

Housing Trust Fund Supportive Housing Manual



South Carolina State Housing Finance and
Development Authority

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Housing Trust Fund Overview

The South Carolina Housing Trust Fund (HTF) is a state funded program designed to provide financial assistance in the development and preservation of safe, decent, sanitary and affordable housing for low income households within the State of South Carolina. The HTF accelerates the state's response to the production of affordable housing through innovative financing used by the nonprofit, municipal and private sectors. It builds partnerships among government, qualified nonprofits, for profits, and those in need of affordable housing. It strives to maximize the utilization of federal, state and/or other housing assistance programs in leveraging other public and private resources in creating additional affordable housing units.

General Definitions

Application-The completed forms, schedules, attachments, and any additional documentation requested in HTF application package.

Asbestos-The asbestiform varieties of serpentine (chrysotile), riebeckite (crocidolite), cummingtonite-grunerite (amosite), anthophyllite, and actinolite-tremolite.

Asbestos Project - Any activity that does not meet exemption criteria as defined by DHEC that is associated with abatement including inspection, design, air monitoring, in-place management, encapsulation, enclosure, renovation, repair, removal, any disturbance of regulated asbestos containing materials (RACM), and demolition of a facility. The testing and remediation of asbestos is an eligible expense for projects that are determined not exempt from asbestos regulatory requirements.

Asbestos Regulations - are located on the SC Department of Health and Environmental Control's (DHEC) website at: <https://scdhec.gov/environment/your-home/asbestos/asbestos-regulations>

- Regulation 61-86.1, Standards of Performance for Asbestos Projects
- Occupational Safety and Health Administration (OSHA) Asbestos Standard, 1926.1101
- National Emission Standards for Hazardous Air Pollutants (NESHAP - Asbestos)

Change Order-A request to change a project that has received an approved initial inspection by an SC Housing Inspector. Such changes include but are not limited to, any change to cost, scope of work, change of materials, the Work Write-up, a change in Contractor or Subcontractor, etc.

Compliance Period-The twenty (20) year time period that program restrictions are in effect regarding housing occupancy. The compliance period begins on the date the restrictive covenant is executed after project completion. If the project is sold prior to the end of the compliance period, the amount of the Housing Trust Fund award as evidenced and defined in the note becomes due and payable.

Contractor-The contractor selected for the project that must meet the contractor standards outlined in this manual.

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

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

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

Disabled Person- means a household composed of one or more persons, at least one of whom is an adult, who has a disability.

1. A person is considered to have a disability if the person has a physical, mental, or emotional impairment that:
 - a. Is expected to be of long-continued and indefinite duration;
 - b. Substantially impedes his or her ability to live independently; and
 - c. Is of such a nature that such ability could be improved by more suitable housing conditions.
2. A person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability that:
 - a. Is attributable to a mental or physical impairment or combination of mental and physical impairments;
 - b. Is manifested before the person reaches age 22;

- c. Is likely to continue indefinitely;
- d. Results in substantial functional limitations in three or more of the following areas of major life activity: self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and
- e. Reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated. Notwithstanding the preceding provisions of this definition, the term "person with disabilities" includes two or more persons with disabilities living together, one or more such persons living with another person who is determined to be important to their care or well-being, and the surviving member or members of any household described in the first sentence of this definition who were living, in a unit assisted with HTF funds, with the deceased member of the household at the time of his or her death.

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

Funding Agreement-The written contract between the South Carolina State Housing Finance and Development Authority (SC Housing) and the Sponsor. It contains the terms and conditions of the Housing Trust Fund award, states the award amount, the project's purpose, and the beneficiaries being served.

General Contractor-An individual or company, properly licensed by the State of South Carolina as a **1.)** General Contractor with a classification of Building [BD, LB, UB]; OR **2.)** Residential Builder [RBB, RBW], that undertakes a contract to provide materials and labor to perform a service or do a construction job. Such Contractor must be licensed by the South Carolina Department of Labor, Licensing and Regulation ([SC LLR](#)) with an "active" status, have an effective \$1 million general liability insurance policy, builder's risk policy, and meet the contractor credential requirements as described in the HTF Supportive Housing Application Manual.

Group Home-Housing that is occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the units, and (except in the case of shared one-bedroom units) separate private space for each family. It also includes group housing for elderly or disabled persons. These structures are usually single-family homes that are being used for this purpose with each bedroom counted as a unit since each bedroom will be occupied by a separate individual or household. For the purposes of calculating Developer Fees a group home is counted as one (1) unit.

Lead Renovation, Repair and Painting Rule (RRP)-The EPA's 2008 Lead-Based Paint Renovation, Repair and Painting Rule (as amended in 2010 and 2011) aims to protect the public from lead-based paint hazards associated with renovation, repair and painting activities, which can create hazardous lead dust when surfaces with lead paint are disturbed. The rule requires workers to be certified and trained in the use of lead-safe work practices, and requires renovation, repair and painting firms to be EPA-certified. Regulations for residential property renovation are located at 40 CFR 745, Subpart E. The EPA administers the lead-based paint activities program only where states, territories or tribes are not authorized by EPA to operate their own lead abatement programs. South Carolina is a state that is not authorized by the EPA to operate its own program. Information on EPA requirements for lead-based paint requirements can be found on the EPA's website at the following link: <https://www.epa.gov/lead/lead-renovation-repair-and-painting-program>

Nonprofit-A corporation: (a) that is exempt from income tax under section 501 (c) (3) or 501 (c) (4) of the Internal Revenue Code of 1986, as amended (b) and registered with the South Carolina Secretary of State.

