

# 20154

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## HOME Rental Manual ~~Application~~ ~~Package~~

HOME  
INVESTMENT  
D A D T M E D C H I D S

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## PURPOSE

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The HOME Investment Partnerships Program (HOME) is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. The HOME Program regulations are located at 24 CFR Part 92. The South Carolina State Housing Finance and Development Authority's (Authority) HOME Program is designed to promote partnerships among the U.S. Department of Housing and Urban Development (HUD), various federal agencies, state and local governments, and those in the non-profit and for-profit sectors. The goal of the HOME program is to preserve and create affordable housing for low-income households.

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## DEFINITIONS

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

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

**Applicant:** Any eligible person or entity (public or private, for profit or nonprofit), proposing to acquire, rehabilitate, convert, and/or construct housing utilizing State HOME program funds.

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

**Application Deadline:** Not later than 5:00 p.m., (EST) on the last day of the application cycle.

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

**Application Cycle:** The timeframe during which applications for HOME funding will be accepted by the Authority.

**Application Tabs:** The tab dividers provided by the Authority.

**Appraisal:** A written report which provides an estimated value of a piece of property prepared by an independent third party licensed real estate appraiser. For rehabilitation developments, appraisals must represent the income approach. For new construction developments containing only vacant land, appraisals must use the market data approach.

**Audit:** Complete and current financial statements that have been audited by a Certified Public Accountant (CPA) licensed by the South Carolina Board of Accountancy. A current audit is considered to be one that is no more than twelve (12) months from the date the audit was performed. Non-Federal entities that expend \$500,000 or more of Federal Funds in a year are required to have an audit conducted to include the audit specifications and requirements described in OMB Circular A-133.

**Authority:** South Carolina State Housing Finance and Development Authority (SCSHFDA).

**Community Housing Development Organizations (CHDOs):** Private nonprofit organizations that are organized pursuant to the definition in the HUD Regulations. An Authority Approved CHDO is a CHDO that has been recertified by the Authority prior to submission of the current HOME application.

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

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

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**Deferred Loan:** A loan in which all payment of principal and interest is deferred until maturity, at which time the outstanding balance of the loan shall become immediately due and payable as a balloon payment.

**Deferred Forgivable Loan:** A loan in which all payment of principal and interest is deferred until maturity, at which time the outstanding balance may be considered paid in full so long as the borrower does not default on the HOME Funding Agreement or the Mortgage and Security Agreement.

**Development Costs:** The total costs incurred in the development of a project that are considered reasonable and necessary.

**Developer:** Any individual, association, corporation, joint venture, or partnership, which possesses the capacity to successfully produce affordable multifamily and/or single-family housing.

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

**Disabled Person:** A person with a physical, mental, or emotional impairment that: 1) is expected to be long-term, continued and indefinite, 2) substantially impedes his or her ability to live independently, and 3) such disability could be improved by more suitable housing conditions.

**Development Division:** The Housing Development Division of the Authority which administers the HOME Program.

**Draw:** The disbursement of HOME funds to a project.

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

**Eligible Person or Household:** One or more persons, or a family, determined by the Authority to be of low or very low income, regardless of race, creed, national origin or sex.

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

**Financial Statements:** Statements that have been compiled, reviewed, or audited by an independent CPA licensed by the South Carolina Board of Accountancy. Financial statements must include an Income Statement (Statement of Activities for nonprofit Applicants) documenting one full year of activities and a Balance Sheet (Statement of Financial Position for nonprofit Applicants) dated on or after ~~September 30, 2013~~ ~~December 31, 2012~~. ~~All financial statements must include notes and any footnotes to the financial statements.~~ If an Applicant ~~Entity or Applicant group~~ has been in existence for less than one year, the Income Statement submitted should cover the period since the inception of the organization and monthly bank statements from each month the organization has been in existence must also be provided. ~~The Authority will require that the Applicant Entity or Applicant group have unrestricted liquid assets of ten percent (10%) of the sum of all HOME funds awarded requested in all applications submitted in the current HOME cycle. In addition, the Applicant Entity must have a minimum net worth of \$100,000.~~

~~**Foreclosed Property:** A home or residential property has been foreclosed upon if the foreclosure proceedings have been completed and title has been transferred.~~

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

**HOME or HOME Program:** The HOME Investment Partnerships Program pursuant to the HUD Regulations 24 CFR Part 92, as amended.

