

# 2023 SRDP Application Workshop

SOUTH CAROLINA STATE HOUSING  
FINANCE AND DEVELOPMENT AUTHORITY



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# Eligible Applicants

- Local Government
- Regional Councils of Governments (COGs)
- Public Housing Authorities (PHAs)
- Community Housing Development Organizations (CHDOs)
- Nonprofit Entities
- For-profit Entities

# Community Housing Development Organizations

- Applicants seeking designation as an Authority approved CHDO must complete a **CHDO Certification Application** and submit it with the application.
- Benefits of being a CHDO
  - \$1,107,196 HOME Funds Set-aside
- Application and Forms can be accessed on the Authority's website:

<https://www.schousing.com/Home/Community-Housing-Development-Organizations>

# 2023 Program Schedule

<b>Intent to Apply Deadline</b>	<b>April 21, 2023</b>
<b>Intent to Apply Determinations</b>	<b>May 5, 2023</b>
<b>Application Submission Deadline</b>	<b>July 31, 2023</b>
<b>Missing Document Notifications</b>	<b>August 2023</b>
<b>Conditional Commitment Letters</b>	<b>September 30, 2023</b>
<b>Final Plans/Specs/Environmental</b>	<b>December 29, 2023</b>
<b>Award Agreements &amp; Implementation</b>	<b>Spring 2024</b>

# Available Funding for 2023

\$24,443,175

HOME FUNDS	\$6,443,175
(CHDO Set-Aside	\$1,107,196)
NHTF	\$ 3 Million
SC HTF	\$15 Million

# Application Set-Asides

1. General new construction **(50% of funds, ~ \$12.2M)**
  - 8 to 39 affordable units
2. Micro new construction **(25% of funds, ~ \$6.1M)**
  - 4 total units submitted by non-profit applicants
3. Rehabilitation **(25% of funds, ~ \$6.1M)**
  - 8 to 24 affordable units

# Eligible Activities

- Acquisition
- Demolition
- New Construction
- Rehabilitation
- Site-Improvements
- Operating Reserves – NHTF units only



## Eligible Project Types:

- Permanent Rental Housing
- Permanent Supportive Housing
- Transitional Housing
- SROs and Group Homes
- Scattered Sites
- Single Sites

## Eligible Building Types:

- 1 - 4 Unit Single Family Dwellings
- 5 + Unit Multi-Family Dwellings

## Ineligible Project Types:

- Public Housing Units (unless NHTF for RAD)
- Commercial Properties
- Homeless Shelters
- Nursing Homes, Assisted Living, Residential Treatment Facilities
- Complete List -Application Manual Pages 9-10

# Geographic Distribution

SC Housing's intent to promote fair and objective administration of the program.

- No county will receive an excessive share of funds in any one application cycle.
- SC HTFs – No county can receive more than 20% of the current year's available amount of funds.

**2023**

**SRDP Financial Feasibility  
and Underwriting**

# Financial Terms and Conditions

## Purpose:

- Underwriting that will produce the **highest and most efficient use** of all SC Housing funding sources.
- **Repayment** of SC Housing funds when financially feasible.
- HOME/NHTF amounts per unit limited to HUD subsidy limits and underwriting analysis.

# Financial Terms and Conditions

- Funds awarded as either a 20 or 30 year repayable loan, forgivable loan or combination of both.
- Repayable Loans amortized between 0% - 3%, deferred 90 days following project completion.
- SC Housing HOME funds cannot be combined with HOME funds from another PJ.
- Funds are secured with note, mortgage, and affordability periods secured by a restrictive covenant.

# Project Feasibility and Underwriting

- **Developer Fees** – *Lesser of* \$25,000 per affordable unit or 15% of Adjusted Development Costs.
- **Adjusted Development Costs** = TDC minus acquisition costs, consultant fees, and developer fees.

# Project Feasibility and Underwriting (cont'd)

## *Exhibit 10 – Construction Cost Addendum*

- Tab 6 in the Application checklist.
- **Must be *completed and signed* by an independent 3<sup>rd</sup> party estimator, contractor or engineer who cannot bid on the project.**
- Cost estimator must certify that the costs associated with geotechnical recommendations, lead and/or asbestos abatement if necessary, have been included in the estimate.
- Reviewed by SC Housing for cost reasonableness.