Renovation-The modification of any existing structure, or portion thereof, that results in the disturbance of

painted surfaces, unless that activity is performed as part of an abatement as defined by this part ([40 CFR 745.223](#)). The term renovation includes (but is not limited to): The removal, modification or repair of painted surfaces or painted components (e.g., modification of painted doors, surface restoration, window repair, surface preparation activity (such as sanding, scraping, or other such activities that may generate paint dust); the removal of building components (e.g., walls, ceilings, plumbing, windows); weatherization projects (e.g., cutting holes in painted surfaces to install blown-in insulation or to gain access to attics, planning thresholds to install weather-stripping), and interim controls that disturb painted surfaces. A renovation performed for the purpose of converting a building, or part of a building, into target housing or a child-occupied facility is a renovation under this subpart. The term renovation does not include minor repair and maintenance activities.

Scattered site project - A project where not all buildings are located on contiguous parcels.

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 nonresidential 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. A project's designation as an SRO cannot be inconsistent with the building's zoning and building code classification.

Shelter-A facility with the primary purpose of providing temporary or transitional housing for clients, tenants, persons such as homeless, veterans, disabled individuals or families.

SC Housing – South Carolina State Housing Finance and Development Authority.

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

Sponsor -A nonprofit organization, municipal association, council of government, or unit of local government that has been approved by SC Housing to participate in the HTF Supportive Housing Program.

Supportive Housing - The combination of housing and voluntary support services to address the needs of special needs populations, which include any subset of the population that has been identified as having specific needs. Supportive services may include but are not limited to: outreach, case management, childcare, job training/placement, health care, and transportation. To be considered Supportive Housing, the application must include a narrative explaining how the units will be affordable to the population identified and how the services will be provided for the duration of the affordability period. Owners cannot give a preference based on disability type (actual or perceived) or being a client of a particular service provider (absent approval from SC Housing). Neither the owner's partners/members nor the property management company may engage in medical, therapeutic, or other activities regulated by the U.S. Centers for Medicare & Medicaid Services with respect to the residents. The owner will:

- Expressly include reasonable accommodation in the application for tenancy;
- Not ask applicants/residents for medical or other protected information unless and only to the extent legally necessary;
- Use standard leases with the same rights available to, and responsibilities expected of, all households, including duration of tenancy; and
- Ensure participation in any Supportive services is entirely voluntary (not formal or implied condition of occupancy).

Supportive Services - Services provided to meet the needs of persons residing in transitional or Permanent Supportive Housing facilities. They include but are not limited to: childcare, job training, life skills training, mental health counseling, etc. and must be on-going throughout the entire affordability period (20 years).

Target Housing – Target housing is housing subject to the EPA’s Lead Renovation, Repair and Painting Program and is defined by the Toxic Substance Control Act (TSCA) as any housing constructed before 1978, except housing for the elderly or persons with disabilities or any 0-bedroom dwelling. However, target housing does include pre-1978 housing for the elderly or persons with disabilities, if any child under age six resides or is expected to reside in such housing. Housing for the elderly means retirement communities or similar types of housing reserved for households composed of one or more persons sixty-two (62) years of age or more at the time of initial occupancy.

Transitional Housing – Temporary housing in which the goal is the successful movement of persons such as homeless, veterans, disabled individuals and families to permanent housing. Individuals and families may live in transitional housing for up to twenty-four (24) months.

I. Supportive Housing Program Guidelines

The Supportive Housing Program is designed to provide financing to eligible Sponsors for the purpose of funding Supportive Housing projects. This type of housing may include shelters, transitional Supportive Housing, and permanent Supportive Housing. All projects must provide Supportive Housing services. Traditional rental housing developments, that do not provide supportive services, are not eligible properties under the Supportive Housing activity.

Funds are available for up to twelve (12) units which will serve persons at or below fifty percent (50%) of the area median income. All awards are subject to the HTF statute and regulations and all other applicable SC Housing requirements.

Eligible Developments:

- Single family
- Multifamily
- Group homes
- Single room occupancy (SRO)
- Shelters (non-congregate)
- Single site and scattered sites

Eligible Uses of Funds:

- Acquisition
- New construction
- Rehabilitation
- Conversion of non-residential structures into housing
- Demolition
- Refinancing with rehabilitation

All necessary forms for submitting applications and program implementation such as, change orders, draws, inspections, etc. can be downloaded from our website at: <http://www.schousing.com/Home/SCHousingTrustFund>

A. Eligible Sponsors:

Level III approved Sponsors are eligible to submit applications for this activity. The approval process contained in the **Participation Manual**. Applications submitted by organizations that are not approved by SC Housing will be returned to the address on the application.

Sponsors must be EPA certified Lead Renovation, Repair and Painting Rule firms to submit applications to assist with repairs to properties built prior to 1978 **if the proposed scope of work will include the disturbance of a painted surface**. Refer to the EPA's website for information on how to become a certified firm: <https://www.epa.gov/lead/renovation-repair-and-painting-program-firm-certification>

Beginning April 22, 2010, an organization that performs, offers, or claims to perform renovations covered by the EPA's Lead Renovation, Repair and Painting Rule must be certified by the EPA. A non-profit organization that offers to renovate the property of a third party for compensation, or that performs renovations, must be certified by the EPA as an RRP firm. Sponsors that are not EPA RRP certified firms may not submit applications to rehabilitate properties built prior to January 1, 1978 **if the scope of work will disturb a painted surface**.