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

**Homeless:** An individual who lacks a fixed, regular, and adequate nighttime residence; as well as an individual who has a primary nighttime residence that is a supervised publically or privately operated shelter designated to provide temporary living accommodations, an institution that provides a temporary residence for individuals intended to be institutionalized, or a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings.

**HOME Regulations:** The regulations of HUD in 24 CFR Part 92 (1991) issued under the authority of Title II of the National Affordable Housing Act of 1990.

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Housing Trust Fund (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.

**HUD:** United States Department of Housing and Urban Development.

**Income Verification:** Third party confirmation that all households receiving HOME assistance are income eligible according to the HUD income limits that are published annually. Third party income verification may not be dated more than six (6) months prior to eligibility. Verification also involves the review and evaluation of all types of income that can be counted and not counted.

**Individual (related personsproperty):** Any individual considered related to each other having any of the following direct relationships: parent, child, spouse, son-in-law, daughter-in-law, father-in-law, including any such direct relationship created by marriage, remarriage, adoption, or any other legally recognized status, or if one individual is an employer, by common law or otherwise, of the other.

**Infill housing:** The insertion of additional housing units into an already established subdivision or neighborhood. Examples include additional units built on the same lot by dividing existing homes into multiple units or by creating new residential lots by further subdivision or lot line adjustments. Housing units may also be built on vacant lots. Infill housing does not include creating housing in large vacant areas where housing, public facilities or business do not already exist.

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

**Local Government or Unit of Local Government:** Any county, city, town or municipality in the State of South Carolina.

**Low-Income:** Person with income that is above 50% but below eighty percent (80%) of the median income for the area, as determined by HUD, with adjustments for family size.

**Management Plan:** A document that outlines and defines how a project will be executed, monitored, and controlled.

**Marketing Plan:** A document that provides information on how the Applicant will attract eligible persons from all racial, ethnic and gender groups to the available housing being provided in the particular market area.

**Market Study:** An independent third party report prepared to review the market conditions in a specified area. It includes a study of the economic forces of supply and demand and their impact on real estate returns, risks, and values.

**Market Study Needs Assessment Report:** Applications with twelve (12) or fewer units must submit a Market Demand Needs Assessment Report.

**Nonprofit:** A corporation exempt from income tax under section 501(c) (3) or 501(c) (4) of the Internal Revenue Code of 1986, as amended.

**Participant:** An Applicant that has been awarded HOME program funds.

**Phasing/Subdividing:** Developing two separate projects proposed for the same target population within the same market area. Typically, the two proposed projects are adjacent to, or on the same site.

**Principal:** Any Applicant, owner, developer, guarantor, financial guarantor, or any other person, corporation, partnership, joint venture, or other entity, including any affiliate thereof, or any other person, firm, corporation, or entity of any kind whatsoever that either directly or indirectly receives a HOME award or receives a portion of the development fee (whether or not deferred) for development services and/or receives any compensation with respect to such development. Note: Consultants are not considered Principals.

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**Project Completion:** Occurs when all necessary title transfer requirements have been finalized, one hundred percent (100%) of the construction has been completed, a certificate of occupancy (CO) has been issued; a placed-in-service application has been submitted; the final draw down of HOME funds has been disbursed for the project; the project completion reports have been submitted to, and approved by, the Authority; the project activity has been closed-out in HUD's Integrated Disbursement and Information System (IDIS), the recorded restrictive covenants have been returned to the Authority and the HOME loan closing documents, if applicable, are recorded and returned to the Authority.

**Promissory Note:** An agreement containing an absolute promise to pay the Authority a principle sum of money for the HOME Program loan together with interest, if applicable, on a specified date.

**Related Parties:** ~~Notwithstanding anything to the contrary contained herein, the Authority will not award HOME funds to more than two (2) Principals directly or indirectly.~~ Applicants will be deemed to be related if any Principal of an Applicant is also a Principal to any other Applicant. Regardless of the percentage of participation a Principal has in a development, one hundred percent (100%) of the development's HOME award will count towards the limitation per Principal. Notwithstanding anything to the contrary contained herein, the Authority will not award HOME funds to more than two (2) Principals directly or indirectly.

