from building with positing draining.
	5 points	Use of drought resistant live plants or Xeriscaping design principals or use of rain sensor irrigation for landscaped areas.

	10 points	Downspouts are attached to storm sewer system.
Signage:		
	Minimum Standards	The project must have permanent signage installed with Equal Housing Opportunity and ADA logos and the identification of the developer and South Dakota Housing Development Authority. This requirement may be waived for single family projects
Building(s) Exterior:		
Exterior Siding/Finish:		
	Minimum Standards	Minimum of 15 year finish warranty 30 year substrate warranty solid cementitious or composite prefinished siding. If vinyl siding is used, it must be a minimum of 0.44 mil thick and have a lifetime warranty. Prefinished soffits and fascia are required.
	10 points	At least 25% of building exterior finished in brick, stone or stucco.
	25 points	At least 80% of building exterior finished in brick, stone or stucco.
Roofing:		
	Minimum Standards	Minimum of 30 year warranty asphalt or composite shingle, 29ga metal roofing with a 50 year finish/fade warranty or 60mil rubberized roof with a 30 year warranty for flat roofs.
	15 points	Use of UL 2218 Class 4 impact resistant shingles or 26ga UL 2218 Class 4 impact resistant metal roofing.
Windows/Doors:		
	Minimum Standards	Energy Star certified exterior prefinished windows constructed of vinyl, wood, composite or fiberglass containing Low-E Glass scored with better than .30 U Factor by the National Fenestration Rating Council.
	10 points	Windows scored with better (lower is better) than a .26 U-Factor by the National Fenestration Rating Council.
	Minimum Standards	Exterior doors shall be insulated steel or composite in a metal clad wood or composite frame. Unit entry doors without windows shall have a peephole installed with 180 degree view. All unit entry doors must be equipped with a deadbolt with 1" inch throw into reinforced jamb.
	Minimum Standards	Main entrances for projects containing interior accessed units must be equipped with an ADA/ABA compliant automatic door opener.
	20 points	Main entrances for projects containing interior accessed units designed with a foyer and equipped with a security access system.
	20 points	Townhome or single family projects that have exterior entrances at ground level for all units.
Construction and Energy Efficient Design Features:		
Wall/Roof Assembly:		
	Minimum Standards	Slab on grade construction to have a minimum R-10 vertical foundation and horizontal perimeter under slab insulation per 2012 IECC. A minimum 6 mil or greater vapor barrier to be required under slab.

	Minimum Standards	2x6 exterior wall assemblies insulated to a minimum of R-20. Roof assembly insulated to a minimum of R-49. All assemblies must be constructed to the higher of the SDHDA minimum or the local adopted code or the current state adopted IRC/IBC if no local code exists.
	10 points	All party walls and common walls containing at least 3.5" of sound attenuation insulation.
	10 points	Light weight concrete or Gypcrete surfacing on floors.
Special and Accessible Design Features:		
	Minimum Standards	All projects containing more than 4 units must be compliant with Section 504 under the Rehabilitation Act of 1973. All other housing must meet the requirements of the Fair Housing Act. Rehabilitation of housing containing more than 15 units and costing at least 75% of replacement cost or that is vacant must also meet Section 504.
	15 points	Incorporation of the 7 Universal Design Principles in at least 25% of all units or single-family developments with accessible routes into and through the home including zero step entry, not including Section 504 units. Universal design is the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design.
	35 Points	Multifamily projects that have either a stand-alone Community Building or a Community Room, the room shall be 15 square feet per occupant, assuming 1-1/2 occupants per unit. The room shall include a fully functioning kitchen and minimum of one unisex ADA compliant restroom. For calculation of the square footage of the space, only areas usable by occupants are to be included. The square footage of the kitchen, restroom, offices or storage cannot be used to meet minimum square footage requirement.
Energy Efficient Design Features:		
	20 points	HERS: Project scoring a HERS index of 60 or better as verified by a RESnet certified Rater. Lower is better
	35 points	Energy Star: Whole project certification to the latest version of Energy Star for New Homes or Energy Star for Multifamily High Rise as verified by a 3rd party Energy Star certified rater. Project cannot take points for both HERS and Energy Star certifications.
	10 points	Installation of LED lights in all common areas including hallways, laundry rooms, restrooms, community room, office, and stairways.
Building Interior		
Unit Entry Doors:		
	Minimum Standards	The unit entry doors must meet the code requirement of the wall assembly containing it. It must include a peephole with 180 degree viewer or have a window, a deadbolt with a 1" throw into a reinforced jamb.
Unit Interior Doors:		
	10 points	Solid core doors with metal jambs for interior of units. (bathrooms, bedrooms, closets).