Eligible Sponsors must have documented successful experience developing and operating Supportive Housing projects within the past ten (10) years. Sponsors may use the services of a consultant to meet experience qualifications. Refer to the **Participation Manual** for requirements.

B. Eligible Projects:

Supportive Housing applications must be site specific. The deed, purchase option, or contract for the proposed project must be in the name of the Sponsor at the time of application. Scattered sites are eligible for funding; however, all sites must be located within a one-mile radius and be in the same county.

Sponsors must commit to provide the tenants at least three (3) Supportive Services appropriate for the supportive housing population, such as; childcare, job training, transportation, mental health counseling, etc. Supportive Services may be provided by an outside agency, the Applicant, or from other appropriate state agencies such as the Department of Disabilities and Special Needs (DDSN), Department of Mental Health (DMH), Department of Health and Human Services (DHHS), etc. The Supportive Services must be documented through a formal arrangement which must be documented by a written commitment from the service agency providing the service or a copy of a Memorandum of Agreement (MOA) between the sponsor and the service agency. Letters and MOAs should include the type and frequency of services, location of services, and a description of how the services will be paid for, etc.

Group Home and Single Room Occupancy (SRO) Projects:

All tenants residing in group homes or SROs, other than live-in service providers, must be very-low income (incomes at or below 50% percent of area median). In group homes, live-in supportive service provider bedrooms are not counted in calculating tenants' rent. For example, if one bedroom of a four-bedroom unit is occupied by a service provider, the maximum unit rent is the rent limit allowable for a three-bedroom unit. Each family's rent will be its proportionate share of the total unit rent. Rent includes utilities, but does not include food or cost of any supportive services provided. These group home requirements do not apply to group homes awarded to DDSN affiliates.

If an SRO unit has neither food preparation nor sanitary facilities, or only one of these amenities, the rent may not exceed seventy-five (75%) percent of the fair market rent for a zero-bedroom unit. For SRO units with both food and sanitary facilities contained within the unit, the HTF fifty percent (50%) AMI rent limits for a zero-bedroom unit apply.

Current rent and income limits are available on SC Housing's website at: [https://www.schousing.com/library/Monitoring/2023-Income-Rent-Limits/SC HTF Income Limits 50 2023.pdf](https://www.schousing.com/library/Monitoring/2023-Income-Rent-Limits/SC%20HTF%20Income%20Limits%2050%202023.pdf)

Environmental Requirements:

1. Phase I Environmental Site Assessments: A Phase I Environmental Site Assessment report completed in accordance with ASTM Standard E- 1527-21 must be submitted for each site proposing new construction, conversion, or multi-family rehabilitation. A combined report may be submitted if the proposal is for a scattered site project. Phase I reports must be completed to assess the entire parcel and any off-site areas of disturbance. If the Phase I indicates that there are environmental issues found on, within or adjacent to the proposed sites(s) which require a Phase II ESA, then the applicant must also submit a Phase II ESA with the application. HTF monies will not be awarded to developments which require any type of lengthy mitigation for environmental conditions, other than lead-based paint and/or asbestos. Lengthy mitigation is considered to be mitigation that is expected to take longer than six (6) months. SC Housing at its discretion may require Phase I ESAs to be completed for single family rental units.

2. Identification of Wetlands: No activities, structures, or facilities associated with the project can adversely impact a wetland. Applications proposing new construction, and multi-family rehabilitation that will expand the footprint of the development must include a scientifically defensible

determination regarding the presence or absence of wetlands, including non-jurisdictional wetlands, in accordance with the 1987 or 1989 Federal Manual for Identifying and Delineating Jurisdictional Wetlands. National Wetland Inventory Maps must be included in the documentation; however, they will not be accepted as stand-alone documentation for the presence or absence of wetlands. The Applicant must retain a wetland professional (i.e., biologist, soil scientist, professional wetland scientists, etc.) to complete the **Exhibit 2 – Wetlands Certification** certifying as to the presence or absence of wetlands and the acreage size of the wetlands.

3. **Lead Based Paint, Asbestos, Radon and Mold:** Properties regardless of the year built may be subject to regulatory requirements concerning asbestos (determined on a case-by-case basis). All properties built prior to January 1, 1978 are subject to lead-based paint regulations if the scope of work will disturb a painted surface. Projects assisted with SC HTF dollars are subject to the following regulatory requirements regarding asbestos, lead-based paint, and radon:

- Regulation 61-86.1, Standards of Performance for Asbestos Projects – single family rehabilitation to be determined on a case-by-case basis
- Occupational Safety and Health Administration (OSHA) Asbestos Standard, 1926.1101-single family rehabilitation to be determined on a case-by-case basis
- National Emission Standards for Hazardous Air Pollutants (NESHAP – Asbestos – single family rehabilitation to be determined on a case-by-case basis
- All properties built prior to January 1, 1978 are subject to the EPA’s Lead Renovation, Repair and Painting Program (RRP) Rule located at 40 CFR 745, Subpart E.

Projects that are located in Greenville county are also subject to the radon regulatory requirements of ANSI/AARST MAH 2023 and SGM-SF 2023 .