**Special Needs:** Individuals, or a group of individuals, which need special housing. These include elderly or homeless persons, persons with developmental or physical disabilities, mental illnesses, chemical dependencies, HIV/AIDS, and migrant/agricultural workers.

**Transitional Housing:** Facilities designed to provide housing as well as appropriate supportive services to the unit's occupants. Supportive services include, but are not limited to, de-institutionalized individuals with disabilities, homeless individuals with disabilities and homeless families with children. Transitional housing projects must facilitate the movement of individuals and families to independent living within a set time period.

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

**Very Low-Income:** Persons with income at or below fifty percent (50%) of the median income for the area, as determined by HUD, with adjustments for family size.

## ELIGIBLE ACTIVITIES

1. HOME funds are available for new construction, acquisition/rehabilitation, or rehabilitation of rental units.

## ELIGIBLE PROPERTIES

1. Properties may be a single building, multiple buildings, or scattered sites that are in the same market area.
- ~~2. Properties must qualify as a "Project" as defined in the "Definitions" section of this Manual.~~
- ~~3.~~2. Properties may be privately or publicly owned (with the exception of public housing units).

## INELIGIBLE PROPERTIES

1. Public Housing Units
2. Projects assisted under Title VI of NAHA (*prepayment of mortgages issued by HUD*)
3. Commercial Properties (*except when converted to residential*)
4. Homeless Shelters
5. Manufactured Housing
6. Properties previously assisted with HOME funds that are still under the HOME affordability period.
- ~~6.~~7. Student Housing

## ELIGIBLE APPLICANTS

1. Units of Local Government (cities, counties and towns)
2. Public Housing Authorities (PHA's)
3. Authority Approved Community Housing Development Organization (CHDO)
4. Nonprofit Entities
5. For-profit Entities

## FINANCIAL TERMS & CONDITIONS

The Authority will make ~~\$4~~\$3,000,000 in HOME funds available for the 201~~5~~4 HOME Funding Cycle.

- I. Terms and conditions for receiving a HOME award are as follows:
  1. The total maximum HOME award amount per application is ~~\$5~~\$400,000.
  2. Funds may be awarded as a grant or as an amortizing one percent (1%) loan or as a combination of both.
  3. For-Profit Applicants and units of local government:
    - a. May request a one percent (1%) loan, not to exceed ~~\$5~~\$400,000;
    - b. Terms and amortization period must be for a minimum of twenty (20) years and may not exceed thirty (30) years.
  4. Nonprofits, Authority Approved CHDOs, and Public Housing Authorities:
    - a. May request a grant of up to ~~\$250~~\$200,000;
    - b. May request a one percent (1%) loan;
    - c. Combine a loan with a grant (the grant cannot exceed ~~\$250~~\$200,000) for a combined total not to exceed the ~~\$5~~\$400,000 HOME cap;
    - d. CHDOs awarded HOME project funds may be eligible to receive Operating Funds under the following conditions:
      - i. Operating fund amounts are based on the available funds;
      - ii. CHDOs receiving a HOME award of \$100,000 or less, may receive operating funds of up to 50% of the amount of the HOME funds awarded;
      - iii. CHDOs awarded more than \$100,000 in HOME funds may receive up to \$50,000 in operating funds;
      - iv. CHDOs cannot receive more than \$50,000 in operating funds in any one calendar year;
      - v. If a CHDO has previously received two operating awards, it ~~may be~~ **is NO LONGER** eligible to receive operating funds ~~of up to \$10,000~~; and
      - vi. Eligible operating costs include: salaries, wages, and other employee compensation and benefits, employee education, training, travel, rent, utilities, communication costs, taxes, insurance, equipment, materials, and supplies.
  - ~~5.~~ HOME funds can be combined with other subsidy sources such as ~~Housing Trust Fund (HTF)~~, Community Development Block Grant (CDBG), Low Income Housing Tax Credit (LIHTC), Federal Home Loan Bank, etc. The revised HOME Final Rule requires that all other sources of financing for a project be committed to the project prior to committing HOME funds. Therefore, the Authority cannot accept any proposed, or anticipated to be applied for, funding sources as part of the project's financial structure.
  - ~~5-6.~~ When combining Authority State HOME funds with another PJs, HOME funds, from each the PJ two HOME funding sources must be attributed through cost allocation to different units so that funds from the two sources are not combined in the same units. This will avoid double counting of units in IDIS.
  - ~~6-7.~~ The HOME affordability period requirements will be enforced through a recorded Restrictive Covenant.
  - ~~7-8.~~ HOME funds are secured through an Applicant's execution of a Promissory Note and the recordation of a Mortgage.
  - ~~8-9.~~ In the event the property is sold, the HOME loan becomes due and payable at closing (as per the mortgage and security agreement "Due on Sale" clause).
  - ~~9-10.~~ For new construction, all units must be designated as HOME-assisted units. In rehabilitation projects with existing occupants, the HOME-assisted units will be determined based on the current tenants.
  - ~~10-11.~~ The project's initial Debt Coverage Ratio (DCR) shall not be less than 1.20.
  - ~~11-12.~~ All HOME loans will be underwritten to ensure there will be cash flow sufficient to cover debt service.