## Project Feasibility and Underwriting (cont'd)

- **Contractor Cost Limits:** The combined total of general requirements (limited to 6%) and contractor profit & overhead (limited to 8%) may not exceed 14% of Hard Construction Costs.
- Hard Construction Costs must be no less than 65% of total development costs.

# Project Feasibility and Underwriting (cont'd)

**Operating Costs:** Projected operating expenses for all projects must be \$3,750 per unit per year, excluding reserves, property tax and compliance monitoring fees.

**Vacancy Rate:** No less than 7%.

**Debt Coverage Ratio (DCR):** All proposals will be underwritten to reach a 1.30 DCR or to produce \$900 per unit per year in annual cash flow.

## **Annual Rent & Expense Trends:**

- Rents trended upward - 2% annual increase
- Operating expenses trended upward - 3% annual increase
- Pro Forma Income Statement must demonstrate the project will maintain positive cash flow for entire affordability period.

# Project Reserve Requirements

## Replacement Reserves

- \$300 per unit per year.
- Annual contributions are made from operating cash flow and are cumulative.
- Account must be replenished when depleted.

## Operating Reserves

- Funded initially from development costs and replenished when used from cash flow.

# Project Reserve Requirements (cont'd)

## Operating Reserves (cont'd)

- Must be maintained at required levels throughout the affordability period:
- **Less than 10 Units** = 3 months of projected operating expenses, including replacement reserves, property taxes, annual C/M fees and annual debt service
- **10 or more Units** = 6 months of projected operating expenses, including replacement reserves, property taxes, annual C/M fees and annual debt service

# Underwriting Requirements

## Cost Overruns:

- The ***Exhibit 10 - Construction Cost Addendum*** will include contingency = 10% of Hard Construction Costs for Rehabilitation and New Construction
- Amounts needed exceeding the contingency budget will be covered by a reduction to the developer fee and then by the developer's liquid assets as confirmed at application.

## Market Study Requirements:

- A market needs assessment report prepared by an SC Housing approved 3<sup>rd</sup> party is required for all projects.
- Market Study Guidelines are provided as Appendix A.
- List of approved providers is on SC Housing's website.

# Underwriting Requirements (cont'd)

## Appraisals:

- Submit with the Application.
- Must not be older than 6 months from date of application.
- Broker opinion of value is acceptable if not requesting funds for acquisition.
- Complete list of appraisal requirements on Page 14.

## Placed in Service Applications:

- Required for all projects.
- Must be approved prior to final disbursements.
- Includes a Cost Certification completed by a CPA.
- Includes *first year* payment of monitoring fees (*\$50 per unit*).

## Intent to Apply Packet

The Intent To Apply Packet is the first phase of the application process which is to show that the entity applying meets minimum participation requirements such as, but not limited to financial, and experience capacity.

**Financial Capacity** – based on the total number of affordable rental units proposed for development

- **4 total units** - Applicant must have a minimum net worth of \$500,000 and a minimum of \$75,000 in unrestricted liquid assets.
- **8 – 16 total units** – Applicant must have a minimum net worth of \$1 million and a minimum of \$150,000 in unrestricted liquid assets.
- **17-24 total units** – Applicant must have a minimum net worth of \$1.5 million and a minimum of \$200,000 in unrestricted liquid assets.
- **25-39 total units** – Applicant must have a minimum net worth of \$2 million and a minimum of \$250,000 in unrestricted liquid assets.

## Intent to Apply Packet (cont'd)

### Previous Participation –

- Must be in good standing with all Authority and SC Housing Corporation administered programs.
- Awardees and their principals may not have more than two (2) open SRDP projects at any time.
- Open awards must meet progress benchmarks as described on page 22 of the manual and are as follows:
  - All **2019** and prior projects must be officially closed out (see “project completion” definition) on or before **March 1, 2023**.
  - All **2020** projects must have 75% construction completed on or before **March 1, 2023**, as evidenced by a completed SC Housing inspection.
  - **2021** projects must have started vertical construction as of **March 1, 2023**, as evidenced by a completed SC Housing inspection.

**Experience and Capacity** - Eligible Applicants must demonstrate experience and capacity to develop an eligible SRDP project as evidenced by the ability to own, construct, or rehabilitate, and operate rental housing developments.