- <https://standards.aarst.org/MAH-2023/index.html#zoom=z>
-
- <https://standards.aarst.org/SGM-SF-2023/index.html#zoom=z>

All properties are subject to mold testing and remediation in the event potential toxic mold is suspected to be present during an inspection and/or while work is being undertaken on the property.

Ineligible Project Types and Sites:

1. Commercial Properties (*except when converted to residential rental units*)
2. Facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, halfway houses, etc.
3. Properties previously assisted with other restricted funds that are still under an affordability period.
4. Student housing
5. Scattered site projects that do not meet the following criteria are ineligible: all sites must be located within the same county and market area, all buildings must be under the ownership of one entity and developed under one plan of financing, and all units must be managed by one management entity.
6. New construction within three hundred (300) feet of an active railroad track.
7. New construction project sites containing explosive storage facilities, above ground commercial bulk storage facilities, or distribution facilities for propane/butane gas, hazardous chemical or petroleum/gasoline.
8. Sites that require the execution of voluntary or involuntary cleanup agreements with the Department of Health and Environmental Control (DHEC) or any other third-party organizations as noted in a Phase I or II Environmental Assessment Report.
9. Sites located in a FEMA or local designated flood zone (100 year and 500 year). This provision is not applicable in the following counties so long as the site is no less than eighty percent (80%) buildable and the flood zone(s) will not be impacted: Beaufort, Berkeley,

- Charleston, Colleton, Dorchester, Georgetown, Horry and Jasper. Percentage of buildability requires confirmation by a qualified independent third-party consultant.
10. Properties containing any hazardous materials as defined in 49 CFR 172.101 (other than lead-based paint and/or asbestos) found on, within, or adjacent to the proposed site(s).
 11. Wetlands – No activities, structures, or facilities associated with the project can adversely impact a wetland. No draining, dredging, channelizing, filing, diking, impounding or related grading activities are to be performed in wetlands. Sites that are less than eighty percent (80%) buildable are not eligible.
 12. Sites listed on or within ¼ mile of a site listed on the National Priority List under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly known as Superfund; or otherwise reported to Federal, State, or local authorities as contaminated will not be permitted unless evidence satisfactory to SC Housing is presented that there is no longer a hazard posed that could affect the health and safety of the occupants or conflict with the intended use of the property.
 13. Noise – applications proposing new construction, conversion, and/or multi-family rehabilitation on sites with exterior noise levels of seventy-five (75) decibels or higher are not eligible for funding. A noise study must be conducted in accordance with 24 CFR 51(b) for all projects proposing new construction, conversion, and multi-family rehabilitation using the process outlined in “The Noise Guidebook” (<https://www.hudexchange.info/resource/313/hud-noise-guidebook>) and the Day/Night Noise Level Electronic Assessment Tool found at <https://www.hudexchange.info/programs/environmental-review/daynight-noise-level-electronic-assessment-tool/>. Noise studies must be completed by a consultant that is listed on SC Housing’s approved environmental consultants list and be submitted with the application.
 14. Projects proposing additional phases to projects when any of the previous phases are not one hundred percent (100%) complete.
 15. Projects requiring the permanent relocation of tenants.
 16. Sites determined by geotechnical reports to not be well suited for building, requiring cost prohibitive site work that exceeds normal ranges, will prolong the time period of construction, or require additional testing or on-site evaluations due to undetermined soil conditions. Such determination will be made at the sole discretion of SC Housing.
 17. Manufactured housing/mobile homes are not eligible properties under the HTF Supportive Housing Program Activity.

C. Terms of Financial Assistance and Underwriting Guidelines:

Maximum HTF Subsidy per Project:	\$300,000 per unit
Non-SC Housing Funding:	At a minimum, must be an amount equal to all project expenses that are ineligible HTF project expenses.
Developer Fee:	\$25,000 per unit

Up to twenty (20) million dollars has been set aside to fund Supportive Housing projects, of which one (\$1) million dollars has been set aside for the Department of Disabilities and Special Needs and their affiliates. It is SC Housing’s intent to promote fair and objective administration of SC HTF dollars by ensuring that no single county receives an excessive share of the available program funds in any one fiscal year. In making awards of SC HTF dollars, SC Housing will ensure that no county receives more than twenty percent (20%) of the current year’s available SC HTF dollars.

Sponsors are required to use other funding sources in conjunction with HTF to cover all expenses that cannot be budgeted for with HTF dollars. Written firm financial commitments from each funding source are required at the time of application submission. The Sponsor must provide a financial commitment for at least one year of operating subsidy for the development if cash flow from rental income will not be sufficient to cover operating expenses. In addition, if cash flow will not be sufficient to cover operating expenses the applicant must provide a written explanation of how operating expenses will be paid for the duration of the twenty (20) year affordability period. If the applicant plans to fund these expenses through fund raising and/or donations the applicant must provide documentation of historical fundraising efforts and donations received over the last five (5) fiscal years. Documentation should also note whether or not donated funds have any use restrictions. Applications that do not demonstrate they will be financially feasible for the twenty (20) year affordability period will not be awarded.