Floor Covering:		
	Minimum Standards	Carpet must meet the standards of HUD use of material bulletin 44D. VCT, Vinyl Plank, LVT, sheet vinyl and other floor coverings must meet or exceed the ASTM standards for Resilient Floor Covering and carry a minimum of a 10 year Manufacturer Warranty. An aluminum "J" channel must be installed at the tub/shower with sheet vinyl flooring.
Laundry:		
	Minimum Standards	A common laundry room must be located in each building of a project and contain a window within or near the door. Laundry room must also include a continuous or humidistat controlled ventilation system. Projects with single family dwellings, townhomes, or apartments without common laundry space must provide washer and dryer hook-ups within each unit. Washers must meet Energy Star qualifications.
	5 points	A common laundry room for each building floor and must meet above minimum standards.
	10 Points	A washer and dryer provided for each unit.
Unit Bathrooms:		
	Minimum Standards	Minimum of one-half bath per floor for multi-story townhouse or single family dwellings containing 2 or more bedrooms.
	Minimum Standards	Primary bath light and bathroom ventilation fan must be switched together. Bath fan cannot be used to meet mechanical ventilation code for local jurisdictions that have adopted 2012 IECC or other codes that require mechanical ventilation.
	5 points	Installation of Energy Star qualified bathroom ventilation fan equipped with a humidistat and timer.
	Minimum Standards	For new construction projects that must comply with Section 504 of the Rehabilitation Act of 1973, a UFAS compliant roll-in shower must be provided in at least 50% of the Section 504 mobility impaired accessible units or at least one.
Appliances and Fixtures:		
	Minimum Standards	All provided appliances including refrigerators, freezers, washers, dishwashers, ceiling fans, computers and exits signs must be Energy Star Qualified.
	Minimum Standards	A minimum of a 14 cu. Ft. frost free refrigerator for all 0 or 1 bedroom units. A minimum of 18 cu. Ft. refrigerator for all 2 or more bedroom units.
	Minimum Standards	Water Sense qualified faucets, toilets/urinals, showerheads.
Window Coverings:		
	Minimum Standards	Window coverings or blinds shall be provided.
Mechanical		
Heating and Cooling:		
	Minimum Standards	At a minimum High efficiency cove heat. Electric baseboard heat is NOT allowed for new construction. 92% AFUE minimum gas furnace, Heat Pumps rated at HSPF of 8 or greater with a 13.0 SEER rating or higher (packaged or split). Hardwired CO2 sensors required with gas appliances.

	Minimum Standards	All units must have Energy Star qualified through the wall air conditioning or central air conditioning rated at 13 SEER or better.
	5 Points	Energy Star qualified central air conditioning. Split systems must be Energy Star matched.
	20 points	Forced air furnace greater than 96% AFUE or Energy Star qualified Air-source or Ground Source heat pump capable of providing heat to -15 F. Split systems must be Energy Star matched.
Note: Proposed heat pump systems used for primary heat must be submitted for approval.		
Water Heating:		
	Minimum Standards	An Energy Star qualified water heater in each unit. Any central hot water systems must be submitted for approval.
	10 points	A gas condensing or electric heat pump water heater provided for each unit.
Healthy Homes		
	Minimum Standards	<ol style="list-style-type: none"> 1. Low VOC paints, stains, adhesives and sealants. 2. Formaldehyde free insulation. 3. Formaldehyde free or sealed particle board products such as shelving, cabinets and countertops. 4. Low VOC carpets and floor coverings. 5. Lead detection and abatement. Only applies to rehabilitation projects 6. Passive radon system.