# 2023

# SRDP Scoring Criteria

# Portfolio Performance Scoring

Negative points will be awarded for any of the following:

- Prior suspension from any SC Housing program (-15)
- Prior de-obligation of SC Housing funds (-10)
- Prior HOME/NHTF project award within the last 5 years lasting over 42 months (-10)

# New Construction Scoring Criteria

- A. Positive Site Characteristics (61 points)
- B. Negative Site Characteristics (point deductions)
- C. Affordable Housing Shortage (5 points)
- D. Sustainable Building (5 points)
- E. Leveraging (20 points)
- F. Site and Neighborhood Standards (5 points)
- G. Supportive Housing (5 points)

# Positive Site Characteristics – Item 1 (41 points)

## Distance to Amenities

The driving distance will be the mileage as calculated by Google Maps and must be a drivable route as of the application deadline. The drivable route must be shown in satellite view map format along with written directions. A labeled photo of each amenity must also be provided. The measurement will be at any point of the site's road frontage to or from the amenity entrance and the same site entrance will be used for all measurements. Driveways, access easements, and other distances in excess of 500 feet between the nearest residential building of the proposed development and road shown on Google Maps will be included in the driving distance.

## Distance to Amenities (cont'd)

<b>Maximum Points - 26</b>	<b>Distance in Miles</b>			
Primary Amenities	<1	<1.5	<2	<3
Grocery	12	10	8	6
Shopping	7	6	5	4
Pharmacy	7	6	5	4
<b>Maximum Points - 15</b>	<b>Distance in Miles</b>			
Secondary Amenities	<1	<1.5	<2	
<u>Other</u> Primary Amenity	5	4	3	
Services	3	2	1	
Healthcare	3	2	1	
Public Facility	3	2	1	
Public Schools	3	2	1	
Senior Center	3	2	1	
Retail	3	2	1	

## Positive Site Characteristics – Item 2 (10 points)

### Employment Opportunities

Number of jobs in proximity to the site paying between \$1,251 and \$3,333 per month:

- At least 5,000 jobs: 10 points
- 4,000 to 4,999 jobs: 8 points
- 3,000 to 3,999 jobs: 6 points
- 2,000 to 2,999 jobs: 4 points
- 1,000 to 1,999 jobs: 2 points

## Positive Site Characteristics – Item 3 and 4 (10 points)

All projects located entirely within one or more Qualified Opportunity Zones will receive **5 points**.

All projects located entirely outside Racially/Ethnically Concentrated Areas of Poverty will receive **5 points**.

## Negative Site Characteristics – Item 1 (-1 point each)

- A. Within 500 feet of an electric substation easement
- B. Within 1/2 mile of a commercial meat farm/plant
- C. Within 1/2 mile of a hazardous/solid waste facility
- D. Within 1/2 mile of a sewage treatment plant
- E. Within 1/4 mile of a correctional facility

## Negative Site Characteristics – Item 2 (-2)

Points will be deducted for applications where the project is materially encumbered by power lines.



## Negative Site Characteristics – Item 3 (-3 points each)

- A. Within 500 feet of a junkyard or other eyesore
- B. Within 1/2 mile of a operating industrial facility

## Negative Site Characteristics – Item 4 (-5 points)

Projects proposing a new phase on an existing project. Does not apply to scattered sites.

## Affordable Housing Shortage – Item 1 (5 points)

Up to **5 points** based on the shortage of affordable housing

- **5 points** for developments located in a county that did **not** receive an SRDP award in the last five years (2018, 2019, 2020, 2021, and 2022).
- **3 points** for developments located in a county that did **not** receive an SRDP award in the last three years (2020, or 2021, or 2022).

## Sustainable Building (5 points)

Projects committing to one of the following green building standards will receive 5 points:

- Enterprise Green Communities
- LEED for Homes
- National Green Building Standard
- EarthCraft certification
- Certified High Performance (CHiP) HOME Program

## Leveraging - (20 possible points)

- For every percentage point of total development cost funded by a non-Authority source, an application will earn 1 point, up to 10 points. Funds must be provided as a grant, in-kind contribution, or equity investment.
- Up to 10 additional points may be awarded for contributions from a local government per low-income project:
  - \$300,001 or more: 10 points
  - \$200,001 to \$300,000: 8 points
  - \$100,001 to \$200,000: 6 points
  - \$50,001 to \$100,000: 4 points
  - \$1,000 to \$50,000: 2 points

## Site and Neighborhood Standards (5 points)

- Applications proposing developments that will **NOT** be located in area of minority concentration as defined by 24 CFR 983.57(e)(3). will receive **5** points. Refer to pages 29 – 31 for information about Site and Neighborhood Standards requirements.