~~12.~~ The HOME loan will be in a first mortgage position. The Authority will only allow the HOME loan to be subordinated to a conventional lender.

~~13.~~

~~13.~~~~14.~~ HOME loans will be deferred for ninety (90) days following project completion.

~~14.~~~~15.~~ Interest will NOT be charged on the HOME loan during the construction phase of the project.

~~15.~~~~16.~~ Participants may choose to draw HOME funds during construction or at project completion.

~~16.~~~~17.~~ If a contract is \$100,000 or greater payment and performance bond, or Letter of Credit (LOC) in an amount equal to the construction contract must be provided by ALL Applicants electing to draw HOME funds during construction.

~~17.~~~~18.~~ If drawn during construction, HOME funds awarded must be drawn proportionate with other sources of financing in the project.

~~18.~~~~19.~~ The Authority will only release funds for completed work in place that has been inspected and approved by an Authority inspector.

The Authority will make up to ~~\$750~~ \$800,000 in ~~Housing Trust Funds (HTF)~~ available in conjunction with the 201~~5~~4 HOME Funding Cycle.

II. Terms and Conditions for receiving a HTF award as part of the HOME application cycle are as follows:

1. Applicants may only request HTF in combination with the 201~~5~~4 HOME funding cycle.

2. If a HTF award has previously been awarded to a proposed HOME application, the project is not eligible for ~~HTF~~ ~~OME~~ funds.

3. Eligible uses are Acquisition with Rehabilitation, Rehabilitation, and New Construction of rental housing units. Rental units may include single and/or multi-family dwellings. Single-room-occupancy (SRO) projects are **not permitted** under this activity.

4. Financial Assistance:

a. HTF may be requested in an amount up to the lesser of; 50% of the total amount of HOME funds requested *or* ~~\$250~~ \$200,000.

b. Qualified nonprofit Applicants may request a deferred forgivable loan;

c. For-profit Applicants may request a repayable loan with a one percent (1%) interest rate. Minimum amortization period is 20 years with a maximum of 30 years.

d. HTF will be allocated to developments requesting HTF with the highest point score in descending point score order until HTF funds are exhausted. The Authority reserves the right to reduce the HTF requested based on underwriting analysis.

e. All units in an awarded project are considered HOME units and must comply with all HOME income and rent restrictions. In rehabilitation projects with existing occupants, the HOME-assisted units will be determined based on the current tenants.

## PROJECT FEASIBILITY AND UNDERWRITING GUIDELINES

All applications are subject to financial review by the Authority. The underwriting will consist of, but is not limited to, the following areas (line numbers refer to Development Costs page 9 of the application):

**Development Costs:** Development costs are evaluated for necessity and reasonableness at the time of initial application as well as when a project is placed in service. The Authority will utilize a construction consultant to determine whether proposed development costs are appropriate. Based on a review of preliminary plans and specifications, the consultant will provide a written assessment of reasonableness of proposed development costs, together with any proposed recommendations or required changes. Proposals with costs exceeding the consultant's recommendations must submit an explanation for the higher costs and may be required to revise costs accordingly. The consultant will review and approve final plans and specifications. The Authority reserves the right to determine whether final costs are appropriate and acceptable at both initial application and at placed in service.

When combining Authority HOME funds with another PJs HOME funds, the two HOME funding sources must be attributed through cost allocation to different units so that funds from the two sources are not combined in the same units.