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

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

Applicant Date

Architect Date

7. Please answer each of the following questions. For each "Yes" answer provide details in the chart below.

	<u>Yes</u>	<u>No</u>
Is any member of your household employed, full-time, part-time, or seasonally?	_____	_____
Does any member of your household expect to work for any period during the next 12 months?	_____	_____
Does any member of your household work for someone who pays them in cash?	_____	_____
Is any member of your household on leave of absence from work due to lay-off, medical, maternity, or military leave?	_____	_____
Does any member of your household now receive or expect to receive unemployment benefits?	_____	_____
Does any member of your household now receive or expect to receive child support?	_____	_____
Is any member of your household entitled to child support that he/she is not now receiving?	_____	_____
Does any member of your household now receive or expect to receive alimony payments?	_____	_____
Is any member of your household entitled to alimony payments that he/she is not now receiving?	_____	_____
Does any member of your household receive or expect to receive welfare assistance?	_____	_____
Does any member of your household receive or expect to receive Social Security benefits?	_____	_____
Does any member of your household receive or expect to receive income from a pension or annuity?	_____	_____
Does any member of your household receive regular cash contributions from individuals not living in the unit or from agencies?	_____	_____
Does any member of your household receive income from assets, including interest on checking or savings accounts, interest and dividends from certificates of deposit, stocks, or bonds, or income from the rental of property?	_____	_____

For each type of income that your household receives, give the source of the income and the amount of income that can be expected from that source during the next 12 months.

FAMILY MEMBER	SOURCE OF INCOME/ TYPE OF INCOME	ANNUAL INCOME
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

If additional space is needed attach a separate sheet.

8. List all checking and savings accounts (including IRA's, Keough accounts, and Certificates of Deposit) of all household members, including accounts disposed of during the past two years.

FAMILY MEMBER FINANCIAL INSTITUTION ACCOUNT NUMBER TYPE BALANCE

List value of all stocks, bonds, trusts, pension contributions, or other assets: _____

Do you own a home or other real estate? _____

Did you have any assets in the last two years not listed above? _____

If yes, did you dispose of any assets for less than fair market value? yes or no _____

(This means that the assets were either given away or sold at less than the allotted market value.)

What were the assets, the market value at the time of disposition, the amount received, and date you disposed of the assets? _____

Any assets listed as disposed of for less than fair market value in the two years preceding the effective date of the certification or recertification will be counted as assets if the difference between the value and the amount received exceeds \$1000.

RESIDENT'S STATEMENT: I understand that the above information is being collected to determine my eligibility for residency. I authorize the owner/manager to verify all information provided on this application and my signature is consent to obtain such verification. I certify that I have revealed all assets currently held or previously disposed of and that I have no assets other than those listed on this form (other than personal property). I further certify that the statements made in this application are true and complete to the best of my knowledge and belief and that I am aware that false statements are punishable under Federal law and grounds for eviction.

Signature of Head: _____ Date: _____

Signature of Spouse or Co-Tenant: _____ Date: _____
Property Name: _____

Federal law requires us to obtain criminal background and sex offender registration for all adult household members applying for assisted housing. To enable us to do this, all household members age 18 or older must answer the questions below. The questions regard drug-related, sex offender and other criminal activity that could adversely affect the health, safety or welfare of other residents. Failure to provide complete and accurate information will result in the rejection of the application.