## Supportive Housing (5 points)

- 5 Points for Applicants agreeing to set-aside a minimum of twenty percent (20%) of the units for permanent supportive housing.
- To qualify for points, the supportive housing development must provide a minimum of three (3) supportive services, the development must meet the definition provided on page 5, a narrative must be provided explaining how the units will be affordable to the population identified and explain who will provide the services and how the services will be provided for the duration of the affordability period, and, in addition, commitment letters must be provided from the supportive service providers.

**Total points available to receive for New Construction : 101**

# Rehabilitation Scoring Criteria

- A. Preventing conversion of units to market rate **(40 points)**
- B. Extent of physical distress **(30 points)**
- C. Concerted community revitalization plan **(20 points)**
- D. Project site characteristics **(10 points)**

# Rehabilitation Scoring Criteria

- A. Preventing conversion of units to market rate  
**(40 points )**
  
- B. Extent of physical distress **(30 points)**
  
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- D. Project site characteristics **(10 points)**



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## Preventing Conversion (40 points)

1. Insolvency within the next five years (20 points)
2. Expiration of existing rent restrictions (10 points)
3. Rent advantage relative to market rate (10 points)

## Extent of Physical Distress (30 points)

1. Risk to health and safety within the next five years (15 points)
2. Total replacement cost of items beyond useful life (10 points)
3. Improvements for persons with disabilities (5 points)

## Concerted Community Revitalization Plan (20 points)

1. Existence of a CCRP, **20 points**
2. Alternatively, for **5 points**, the application may include a letter detailing measures taken by the local government to increase the quantity of affordable housing and develop a resilient community.

## Economic Empowerment of Low-Income Households (10 points)

1. Site's score for distance to amenities - **5 points**
  - 1 - 20 = 2 points
  - 21 - 30 = 3 points
  - 31 - 41 = 5 points
2. Employment metric as described in Positive Site Characteristics, item 2, of New Construction Scoring Criteria – **5 points**

**2023**

# **Application Review Process**

# Submitting Applications

1. Application, Manual, Forms, Checklists will be available on SC Housing's website.
2. Intent to Apply Packet due **April 21, 2023, by 5:00 PM.**
3. Intent to Apply Determinations – **May 5, 2023.**
4. Application due **July 31, 2023, by 5:00 PM.**
5. Applications may be delivered by hand, mail, or shipping service.
6. Electronic applications will not be accepted.
7. Submit **one** original Intent to Apply Packet/Application in a 3-ring binder, and **one** electronic copy on a thumb drive. **Please note: The electronic thumb-drive copy MUST be tabbed out in accordance with the tabbing system on the checklist. One pdf file of the entire application will be deemed incomplete.**
8. Application Fees are non-refundable. **Do not include application fees in the development budget.**
  1. Intent to Apply = No fee
  2. Full Application = \$500 , and for scattered site developments, an additional \$100 for each site.

# Application Review Process

- Evaluation Criteria

1. Mandatory Threshold Criteria
2. Compliance with federal and state laws/regulations
3. Application Completeness
4. SRDP Program Requirements
5. Underwriting Evaluation
6. Construction Cost Analysis
7. Site Suitability

# Application Deficiencies

## Intent to Apply, and Full Applications may be disqualified for any of the following reasons:

- Four or more missing/incomplete items.
- Failure to provide missing/incomplete information within 7 business days.
- Applications that are determined to not be financially feasible.
- Sites determined by geotechnical reports to not be well suited for building, require cost prohibitive site work, or that will prolong the period of construction will be disqualified.

# Threshold Criteria

- Organizations must provide audited, reviewed, or compiled financial statements dated no earlier than December 31, 2021.
- If individuals are required as financial guarantors, reviewed financial statements are acceptable.
- Minimum financial capacity standards:

Project Size	Net Worth	Liquid Assets
4 Units	\$ 500,000	\$ 75,000
8 – 16 Units	\$1,000,000	\$150,000
17 – 24 Units	\$1,500,000	\$200,000
25 – 39 Units	\$2,000,000	\$250,000

- Liquid assets = cash, cash equivalents, investments held in name of organization or financial guarantor including money market funds, U.S. Treasury Bills, and equities traded on the New York Stock Exchange or NASDAQ.