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

Financial Terms and Conditions:

1. Funds will be awarded as either a twenty (20) year repayable loan, forgivable loan or a combination of both.
2. Repayable loans will be amortizing with an interest rate of zero percent (0%) to three percent (3%) for a minimum term and amortization period of twenty (20) years or a period that does not exceed thirty (30) years.
3. The required twenty (20) year affordability period will be enforced through a recorded Restrictive Covenants and amendments, as needed.
4. Funds will be secured through an applicant's execution of a Promissory Note and the recordation of a Mortgage. In the event the property is sold, all loans, both repayable and forgivable, become due and payable (as per the mortgage and security agreement "Due on Sale" clause).
5. All applications will be underwritten such that they produce a Debt Coverage Ratio (DCR) of 1.30. If a 1.30 per unit debt coverage ratio produces cash flow per unit less than \$1,100, the underwriting will be adjusted such that the proposal will be able to reach \$1,100 per unit in annual cash flow. (This requirement does not apply to group home projects awarded to DDSN affiliates or other projects for which operating subsidies will be provided.)
6. All applications will be underwritten to ensure there will be cash flow sufficient to cover debt service.
7. The SC HTF loan may be subordinate to permanent conventional financing and other funding sources in amounts less than the HTF investment.
8. HTF loans will be deferred for ninety (90) days following project completion.
9. Interest will NOT be charged on the SC HTF loan during the construction phase of the project.
10. Funds for acquisition will only be awarded if the property is currently under a purchase agreement or if the property was purchased by the Sponsor within the previous twelve (12) months prior to submission of the application. Funds awarded for acquisition will not exceed the lesser of the appraised value or the purchase price.

Sponsors are required to use alternative funding sources to pay for project costs that are ineligible uses of HTF funds and must provide firm commitment letter(s) from each funding source at the time of application submission. If an operating subsidy is necessary, a firm financial commitment for at least one year of operating expenses to the project must be submitted at the time of application. Financial commitments being provided by the applicant must be

documented with bank statements demonstrating funds are on hand and available for the project.

Construction Disbursements:

1. Sponsors may choose to request funds as construction draws or to draw funds at project completion.
2. A payment and performance bond, or Letter of Credit (LOC) in an amount equal to the construction contract(s) must be provided when electing to draw funds during construction.
3. SC Housing will not disperse funds for stored materials.
4. SC Housing will only release funds for completed work in place that has been inspected and approved by a SC Housing Inspector.
5. Unless otherwise directed by SC Housing, funding sources will be drawn proportionately.
6. Disbursements for soft costs for new construction projects are not permitted until vertical construction has started. SC Housing will consider vertical construction to be underway when a SC Housing Inspector approves the development's footing inspection.
7. Disbursements for soft costs for rehabilitation projects are not permitted until 25% of the rehabilitation has been completed and an inspection has been approved by SC Housing inspection staff.

Underwriting Guidelines:

Applications are subject to a financial feasibility review by SC Housing. The underwriting will consist of, but is not limited to, the following areas (line numbers refer to the "Total Development Costs" page 8 of the application).

Development Costs: All costs are subject to review for justification of acceptable, reasonable costs. Development costs are evaluated for necessity and reasonableness at the time of initial application as well as throughout the duration of the development process. A review of the development and site plans, ***Exhibit 3 - Construction Costs Addendum***, and ***Exhibit 4 - Construction Design Certification*** will be conducted to determine reasonableness of the proposed development costs. Any proposed recommendations or required changes will be provided to the applicant. Proposals with costs exceeding recommendations must submit an explanation for the higher costs and will be required to revise costs accordingly. SC Housing reserves the right to determine whether final costs are appropriate and acceptable at both initial application and throughout the duration of construction. SC Housing may use any third-party resources it deems necessary to adequately perform a cost analysis of the application. Any costs related to the hiring or acquisition of said resources will be covered by the applicant.

Developer Fees, Developer Overhead, and Consultant Fees (Fees): Fees are limited based on development costs or project units count. Fees will be \$25,000 per affordable unit. For the purpose of calculating developer fees for a group home, a group home is considered one (1) unit. Expenses incurred for utilizing the services of a consultant to meet experience requirements are not eligible for reimbursement. However, Sponsors may choose to pay the consultant with Developer/Project Delivery Fees.

Exhibit 3 Construction Costs Addendum: This form is required as part of a complete application. Construction costs detailed on the **Exhibit 3** must tie to costs presented on page 8 of the application in the appropriate cost category.

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

- Land and Existing Structures (line 1)
- Demolition (line 2)

On-Site Improvements	(line 3)
New Construction	(line 5)
Rehabilitation	(line 6)
Construction Contingency	(line 10)

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

General requirements (line 7)	may not exceed	6% of hard construction costs
Contractor profit & overhead (line 8)	may not exceed	8% of hard construction costs
Total contractor fees	may not exceed	14% of hard construction costs

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

Demolition	(line 2)
On-Site Improvements	(line 3)
New Construction	(line 5)
Rehabilitation	(line 6)

DDSN Group Home Projects: The following underwriting requirements described below do not apply to DDSN group home projects: Operating Costs, Vacancy Rate, Debt Coverage Ratio, Annual Rent & Expense Trends Cash Flow, Replacement Reserves, Operating Reserves, and Compliance Monitoring Fees.

Operating Costs: Projected operating expenses, for all developments, must be \$5,000 per unit, per year, excluding reserves, property taxes, and annual compliance monitoring fees. If underwriting staff considers property tax estimations to be unusually high or low, documentation may be required to justify the estimate. (This requirement does not apply to group home projects awarded to DDSN affiliates.)

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

Debt Coverage Ratio (DCR):

- The DCR is calculated as Net Operating Income (NOI) divided by the annual debt service. For this purpose, NOI is the income remaining after subtracting Total Annual Expenses and Annual Replacement Reserves from the Effective Gross Income (EGI).
- All proposals will be underwritten such that they produce \$1,100 per unit in annual cash flow.