1. Have you been evicted from a federally-assisted site for drug-related criminal activity within the past three years?
 Yes No
 2. Do you currently use illegal drugs or abuse alcohol? Yes No
 3. Are you currently subject to a lifetime registration requirement under a state sex offender registration program?
 Yes No
 4. Have you been convicted of any drug-related crime within the past five years?
 Yes No
 5. Have you been convicted of any felony within the past five years? Yes No
 6. Have you been convicted of any crime involving fraud or dishonesty within the past five years? Yes No
 7. Have you been convicted of any crime involving violence with in the past five years?
 Yes No
 8. Are you currently charged with any of the above criminal activities? Yes No
 9. Please list all states in which you currently and have previously resided.

 10. Have you ever used or been known by any other name? Yes No
-

PENALTY OF PERJURY CLAUSE

Under penalty of perjury, I certify that the information presented in this certification is true and accurate to the best of my knowledge. The undersigned further understands that providing false representation herein constitutes an act of fraud. False, misleading or incomplete information may result in the denial of subsidy, termination of the lease agreement and referral to the U.S. Inspector General's office.

Title 18, Section 1001 if the U. S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government, HUD, the PHA and any owner (or any employee of HUD, the PHA or the owner) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willfully requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages, and seek other relief, as may be appropriate, against the officer or employee of HUD, the PHA or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 208 (a) (6), (7) and (8). Violation of these provisions are cited as violations of 42 U.S.C. 408 (a) (6), (7) and (8).

Applicant Signature _____ Date _____
 Applicant Name (Print) _____

_____ does not discriminate on the basis of handicap status in the admission or access to, or treatment or employment in, its federally assisted properties, programs and activities.

The following person has been designated to coordinated compliance with the nondiscrimination requirements contained in the Department of Housing and Urban Developments regulations implementing Section 504: _____

EXHIBIT 6

**SOUTH DAKOTA
HTF SUBSIDY LIMITS
(APPLIES TO ALL HTF PROJECTS)**

	<u>Zone I</u>	<u>Zone II</u>	<u>Zone III</u>
0 bedroom	\$59,550	\$65,300	\$66,750
1 bedroom	\$68,000	\$74,700	\$76,200
2 bedrooms	\$76,500	\$84,000	\$85,800
3 bedrooms	\$85,000	\$93,200	\$95,100
4+ bedrooms	\$91,700	\$100,800	\$102,900
 <u>Zone I</u>			
Lincoln	Minnehaha	Pennington	
 <u>Zone II</u>			
Beadle	Brookings	Brown	
Clay	Codington	Davison	
Lake	Lawrence	McCook	
Meade	Turner	Union	
Yankton			
 <u>Zone III</u>			
Aurora	Bennett	Bon Homme	
Brule	Buffalo	Butte	
Campbell	Charles Mix	Clark	
Corson	Custer	Day	
Deuel	Dewey	Douglas	
Edmunds	Fall River	Faulk	
Grant	Gregory	Haakon	
Hamlin	Hand	Hanson	
Harding	Hughes	Hutchinson	
Hyde	Jackson	Jerauld	
Jones	Kingsbury	Lyman	
Marshall	McPherson	Mellette	
Miner	Moody	Perkins	
Potter	Roberts	Sanborn	
Shannon	Spink	Stanley	
Sully	Todd	Tripp	
Walworth	Ziebach		

This exhibit is subject to change based on updates from the Department of Housing and Urban Development.

EXHIBIT 7
PROHIBITED LEASE TERMS

The lease may NOT contain any of the following provisions per 24 CFR Part 92.253 b.:

1. Agreement to be sued. Agreement by the tenant to be sued, to admit guilt or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;
2. 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;
3. Excusing owner from responsibility. Agreement by the tenant not to hold the owner or owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
4. Waiver of notice. Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;
5. 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 has the opportunity to present a defense, or before a court decision on the rights of the parties;
6. Waiver of a jury trial. Agreement by the tenant to waive any right to a trial by jury;
7. Waiver of right to appeal court decision. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
8. Tenant chargeable with cost of legal actions regardless of outcome. Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
9. Mandatory supportive services. Agreement by the tenant to accept supportive services that are offered.