# Threshold Criteria (cont'd)

- Applicants previously awarded HOME/SRDP funds must meet eligibility requirements by **March 1, 2023**:
  - 2019 and earlier projects must be officially closed.
  - 2020 projects must be 75% complete.
  - 2021 projects must have started vertical construction (approved footing inspection).
  - No more than 2 open awards.
- All Applicants must submit an **Exhibit 7- Previous Participation Certification** with the application.
  - Complete Exhibit 7 and email to [Jennifer.Cogan@schousing.com](mailto:Jennifer.Cogan@schousing.com)

## Threshold Criteria (cont'd)

- Applicants must be in Good Standing with SC Housing.
- No uncorrected issues of non-compliance at any time during the application process.
- No delinquent loan payments or compliance monitoring fees.
- No financially troubled projects.
- No debarment from participation in federal programs.
- Non-profits and government entities that expended more than \$750,000 federal dollars in the most recent fiscal year must submit copy of the audit conducted as required by 2 CFR Part 200, Subpart F for that fiscal year.
- All non-profits and government entities must complete and submit an ***Exhibit 22 – Audit Certification Form*** with the Intent to Apply Packet.
- Applicants with HOME Program Income and/or CHDO Proceeds may not apply for SRDP funds until those funds are expended or returned to SC Housing.

# Threshold Criteria (cont'd)

## Experience Requirements:

### *Micro New Construction set-aside (4 Units)*

- If proposing single family units, Applicant must have experience developing 2 single family rental homes.
- Experience must have occurred within in the last 10 years.
- No experience with federal funding sources is required.
- Only available to non-profit applicants.

## Threshold Criteria (cont'd)

### Experience Requirements:

#### *New Construction set-aside (8 – 39 Units)*

- If proposing single family units, Applicant must have experience developing 4 single family rental homes or one multi-family project with at least 5 units.
- If proposing multi-family units, Applicant must have experience developing 2 multi-family projects with at least 5 units or 8 single family rental units.
- Experience must have occurred within the last 10 years.
- Experience with federal funding sources is required.

## Threshold Criteria (cont'd)

### Experience Requirements:

#### *Rehabilitation (8 – 24 Units)*

- If proposing rehabilitation of single family homes requiring lead and/or asbestos abatement, Applicant must have experience completing the rehabilitation of 1 single family rental home that required lead or asbestos abatement.
- If proposing rehabilitation of a multi-family development requiring lead and/or asbestos abatement, Applicant must have experience completing the rehabilitation of 1 multi-family development of at least 5 units that required lead or asbestos abatement.
- If proposing rehabilitation of single or multifamily properties requiring the permanent relocation of tenants, Applicant must have experience successfully administering the relocation of tenants in compliance with the URA.
- Experience must have occurred within the last 10 years.

# Threshold Criteria (cont'd)

## Experience Requirements

- Applicants can use the experience of a consultant to meet minimum experience requirements.
- Consultant must be under contract with the Applicant.
- Scope of work in the consultant contract must specify the consultant's responsibilities related to the administration of the project.
- Services of the consultant must be utilized for the entire development phase of the project from application submission to placed in service.
- If using a consultant, the ***Exhibit 5 – Consultant Certification*** is a part of and must be provided with the Intent to Apply Packet, along with a copy of the consultant contract and an ***Exhibit 6 – Conflict of Interest Certification***.

## Threshold Criteria (cont'd)

Applicants can submit two Applications. Only one application will be awarded unless funding is not fully depleted in the 2023 SRDP funding round.

- If funds remain available after each Applicant organization has had the opportunity to be allocated at least one award for a qualified application, an organization's second application may be considered for funding.
- Allocation of a 2<sup>nd</sup> award will be determined by the Applicant's developmental and operational history and the geographic distribution of awards.

## Threshold Criteria (cont'd)

- A Phase 1 ESA must be submitted with the Application, and if required, a Phase 2 ESA.
- Applicants must have site control of the proposed project site(s).
  - Deed, Option, or Contract, must be submitted with the Application.
- Options, and contracts are only allowable prior to the completion of the environmental review if HUD's choice limiting action language is included in the document verbatim. Language is found on Page 22 of the Manual #7, bullet C.
- An ***Exhibit 15- Notice to Seller*** is required for all property being acquired. **Must be executed by the seller prior to or at time of contract execution.**
- Zoning – Applicant must provide documentation with the Application that demonstrates the site(s) are properly zoned for the proposed project.