Annual Rent and Expense Trends and Cash Flow:

- Development rents will be trended upward at a two percent (2%) annual increase.
- Operating expenses will be trended upward at a three percent (3%) annual increase.
- The Proforma Income Statement must demonstrate that the project will maintain a positive cash flow for the entire twenty (20) year affordability period. The project must demonstrate a positive cash flow for a period of twenty (20) years using the same rent and expense trending criteria referenced above.

Permanent Loan Requirements:

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

- Loans with unspecified interest rates or unspecified repayment terms are not acceptable. The application must include a loan amortization schedule indicating payments for the entire loan period.
- Permanent loans should amortize so that debt service is paid over a period of twenty (20) years or longer with a maximum amortization period of thirty (30) years. If a loan is submitted with an amortization period of less than twenty (20) years, SC Housing may restructure the terms and repayment of any SC Housing funds as deemed appropriate by underwriting staff to prevent the over-subsidizing of a development.

Replacement Reserves:

Sponsors are required to establish and make annual contributions to replacement reserves. The minimum replacement reserves are three hundred dollars (\$300) per unit, per year for all development types. Annual contributions are made from operating cash flow and are cumulative. The account must be replenished, when used, through annual contributions as stated above. Annual contributions should begin as soon as the development achieves stabilized occupancy and continue until the expiration of the affordability period.

- Additional reserves may be permitted up to four hundred and fifty dollars (\$450) per unit annually, only if required by a non-SC Housing funding source and the requirement is verified in writing by the lender.
- Replacement reserves must be itemized in the development's annual financial statements.
- Lump sum (i.e. pre-funded) replacement reserves are not permitted.

Operating Reserves:

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

- Less than ten (10) units: Three (3) months of projected operating expenses, including replacement reserves, property taxes, annual compliance monitoring fees, and annual debt service.
- Ten (10) or more units: Six (6) months of projected operating expenses, including replacement reserves, property taxes, annual compliance monitoring fees, and annual debt service.

Cost Overruns:

The *Exhibit 3 - Construction Cost Addendum* submitted with the application must include a contingency to cover cost overruns in an amount equal to ten percent (10%) of total hard construction costs for rehabilitation and new construction projects. SC Housing at its discretion may require adjustments to the amounts budgeted for contingency. Any amounts which exceed this contingency are to be covered first by a reduction in the developer fee and then by the developer's liquid assets as confirmed by financial statements which are submitted with the participation application. **Funds budgeted for contingency cannot be used without approval from SC Housing.**

Appraisal Requirements:

Appraisal requirements: SC Housing requires commercial real estate appraisals at application submission for all development proposals requesting funds for acquisition. Projects not requesting funds for acquisition may submit a broker opinion of value in lieu of an appraisal.

1. An appraisal, dated no more than six (6) months prior to the date the application is signed, is required with submission of the application.
2. Appraisers must be licensed by the South Carolina Real Estate Appraisers Board on a

- permanent, non-temporary basis. Additionally, appraisers must have a State Certified General Real Property Appraiser's license or State Certified Residential Real Property Appraiser's license, whichever is appropriate for the property being appraised.
3. Appraisers must identify SC Housing as an authorized user of the appraisal, noting that SC Housing may rely on the representations made therein. Additionally, SC Housing reserves the right to convey a copy of the appraisal to third parties, assigns and pertinent parties involved in the contemplated allocation of HTF dollars.
 4. Appraisals must be prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) published by the Appraisal Foundation and with title XI of the Federal Finance Reform, Recovery and Enforcement Act of 1989 (FIRREA).
 5. Appraisals containing only vacant land must use the market data approach. Land should be valued without regard to any improvements/restrictions. This value should be based on similar land sales in the sub-market or the value of the "land only" portion of improved sales in the sub-market.
 6. Comparable properties must be located in the proposal's sub-market. If an appraiser chooses comparable properties outside of the sub-market, the appraiser must also include a detailed description of every comparable located closer to the proposal and a list detailing why each was not chosen as a comparable. Regardless, comparable must be located in the proposal's home county or in extreme instances, an adjacent county. Comparable sales may not include land owned by the Sponsor or any of its principals or related entities and may not be exclusive to previous SC Housing developments.
 7. If the appraisal does not substantiate the purchase price submitted in the application SC Housing may decrease the amount proposed in the application to match the appraised value. Developments not meeting minimum underwriting requirements or found to be financially infeasible as a result of this reduction will be disqualified.
 8. Detrimental characteristic(s) – any detrimental, harmful, or damaging site, physical feature, or characteristic located adjacent or in close proximity to the development being appraised that would negatively affect the valuation must be disclosed in the appraisal. The appraiser should quantify the valuation loss attributable to that site, physical feature, or characteristic.
 9. If SC Housing deems the appraised value of a proposal to be unusual, excessive or utilized comps that are not acceptable under this section, a separate appraiser will be hired by SC Housing, at the applicant's expense, to prepare a second appraisal. An application could be disqualified should a second appraisal not resolve the land value issue.
 10. All applications requiring an appraisal must submit ***Exhibit 5 – Primary Appraiser Certification Letter***, signed and certified by the primary appraiser.
 11. Acquisition expenses are only eligible for the portion of a site or sites that are necessary to build the project. For example, if a ten (10) acre site is submitted in the application and only two (2) acres of the site are needed to construct the project, only the costs associated with the two (2) acres where the project will be located are eligible. If the entire site is not needed for the project, the portion of the site that will be used must be parceled out prior to closing the HTF mortgage. If a site is being subdivided from a larger parcel the appraisal must include specific information on the value of the portion of the parcel that will be subdivided for the HTF Supportive Housing project.