EXHIBIT 8
TENANT SELECTION CRITERIA

An owner must adopt written tenant selection policies and criteria that include as a minimum the following per 24 CFR Part 93.303(d):

1. Policies and criteria that are consistent with the purpose of providing housing for very low-income and low-income families;
2. That are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease;
3. That do not exclude an applicant with a voucher under the Section 8 Tenant-Based Assistance: Housing Choice Voucher program (24 CFR Part 92) or an applicant participating in a HOME tenant-based rental assistance program (24 CFR Part 92) because of the status of the prospective tenant as a holder of such voucher or comparable HOME tenant-based assistance document.
4. That limit eligibility or give a preference to a particular segment of the population if permitted in its written agreement with the grantee in accordance with requirements in 24 CFR Part 93.303 (c)(3)(i)(ii)(A)(B)(C).
5. That provides for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and
6. That provides prompt written notification to any rejected applicant of the grounds for any rejection.

**EXHIBIT 9
SUMMARY OF LEAD-BASED PAINT REQUIREMENTS BY ACTIVITY**

	Rehabilitation (Subpart J)			TBRA (Subpart M)	A,L,SS,O (Subpart K)
	<=\$5,000	>\$5,000 - \$25,000	>\$25,000		Homebuyer and Special Needs*
Approach to Lead Hazard Evaluation and Reduction	1. Do no harm	3. Identify and control lead hazards	4. Identify and abate lead hazards	2. Identify and stabilize deteriorated paint	2. Identify and stabilize deteriorated paint
Notification	Yes	Yes	Yes	Yes	Yes
Lead Hazard Evaluation	Paint Testing	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment	Visual Assessment	Visual Assessment
Lead Hazard Reduction	Repair surfaces Disturbed during Rehabilitation	Interim Controls	Abatement (Interim Controls on exterior surfaces not disturbed by rehabilitation)	Paint Stabilization	Paint Stabilization
	Safe work practices Clearance of work site	Safe work practices Clearance of unit	Safe work practices Clearance of unit	Safe work practices Clearance of unit	Safe work practices Clearance of unit
Ongoing Maintenance	For HTF Rental only	For HTF Rental only	For HTF Rental only	Yes	Yes (if ongoing relationship)
EIBLL Requirements	No	No	No	Yes	No
Options	Presume lead-based Paint Use safe work practices on all surfaces	Presume lead-based Paint and/or hazards Use standard treatments	Presume lead-based Paint and/or hazards Abate all applicable Surfaces	Test deteriorated paint Use safe work practices only on lead-based paint surfaces	Test deteriorated paint Use safe work practices only on lead-based paint surfaces
*Special Needs Housing may be subject to the requirements of Subpart J, M, or K depending on the nature of the activity undertaken. However, since most Special needs housing involve Acquisition (A), Leasing (L), Support Services (SS), and Operations (O), for the purposes of this table; it has been placed in this column.					

**EXHIBIT 10
Lead-Based Paint Disclosure of Information**

Disclosure of Information on Lead-Based Paint and Lead-Based Paint Hazards

Lead Warning Statement

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips, and dust can pose health hazards if not taken care of properly. Lead exposure is especially harmful to young children and pregnant women. Before renting pre-1978 housing, landlords must disclose the presence of known lead-based paint and lead-based paint hazards in the dwelling. Tenants must also receive a Federally approved pamphlet on lead poisoning prevention.

Lessor's Disclosure (initial)

_____ (a) Presence of lead-based paint or lead-based paint hazards (check one below):

Known lead-based paint and/or lead-based paint hazards are present in the housing (explain).

Lessor has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

_____ (b) Records and reports available to the lessor (check one below):

Lessor has provided the lessee with all available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list documents below).