**Developer Fees, Developer Overhead, and Consultant Fees (Fees):** Fees are limited based on development costs. Fees are calculated as the total of Developer Fees 5% (line 32) plus Developer Fees 15% (line 33) plus Consultant Fees (line 14) from Development Costs in the application. Fees are limited as follows:

- a) **Fees on Acquisition Costs:** Developer Fees 5% (line 32) may not exceed five percent (5%) of “Adjusted Acquisition Costs.” The formula is:

$$\frac{\text{Developer Fees 5\% (line 32)}}{\text{Adjusted Acquisition Costs (Total Acquisition Costs (line 1-3) Less Land (line 1))}}$$

- b) **Fees on New Construction, Rehabilitation Without a Change in Ownership, or Rehabilitation portion of Acquisition/Rehabilitation:** The sum of Fees (line 33 + line 14) may not exceed fifteen percent (15%) of “Adjusted Development Costs.” The formula is:

$$\frac{\text{Developer Fees 15\% (line 33) + Consultant Fees (line 14)}}{\text{Adjusted Development Costs}}$$

“Adjusted Development Costs” is calculated as follows:

$$\begin{aligned} &\text{Total Development Costs (line 35)} \\ &\quad \text{Less Acquisition Costs (lines 1-3)} \\ &\quad \text{Less Consultant Fees (line 14)} \\ &\quad \text{Less Developer Fees (lines 32 and 33)} \end{aligned}$$

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

Land	(line 1)
Existing Structures	(line 2)
Other (Acquisition Costs)	(line 3)
Demolition	(line 4)
On-Site Improvements	(line 5)
New Building	(line 6)
Rehabilitation	(line 7)

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

General requirements (line 8)	may not exceed	<b>6%</b> of hard construction costs
Contractor profit & overhead (line 9)	may not exceed	<b>8%</b> of hard construction costs
<b>Total contractor fees</b>	<b>may not exceed</b>	<b>14%</b> of hard construction costs

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

Demolition	(line 4)
On-Site Improvements	(line 5)
New Building	(line 6)
Rehabilitation	(line 7)

**Minimum Rehabilitation Costs:** The Authority requires a minimum rehabilitation expenditure of **\$5,000** per unit in hard construction costs for an acquisition/rehabilitation development.

**Operating Costs:**

- Projected operating expenses, for all developments, must be between **\$2,000 and \$2,600** per unit, per year, excluding taxes and reserves.
- If any utilities, including water and sewer, are owner-paid, then the operating expense minimum will be increased to include the additional utilities for the rental units.
- The Applicant must provide an explanation and satisfactory documentation of the projected utility amount per unit.

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- The Applicant must upon request, provide a detailed explanation of the determination of annual operating costs.
  - The Applicant must justify operating costs, and such costs may be accepted or rejected by the Authority in its sole judgment.

**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)**

- HOME funding will not be reserved or allocated to developments that are not made financially feasible by the HOME funding or which are financially feasible without the HOME funding. The development's initial DCR must fall within the range of 1.20 to 1.45.
- 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).
- The maximum DCR of 1.45 restrictions will be waived if the initial projected annual Cash Flow/Unit (CFU) does not exceed **\$900**. CFU is calculated by subtracting annual debt service from NOI and dividing this result by the number of units that will be rented to tenants. In the event that the development DCR, as submitted, is greater than 1.45 and the development CFU, as submitted, is greater than **\$900**, the Authority will increase debt based upon the terms submitted in the application in order to reduce the DCR to 1.45 or the CFU to **\$900**, whichever is met first, for calculation of HOME funding to be allocated.

#### **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 HOME loan amortization period or in the case of HOME grant funds, the project must demonstrate a positive cash flow for a period of 20 years using the same rent and expense trending criteria referenced above.

#### **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 20 years or longer with a maximum amortization period of 30 years. If a loan is submitted with an amortization period of less than 20 years, the Authority may restructure the terms and repayment of any Authority funds as deemed appropriate by underwriting staff to prevent the over-subsidizing of a development.
- Projects financed with debt that includes a balloon or other variable payment must continue to meet all underwriting requirements throughout the affordability period. Loans with balloon payments will be underwritten with adjustments at the time of the balloon payment as follows:
  - Balloon payment due in less than 10 years = initial interest rate + 200 basis points.
  - Balloon payment due in 10 years or more = initial interest rate + 300 basis points.