# Threshold Criteria (cont'd)

## Uniform Relocation Act Requirements (URA):

Applicants proposing projects with temporary or permanent relocation of tenants must provide the following with the Application.

- ***Exhibit 16A or 16B – General Information Notices***
  - Must be provided to each occupied unit.
  - Documentation of delivery must be provided.
- A certified rent roll current as of the date of the Initiation of Negotiations.
  - If acquiring property ION = Date of Option, Contract,
  - If property is already owned ION = Date the Intent to Apply is submitted
- ***Exhibit 17 – Tenant Profile Forms*** completed for each tenant household.
- ***Exhibit 18 – Move-In Notices*** provided to each prospective or new tenant household after the General Information Notices were provided.

## Threshold Criteria (cont'd)

### Uniform Relocation Act Requirements (continued):

Written Relocation Plan must be submitted that includes information on how the relocation of tenants will be administered in compliance with URA regulations.

- Timely Notifications
- Advisory Services
- Moving Expense and Relocation Assistance Calculations
- Comparable Replacement Units

Tenants that move as a result of not being provided timely notices are considered to be displaced.

Temporarily relocated tenants that do not return to a rehabilitated unit within 12 months are considered to be displaced.

## Threshold Criteria (cont'd)

### Physical Needs Assessment:

- Submitted with the Application.
- Must be prepared in accordance with requirements of Appendix C – Rehabilitation Guidelines.
- Cannot be older than 6 Months.
- Must include a narrative explaining any construction costs included on the ***Exhibit 10 - Construction Cost Addendum*** that are not included in the PNA.

## Threshold Criteria (cont'd)

### Lead-Based Paint:

- An ***Exhibit 19 – Lead Safe Housing Rule Applicability Form*** must be submitted with each application, including new construction.
- Applicants proposing the rehabilitation or conversion of building built prior to 1978 must include a Lead-Based Paint Risk Assessment Report that is no older than 6 months.
- LBP Risk Assessment Reports must be completed by a HUD/EPA Certified Professional.
- Applicants proposing the rehabilitation or conversion of a building built in 1988 or earlier must have the pipes, solder, and flux tested for lead and include a copy of the test results with the Application.

### Asbestos:

- All applicants proposing the demolition, rehabilitation, or conversion of existing structures must provide an Asbestos Inspection Report not older than 6 months, completed by a DHEC licensed asbestos inspector.

# 2023

## SRDP Regulatory & Programmatic Requirements

# Regulatory and Programmatic Requirements

## Site and Neighborhood Standards

- Housing must promote a greater choice of housing opportunities.
- Sites must be adequate in size, exposure, and contour to accommodate the number and type of units proposed.
- Sites must have utilities available and have adequate streets to service the site(s).
- All applicants must submit an ***Exhibit 20B - Site and Neighborhood Standards Certification*** with the Application.

## Site and Neighborhood Standards

- Sites may not be in areas of minority concentration if the project will result in a significant increase in the proportion of minority to non-minority residents.
- Areas of Minority Concentration are determined by the 2010 US Census Bureau Data at: <https://www.ffiec.gov/census/default.aspx>
- Step by Step instructions to determine percentages of minority populations for the project site are found on Page 30.
- **Print and provide a copy of the report with the Application.**

## Site and Neighborhood Standards (cont'd)

If the site is located in an area of minority concentration it is not eligible for funding unless at least one of the following exceptions are met:

### **Exception 1: Revitalizing Areas**

The project is necessary to meet housing needs that can't be met in the area. The site is integral to an overall existing local strategy for the preservation or restoration of the immediate neighborhood that is experiencing significant private investment that is improving the economic character of the area.

Projects eligible for **Exception 1 must provide a letter from the locality** explaining that the site is located in area of revitalization. Documentation of the revitalization activities must be provided with the letter.



## Site and Neighborhood Standards (cont'd)

### Exception 2: Housing Opportunities

- Sufficient, comparable opportunities exist for housing for minority families in the income range in areas outside of the area of minority concentration.
- Opinion letters for exception 2 must be prepared and signed by the market study analyst.

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# Income Targeting

## HOME Unit Income Targeting

### Initial Occupancy:

4 or less units - 60% or below AMI

5+ units - 20% units @ 50% AMI

80% units @ 60% AMI

### Long Term Occupancy:

4 or less units - 80% or below AMI

5+ units - 20% units @ 50% AMI

80% units @ 80% AMI

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# Income Targeting

## NHTF Unit Income Targeting

- Projects with 6 or more units that are eligible for a NHTF award will be required to have at least 25% of the units in the project designated as NHTF units.
- All NHTF units must be occupied by households at or below 30% AMI.