Broker Opinion of Value Requirements: The opinion must be prepared by a broker and contain the following:

1. Identification of the subject property (address).
2. The date the opinion was prepared (opinion may not be older than six (6) months).
3. Defined value or price.
4. Any limiting conditions, including statements of purpose(s) and intended user(s).
5. Any present or contemplated interest, including the possibility of representing

- the seller/landlord or buyers/tenants.
6. Basis for the opinion, including applicable market data (recently sold and currently listed).
 7. Credentials of the broker providing the non-appraisal opinions of value, including full name, license number and expiration.

Compliance Monitoring Fees:

The Sponsor will pay SC Housing fifty dollars (\$50) per unit annually for compliance monitoring fees. Compliance monitoring fees for the first year the development places in service must be paid to SC Housing no later than sixty (60) days after the development passes its final inspection and on or before the first day of February of each succeeding year throughout the remainder of the affordability period. SC Housing will assess a ten percent (10%) late fee of the total outstanding balance for payments received after thirty (30) days from the due date. The minimum late fee will be fifty dollars (\$50). SC Housing may adjust the amount of the fee at any time. (This requirement does not apply to group home projects awarded to DDSN affiliates).

D. Eligible Beneficiaries:

The project must serve very low-income households, with gross annual incomes that do not exceed fifty percent (50%) of the area median income. Current income limits are available on SC Housing’s website at: <http://www.schousing.com/Home/PartnerIncomeLimits>.

Income verification documentation must be available on site for all households, and must not be older than six (6) months from the date the household first occupied the unit.

Determining Annual Income – A Sponsor must determine that each potential household (individual or family) is income eligible by determining the household’s anticipated annual income as defined in 24 CFR Part 5.

1. Income must be examined and verified by using third party source documents evidencing annual income (e.g., wage statement, interest statement, and unemployment compensation statement) for the family. In verifying incomes for potential beneficiaries, Sponsors should use SC Housing’s **Determining Income Manual** which can be downloaded from SC Housing’s website by going to this web address: <https://www.schousing.com/library/HTF/2022/Supportive%20Housing/Determine-Income-Manual.pdf>
2. Income limits are updated annually by HUD. Current Income limits can also be downloaded from SC Housing’s website: <https://www.schousing.com/Home/PartnerIncomeLimits>.
3. Effective January 1, 2025 all HTF funded developments must be in compliance with the newly implemented Final Rule for the Housing Opportunities Through Modernization Act of 2016 (HOTMA).

Beneficiaries who report zero income for the twelve (12) months preceding the date of application submission must each provide all of the following documentation:

- a. **Affidavit of Zero Income (HTF-3C)** form, including a narrative explaining the circumstances resulting in zero income.
- b. A copy of federal income tax returns that are not more than one (1) year old or from the prior tax year. The tax returns must have all pertinent information correctly identified and all schedules included. If tax returns do not exist, please indicate such on the **Affidavit of Zero Income (HTF-3C)** form.

E. Completion Deadlines:

In general Sponsors must complete Supportive Housing developments within the three (3) year completion deadline specified in the Funding Agreement or SC Housing may not disburse funds and may revoke remaining funds awarded. HTF awards may be terminated at any time prior to the award expiration date due to documented evidence of unsatisfactory productivity.

F. Limitations on Awards:

Sponsors may not have more than one (1) Supportive Housing project open at a time. Prior HTF Supportive Housing and Group Home awards must be 100% complete prior to applying for additional Supportive Housing projects. Upon request, SC Housing may consider allowing a Sponsor to apply for an additional Supportive Housing award prior to completing an existing award. SC Housing will make a determination based on the current and past performance and progress of uncompleted awards and take into consideration the Sponsor's staff and financial capacity.

II. Application and Payment Process

Applications may be submitted at any time and will be processed on a first come first serve basis. SC Housing will determine when an application is complete and meets the criteria necessary to be recommended to the Board of Commissioners for approval. **Prior to preparing an application, applicants must contact the Housing Trust Fund Manager to verify the availability of HTF dollars for the county in which the proposed project is located.**

Applications must adhere to tabbing guidelines and may be submitted by uploading the application to SC Housing's secure file upload which can be accessed using the following link: [SC Housing Secure File Exchange](#) or digital files may be submitted on a flash drive. Hard copies of applications will not be accepted. In addition, applications may be submitted on a flash drive. Flash drives may be delivered by hand, mail, or other shipping services. delivered to:

South Carolina State Housing Finance and Development Authority
ATTN: Development Division - HTF
300-C Outlet Pointe Blvd.
Columbia, SC 29210

Applications will NOT be accepted by facsimile and/or e-mail transmission.

The application must be complete and all applications must be self-contained. SC Housing will not rely on any previously submitted information, written or verbal, to evaluate the applications in any given quarterly funding cycle. At the discretion of SC Housing, applicants and their development team may be required to participate in a pre-development meeting to discuss project details and provide guidance on completing or revising the application. All costs incurred by the applicant in the preparation, transmittal, or presentation of the application package are the responsibility of the applicant.