The principal amount to be used in the loan adjustment will be the balance of the loan principal remaining at the time that the balloon payment is due.

The amortization term to be used in the loan adjustment will be equal to the number of years remaining on the original amortization period at the time that the balloon payment is due. Examples:

- 1) A loan with a 6% interest rate, 5 year balloon, and 20 year term – will be re-amortized in year 6 using an 8% interest rate with a term and amortization of 15 years.
- 2) A loan with a 6% interest rate, 10 year balloon, and 20 year term – will be re-amortized in year 11 using a 9% interest rate with a term and amortization of 10 years.

Developments that require loan adjustments due to balloon payments must be able to demonstrate positive cash flow for the entire loan period based on the adjustments as described above. Failure to do so may result in disqualification.

#### **Replacement Reserves**

Developments are required to establish and make annual contributions to replacement reserves, as follows:

- **New Construction:** Two hundred fifty dollars (\$250) per unit, per year
- **Rehabilitation or Conversion:** Three hundred dollars (\$300) per unit, per year

Annual contributions are made from operating cash flow and are cumulative. Annual contributions are required to the replacement reserve account until the account reaches a funding level of:

- **New Construction:** Two thousand five hundred dollars (\$2,500) per unit
- **Rehabilitation or Conversion:** Three thousand dollars (\$3,000) per unit

Once these levels are met, the accounts must be replenished, when used, through annual contributions as stated above.

### **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
- **Ten (10) or more units:** Six (6) months of projected operating expenses

*The Authority, in its sole discretion, reserves the right to waive any of the above financial requirements if the facts and circumstances regarding a project warrant the waiver. Any such waiver will be decided solely by Authority staff on a case-by-case basis.*

## **GENERAL INFORMATION**

1. Anticipated HOME Schedule:  
Application Workshop: **January 29-26**  
Application Submission Deadline: **February 24-25-27**  
Complete Review for:  
Threshold Criteria and Missing Documents: **March**  
Missing Documentation Letters Mailed: **March**  
Underwriting Review and Analysis: **March**  
Begin Environmental Reviews: **March**  
Conditional Commitment Letters Mailed: **April**
2. Any revisions to the contents of the HOME Rental ~~Manual Application Package~~ by the Authority will be documented in the form of a bulletin. Bulletins will be posted on the Authority's HOME website and disseminated to all persons on the Authority's HOME contact list via email. It is the Applicant's responsibility to check the Authority's website for any revisions that may occur.
3. The Authority reserves the right to:
  - a. Award Applicants less than the amount of HOME funds requested.
  - b. Reject any and all applications received.
  - c. Waive or modify minor irregularities in applications upon notification to the Applicant.
  - d. Adjust or correct any mathematical errors in the application.
  - e. Request and receive clarification from the Applicant to ensure an understanding of the application submitted.
  - f. Adopt or utilize all or any part of the application unless covered by legal copyright, patent or property rights in which case the Authority must be notified.
  - g. Negotiate with the Applicant to serve the best interest of the Authority.
4. Awarded Applicants, whose project(s) successfully complete the environmental review process, will receive a HOME Award Agreement.
  - a. HOME Award Agreements contain deadlines for committing and expending HOME funds as well as deadlines for providing other required documentation.

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- b. The Authority may exercise its right to terminate any HOME Award Agreement, at any time prior to the Agreement's end date, due to lack of project productivity.
  5. Each Applicant will be required to submit a Placed-In-Service application that:
    - a. Is due when the project is one hundred percent (100%) complete and in receipt of a Certificate of Occupancy (CO); and
    - b. Will be reviewed by the underwriting staff to ensure that the project is entitled to the full amount of HOME funds and HTF, if applicable, originally awarded. The final draw of HOME and HTF funds will not be provided until the underwriting of the Placed in Service application has been completed.
  6. Consultants are limited to the administrative management of and may not be involved with more than two (2) open HOME awards at a time.
  7. No member, officer, agent, or employee of the Authority shall be held personally liable concerning any matters arising out of, or in relation to, the commitment of HOME Program funds with regard to feasibility or viability of the proposed project.
  8. All legally binding executed financial commitments from all funding sources must be submitted at the time of the initial HOME application submission. The revised HOME Final Rule requires that all other sources of financing for a project be committed to the project prior to committing HOME funds. Therefore, the Authority cannot accept any proposed or anticipated to be applied for funding sources as part of the project's financial structure.