## SC HTF Income Targeting

- All SC HTF units must be occupied by households at or below 80% AMI.

### Determining Income

Annual Income as defined by 24 CFR Part 5

Determining Income Manual *SC Housing website*

Rent & Income Limits *SC Housing website*

All Units are FIXED, meaning they will be designated to a specific program

### Affordability Periods

HOME New Construction Projects, SC HTF – **20 Years**

NHTF = **30 Years**

HOME Rehabilitation Projects

Under \$15,000 = **5 Years**

\$15,000 - \$40,000 = **10 Years**

Over \$40,000 = **15 Years**

# Prohibited Costs

- Delinquent Taxes
- Costs not eligible under 92.206 – 92.209 and 93.201 – 93.202
- Off-Site Infrastructure Costs
- Playground Equipment
- Costs for Storing Materials/Stored Materials
- Purchase of Construction Equipment or Tools
- Office Furniture and Equipment
- Exercise Equipment

## Eligible Costs

- Eligible Construction & Soft Costs are listed on Page 35 of the Application Manual.
- Predevelopment Costs are eligible if:
  - Costs necessary to develop and prepare plans, drawings, specifications, or cost-estimates, etc.
  - Must be incurred by the project Owner.
  - Must be incurred within 24 months of signing a Written Agreement.
  - Must be included and identified in the development budget.

# Project Completion Requirements

- The execution of funding agreements starts the HUD clock.
- Written Agreements include an Implementation Schedule that establish completion benchmarks that must be met.
- Project Completion Requirements
  - SC Housing – 2 Years
  - HUD – 4 Years
  - Must start construction with 1 year of executing the written agreements.

# Procurement & Contracting

- Procurement for construction services must be performed using a competitive sealed bid process.
- A copy of the Applicant's bid policy must be submitted with the Application.
- Applicants with an Identity of Interest may request an exception to the procurement requirements with the Application if they wish to act as the general contractor.
  - Submit ***Exhibit 25A – Identity of Interest Certification***
  - Submit ***Exhibit 25B - Identity of Interest Request Form***



# Contractor Requirements

General Contractors must meet the following requirements to be awarded a construction contract:

- Companies must have full-time employees and been in business for at least 5 years of continuous operation, under the same name.
- Must be in Good Standing with SC Secretary of State.
- Must have license issued by SC LLR and required insurance.
- Must not be debarred from participating in any state or federal programs.
- Must have experience constructing similar projects within the last 5 years.

## Construction Draws

- ***Exhibit 9 - Election to Draw Funds***
  - Draw during Construction *or*
  - Draw at Construction Completion
  - Mark on page 9 of the Application
  
- ***Drawing During Construction***
  - No interest
  - Payment & Performance Bond/Letter of Credit is Required
  - Cost of PPB/LOC must be included in the Development Budget
  - Draws for soft costs not allowed until vertical construction has started

# Development Design Criteria

- Projects must be designed and built to meet the mandatory design criteria in:
  - Appendix B: Development Design Criteria
  - Appendix C: Rehabilitation Guidelines
- Criteria must be provided to the project architect.
- Final plans/specs will be reviewed to ensure all requirements are met.
- All requirements and recommendations included in geotechnical reports must also be included.

## Requirements for Geotechnical Reports

The soils report and boring site plan must reflect the results of the laboratory tests conducted on a minimum of:

- I. One soil test boring with Split-Spoon samples and Standard Penetration Resistance test a minimum of 20 feet deep (borings must extend past all planned excavations and cut depths) per every 3,000 square feet of planned building('s) footprint, at least one boring per building regardless of square footage.
- II. One soil test boring with Split-Spoon samples and Standard Penetration Resistance test a minimum of 10 feet deep (borings must extend past all planned excavations and cut depths) per every 300 linear feet of roadway.
- III. One soil test boring with Split-Spoon samples and Standard Penetration Resistance test a minimum of 10 feet deep (borings must extend past all planned excavations and cut depths) for every 3,000 square feet of the planned paved parking areas of the development. **OR**

## Requirements for Geotechnical Reports (cont'd)

- i. One Cone Penetration Test (CPT) a minimum of 20 feet deep (probe/cone must be extended past all planned excavations and cut depths) per every 3,000 square feet of planned building ('s) footprint, at least one boring per a building regardless of square footage.
- ii. One Cone Penetration Test (CPT) a minimum of 10 feet deep (probe/cone must be extended past all planned excavations and cut depths) per every 300 linear foot of road way.
- iii. One Cone Penetration Test (CPT) a minimum of 10 feet deep (probe/cone must be extended past all planned excavations and cut depths) for every 3,000 square foot of at the planned paved parking areas of the development.