Once an application is received, SC Housing reviews the application for completeness and financial feasibility. Initial application review is approximately thirty (30) days from receipt of the application. The Sponsor will receive a letter of notification regarding missing or incomplete items. If the requested information is not provided within thirty (30) days, then the application will be deemed withdrawn.

Application Review:

Applications will be reviewed in accordance to the checklist and as follows:

1. The application will be reviewed by SC Housing underwriting staff to ensure project feasibility and longevity.
2. SC Housing's inspections staff will perform a site review, review of the preliminary plans and specifications or work write-up, review of the cost estimate, and the geotechnical report for the proposed development.
3. If the application meets all the general guidelines and eligibility requirements of the program, SC Housing will recommend the development to the Board of Commissioners for approval.

4. If approved, a Funding Agreement is mailed to the Sponsor for execution, along with a loan closing request form.

Implementation:

Sponsors will be required to attend an implementation training. The purpose of this workshop is to prepare Sponsors to fulfill program, construction and financial requirements.

Final Plans and Closing:

Sponsors will have three (3) months to submit final plans and specifications to SC Housing for review and approval. Construction/rehabilitation may not begin until the loan closing has occurred and all SC Housing required documents have been executed, filed with the county as required, building permits have been obtained and provided to SC Housing, and final plans and specifications or work-write up have been approved by SC Housing's Construction Manager.

Quarterly Reporting and Inspections:

HTF Sponsors are required to submit a quarterly performance **Report (HTF-6C)** through completion of the project. Additionally, the construction schedule will include specific accomplishments that will require a SC Housing inspection. Should SC Housing Inspectors not be notified and work continues without SC Housing Inspector approval, HTF funds may be immediately rescinded and the sponsor suspended from the HTF Program. Following are the minimum construction benchmarks requiring an inspection for new construction projects:

1. Final Plans, Specifications
2. Site Inspection
3. Footing Inspection
4. Foundation Completion Inspection
5. Dried-In Inspection
6. Rough-In Inspection
7. Approximately 75% Completion
8. 100% Completion
9. Change Order Inspection(s)
10. Disbursement Inspection(s)

*Refer to the Inspection Request Forms for group home, and rehabilitation projects.

Payments/Draws:

All payment requests must be submitted on SC Housing's **Request for Payment (HTF-4A) and (HTF-4B) Draw Summary Form**. Draws will only be processed after the HTF loan closing has taken place and the HTF mortgage has been recorded. Payments will **not** be disbursed until the construction progress has been inspected and approved by SC Housing. The Sponsor will be contacted upon receipt of the Request for Payment and Inspection form to schedule an inspection. The following items must accompany the payment request:

1. **(HTF SH-2AA) Inspection Request Form for New Construction and Multifamily Rehab**
2. **(HTF SH-2AAA) Inspection Request Form for Single Family Rehab**
3. Approved final inspection from local building department
4. Pictures of completed work to date
5. **(HTF-4A) Draw Request for Payment**
6. **(HTF-4B) Draw Summary Form**
7. Required documentation for payment of hard and soft costs
8. Construction progress report or AIA documents

Once the inspection has been conducted and the work progress has been approved, the HTF Program Coordinator will request the funds. Payment requests are typically processed within fourteen (14) days.

III. Compliance Period

The Housing Trust Fund program is designed to increase the supply of permanent affordable housing. Enforcement of the compliance period will be accomplished using a restrictive covenant. Sponsors must re-certify tenant's household income annually. Rent and Income Limits are adjusted annually. Sponsors may obtain updated information from SC Housing's website at: <http://www.schousing.com/Home/PartnerIncomeLimits>.

Additionally, Sponsors are also responsible for maintaining the property in compliance with program requirements and should routinely inspect the units to ensure that tenants are maintaining the unit and that all needed repairs have been reported.

SC Housing reserves the right to inspect the property, review property and tenant records and management policies and procedures to determine compliance with rent and income restrictions and to verify that the property is being maintained in accordance with requirements of the HTF program. Effective October 1, 2024 HTF Supportive Housing developments must meet the National Standards for the Physical Inspection of Real Estate (NSPIRE) during the affordability period.

Not later than February 1st of any given year and to be provided annually for the entire 20-year affordability period, the Sponsor will provide the following documents for SC Housing review for all Supportive Housing projects: (1) existing management policies and procedures; (2) a rent roll containing a list of tenants served which must include their total annual income; (3) a list of supportive services provided to tenants to include when they were provided and who provided the services; (4) operating income and expense statement for the property to include verification and amount of an existing replacement reserve account.

IV. Construction Guidelines

A. For Single Family Housing Rehabilitation:

- Supportive Housing Appendix A SC Housing Essential Property Standards;
- Supportive Housing Appendix B Rehabilitation Construction Standards.

B. For New Construction:

- Supportive Housing Appendix C New Construction Standards.
- Supportive Housing Appendix D Development Design Criteria.

C. For Conversion, and/or Acquisition with Rehabilitation of Multi Family Developments:

- Supportive Housing Appendix C New Construction Standards.
- Supportive Housing Appendix D Development Design Criteria.
- Supportive Housing Appendix E Rehabilitation Guidelines.

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SH Appendix E: Rehabilitation Guidelines	

The forms provided in this manual are available on SC Housing’s website at [SC Housing Trust Fund](#).
Contact your assigned HTF Program Coordinator if you have any questions or technical issues with the forms.

Email: SCHousingTrustFund@schousing.com