## **PROGRAM SUSPENSION/DEBARMENT**

1. Any of the following actions may result in a one (1) year suspension from participating in all Authority administered programs:
  - a. Failure to complete a project by the completion deadline specified in the HOME Agreement and Implementation Schedule.
  - b. Failure to complete or comply with the environmental review requirements as specified by 24 CFR Parts 50 and 58, as amended.
  - c. Failure to provide a legally executed Construction Design Certification (Form M-36) or providing a false or inaccurate certification that a project meets the standards and requirements as stated in the body of the certification when, in fact, it does not, will result in the disqualification of the developer and the architect. The Authority may also file a complaint against the architect with the S.C. Department of Labor, Licensing and Regulation.
2. Any of the following actions may result in the permanent debarment from participating in all Authority administered programs:
  - a. Any applicant who provides false or misleading information to the Authority with regard to a project seeking HOME funds, in any capacity whatsoever, regardless of when such false or misleading information is discovered. Any award received on the basis of such false or misleading information shall become void. Each Applicant will be given written notice by the Development Director stating the reason for which the sanction of debarment was imposed.
  - b. An Applicant who provides agreements, written or otherwise, that attempt to circumvent Authority requirements regardless of when the violation is discovered.

**The Authority, in its sole discretion, may determine other acts to be infractions of the program that require suspension or debarment; those suspensions and debarments are conducted as outlined in the Authority's Debarment and Program Suspension Policy which can be found on the Authority's website.**

## **SUBMISSION REQUIREMENTS**

1. Applications may be obtained from the Authority's website at [www.schousing.com](http://www.schousing.com) or requested in writing at the address below:  
South Carolina State Housing Finance and Development Authority  
ATTN: HOME Program Application Package  
300-C Outlet Pointe Blvd.  
Columbia, SC 29210
2. Applications for the 201~~5-4~~ HOME Rental Application cycle must be submitted to the Authority between February 25<sup>th</sup>~~-4<sup>th</sup>~~ and February 27<sup>th</sup>~~-5, -2014~~ 2015 during regular business hours of 8:30 a.m. to 5:00 p.m. (EST). **Applications received after the deadline will not be considered for funding and will be returned to the Applicant.**
3. Applications may be delivered by hand, mail, or other shipping services. Applications will **not** be accepted by facsimile and/or e-mail transmission.
4. Applicants must submit one (1) original and one (1) copy of the application package in a 3-ring binder appropriately separated with the tabs provided; as well as one electronic copy of the entire application package provided on a CD or thumb drive. Electronic copies by e-mail will NOT be accepted.
5. All applications, including copies, must be self-contained and complete. The Authority will not rely on any previously submitted information, written or verbal, to evaluate applications.
6. Complete applications must include all pages of the application and all items identified on the 201~~5-4~~ HOME Rental Application Tab Checklist (Exhibit 1) along with any supporting documentation.
- ~~6-7.~~ All documentation, unless specifically otherwise stated in this mManual, must not be dated prior to September 1, 2014.~~ETG4~~
- ~~7-8.~~ A nonrefundable \$150 application processing fee must be submitted with each application. The processing fee must be in the form of a cashier's check and made payable to the South Carolina State Housing Finance and Development Authority. **Applications submitted without the processing fee will not be accepted or reviewed and will be returned to the Applicant.**
- ~~8-9.~~ All costs incurred by the Applicant in the preparation, transmittal, or presentation of the application package are the responsibility of the Applicant.

## REVIEW PROCESS

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

1. Evaluation Criteria - Applications will be reviewed for, but not limited to, the following:
  - a. Mandatory threshold criteria;
  - b. Compliance with federal and state laws;
  - c. Application package completeness;
  - d. HOME program requirements; and
  - e. An underwriting evaluation to review for financial feasibility.
2. Applications that do not meet the following criteria may be disqualified:
  - a. Application packages with four (4) or more missing and/or incomplete items may be disqualified.
  - b. Applicants with three (3) or less missing and/or incomplete items will have seven (7) business days from the date of notification to provide the information to the Authority. Failure to meet this requirement may result in the automatic disqualification of the application.
  - c. Applications that are not financially feasible and/or fail to meet underwriting threshold criteria may be disqualified.