# Environmental Review Requirements

Completion of the environmental review process **is mandatory** before taking any action on a site. HUD considers the following to be “Choice Limiting Actions” that are prohibited until the ER has been approved.

- Purchase of the site
- Procuring for construction services
- Executing construction contracts
- Physical actions on a site

## Environmental Review Requirements (cont'd)

### Projects awarded SRDP funds must comply with 24 CFR Part 58

Participants, recipients, owners, developers, sponsors or any third party partners **CAN NOT** take any physical actions on a site, begin construction, commit, expend, or enter into any legally binding agreements that constitute choice limiting actions for any HUD or non-HUD funds before the environmental review process has been completed and an “Authority to Use Grant Funds” has been issued by HUD.

**Any violation of the statutory regulation will result in the de-obligation of a conditional commitment of HOME funds.**

## Environmental Review Requirements (cont'd)

**Projects involving acquisition** – Options and sales contracts are only allowable prior to the completion of the environmental review if:

- Conditional language provided on Page 22 (#7c) is contained in the option, sales contract, or lease agreement.
- Language must be **VERBATIM**.

If a proposed project is already underway all work must cease immediately until the environmental review process is completed.



## Environmental Review Requirements (cont'd)

### Projects Receiving a Conditional Commitment of Funds

- Must commission an environmental review consultant from the approved list on SC Housing's website.
- Environmental reviews will be due approximately **3 months** after the conditional commitments.
- HOME written agreements will be issued after HUD approval of the Environmental Review and Final Plans/Specs.

## Environmental Review Requirements (cont'd)

Exempt activities that can be undertaken prior to the completion of the environmental review.

- Environmental Studies
- Information and Financial Services
- Inspection and Testing of Properties for Hazards or Defects
- Purchase of Insurance
- Engineering or Design Services

**Full list on page 3, section 3.1.1 of the Authority's  
Environmental Review Manual**

## Section 504

Section 504 of the Rehabilitation Act of 1973 implements HUD regulations requiring the following:

- New Construction Projects with 5 or more units, and Rehabilitation Projects with 15 or more Units:
  - Have a minimum of 5% of the total units accessible for individuals with mobility impairments **and** an additional 2% of the units accessible for individuals with sensory impairments.
- Federal Accessibility Standards at 24 CFR Part 8.
- Requires *full accessibility* of 504 Units & Common Areas

## Section 3

Section 3 regulations apply to SRDP projects.

- The purpose of Section 3 is to ensure that employment & contracting opportunities that are created by the development of the project to the greatest extent feasible are directed towards Section 3 businesses and Section 3 Workers.
- Section 3 Regulations were updated November 30, 2020.
- A Section 3 Project is one that has received more than \$200,000 in HUD funds (HOME and NHTF), triggering required compliance with Section 3 (24 CFR Part 75) for all contractors and subcontractors performing construction services on the project.
- Tracking of labor hours for all workers, Section 3 workers, and Targeted Section 3 Workers is required.

# Affirmative Marketing Plan Exhibit 27 – (HUD-935.2A)

- Applicants must submit an Affirmative Marketing Plan with the Application.
- Affirmative Marketing Plans must include:
  - Methods for informing and soliciting applications from persons in the housing market who are not likely to apply for the housing without special outreach.
  - Description of records that will be kept to document actions taken to affirmatively market the program and units as well as records to assess the results of the plan.

# Monitoring & Compliance

- Projects are monitored during the affordability period by SC Housing's Compliance Monitoring Division.
- Reviews are conducted on-site.
- Tenant records are reviewed for compliance with income and rent restrictions.
- Inspections of the units and common areas are conducted to ensure property standards requirements are being adhered to.

# Implementation & Section 3 Training

- All awarded applicants will be provided additional technical assistance on specific federal and state requirements.

# Questions

[CommunityDevelopmentPrograms@schousing.com](mailto:CommunityDevelopmentPrograms@schousing.com)