Lessor has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Lessor's Acknowledgment (initial)

_____ (c) Lessee has received copies of all information listed above.

_____ (d) Lessee has received the pamphlet *Protect Your Family from Lead in Your Home*.

Agent's Acknowledgment (initial)

_____ (e) Agent has informed the lessor of the lessor's obligations under 42 U.S.C. 4852(d) and is aware of his/her responsibility to ensure compliance.

Certification of Accuracy

The following parties have reviewed the information above and certify, to the best of their knowledge, that the information provided by the signatory is true and accurate.

_____	_____	_____	_____
Lessor	Date	Lessor	Date
_____	_____	_____	_____
Lessee	Date	Lessee	Date
_____	_____	_____	_____
Agent	Date	Agent	Date

EXHIBIT 11
Application Checklist

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

Submission Item	Enclosed	Meet SDHDA requirements
1. Completed and signed Application form	_____	_____
2. Market Study	_____	_____
3. Project Narrative	_____	_____
4. Chief Executive Officer letter (Exhibit 3)	_____	_____
5. Utility Allowance Calculation	_____	_____
6. Pro forma	_____	_____
7. Three years annual financial statements	_____	_____
8. Documentation of Operating Expenses	_____	_____
9. Legal opinion of good standing	_____	_____
10. Site Control	_____	_____
11. Architectural site plan	_____	_____
12. Architectural floor and unit plan	_____	_____
13. Zoning letter and project plat	_____	_____
14. PHA Notification	_____	_____
15. Nonprofit Description	_____	_____
16. Local area map	_____	_____
17. Executed Project Dev. Characteristics (Exhibit 4)	_____	_____
18. Documentation of local financial support	_____	_____
19. Applicant's Characteristics	_____	_____
20. Service provider letters	_____	_____
21. Documentation of financing	_____	_____
22. Documentation of equity commitment	_____	_____
23. Lead Based Paint Disclosure	_____	_____
24. Relocation Plan	_____	_____
25. Tenant Questionnaire	_____	_____
26. Current tenant rent roll	_____	_____
27. Detailed rehabilitation listing	_____	_____
28. Community Revitalization Plan	_____	_____
29. Intent to serve families with children	_____	_____
30. Availability of utility service	_____	_____
31. Consultant Agreement	_____	_____

EXHIBIT 12
Self-Scoring Worksheet

		Sub Points	Points Available	Project Points
A	NEED		150	
B	PRIMARY SELECTION CRITERIA			
1	Extended Use Commitment (10 years)		50	
2	Construction Type		70	
	a. Rehabilitation or Reconstruction	50		
	b. Rehabilitation or Reconstruction with Historic Nature	20		
	c. New Construction with 8 units or less per building	10		
	d. New Construction Assisted Living Facility	10		
	e. New Construction Congregate Care Facility	10		
3	Concerted Community Revitalization Plan		40	
	a. And in a Qualified Census Tract	30		
	b. And Rehabilitation or Reconstruction	10		
4	Mixed Income		40	
	a. 10.00% to 20.00%	10		
	b. 20.01% to 30.00%	20		
	c. 30.01% to 40.00%	30		
	c. 40.01% to 50.00%	40		
5	Financial Support from Local Sources		25	
6	Applicant Characteristics		40	
	a. Developer Experience - Track Record	20		
	b. Minority or Woman Owned	10		
	c. Owner Equity of 10.00% or more	10		
	d. Deduction if not in "Good Standing"	-25		
7	Service Enriched Housing		25	
	a. Homeless			
	b. Physically Disabled			
	c. Mentally Disabled			
	d. Developmentally Disabled			
	e. Frail Elderly (congregate care)			
	f. Families with Children			
8	Section 811 Set-aside Units		40	
	a. 10.0% to 15.0%	20		
	b. 15.01% to 20.0%	30		
	c. 20.01% to 25.0%	40		
9	Accessible Units (required 5% mobility & 2% Sensory)		20	
	a. 5.00% to 10.0%	10		

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