3. Applications deemed to be financially feasible, requiring HOME subsidy, and consistent with HOME policies may be recommended to the Executive Director for Round One funding. Funding allocations will start with the highest scoring application and funding will continue until all available HOME funds are depleted.
4. If the entire HOME rental allocation is not exhausted during the Round One funding selection, there will be an immediate Round Two funding selection. Round Two funding will be awarded starting with the highest scoring applications remaining, which adhere to all threshold requirements (except the percentage of HOME funds awarded to any one county in any given year).
5. Proposal acceptance or rejection and utilization of unused HOME funds are at the discretion of Authority staff.

## THRESHOLD REQUIREMENTS

**Applications that do not meet the following minimum threshold requirements will be eliminated from further review.**

1. Participating Jurisdictions (PJs) are not eligible to apply for Authority HOME funds. South Carolina's designated PJs are:
  - a. City of Charleston
  - b. City of Columbia
  - c. City of Greenville
  - d. City of Spartanburg
  - e. Charleston County
  - f. Greenville County
  - g. Lexington County
  - h. Spartanburg County
  - i. Anderson County Consortium (*Anderson City and County*)
  - j. Beaufort County Consortium (*Beaufort, Jasper, Hampton, Colleton*)
  - k. Georgetown County Consortium (*Horry, Georgetown and Williamsburg*)
  - l. Greenwood County Consortium (*Abbeville, McCormick, Edgefield, Saluda, Greenwood and Laurens*)
  - m. Orangeburg County Consortium (*Aiken, Allendale, Bamberg, Barnwell, Calhoun, Orangeburg*)
  - n. Sumter County Consortium (*Sumter, Lee, Clarendon, Kershaw*)
  - o. Richland County
2. Prior to committing any HOME funds, the Authority will conduct a review of the Applicant's financial capacity.
  - a. Financial statements that have been compiled, reviewed or audited by an independent CPA licensed by the South Carolina Board of Accountancy must be submitted along with the application.
  - b. Financial statements must include a balance sheet dated on or after ~~December 31, 2012~~ September 30, 2013.
  - c. An applicant or applicant group must have a minimum of unrestricted liquid assets of 10% of the sum of all HOME awards requested in all applications submitted in the current HOME cycle– and a minimum net worth of \$100,000.
    - i. The Authority defines liquid assets as cash, cash equivalents, and investments held in the name of the entities and/or persons, including cash in bank accounts, money market funds, U.S. Treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including, but not limited to: 1) stock held in the applicant's own company or any closely held entity, 2) investments in retirement accounts, 3) cash or investments pledged as collateral for any liability, and 4) cash in property accounts including reserves.
    - ii. All liquid assets must be identified in the submitted financial statement.
    - iii. If no individual member of an applicant group meets the minimum financial requirements, then members may combine assets to meet the requirements by including a combining schedule in addition to their individual statements.
    - iv. The Authority reserves the right to verify information in the financial statements and all financial capacity statements made by applicants, lenders, accountants, and others. If false statements are found to have been made at any point in time, all entities and/or persons associated with the application will be debarred from all Authority programs for three (3) years.

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3. Applicants must be in good standing with all Authority programs. A HOME Eligibility Certification (M-47), signed by the Authority's Development Awards Manager, must be submitted with ALL applications. ANY participating organization, developer(s), general partner(s), or managing member(s) will be automatically disqualified if any of the following issues of non-compliance are demonstrated:
    - a. Uncorrected non-compliance violations with the Authority;
    - b. Not in good standing with other Authority administered programs (including delinquent loan payments owed to the Authority, compliance monitoring fees, etc.);
    - c. Debarred from participation in other federal programs (i.e. HUD, RHS, CDBG, HOPWA, ESG, FHLB, etc.) as well as any other Authority administered programs (i.e. LIHTC, HTF, NSP, etc.);
    - d. The Applicant's audited financial statements contain findings that have not been cleared that are relative to administering or managing housing assistance programs.

The Authority has sole discretion in the determination of non-compliance and it is not subject to interpretation, appeal or final resolution of the non-compliance violation.

4. Applicants who currently have HOME Program Income or CHDO Program Proceeds are not eligible to apply for additional HOME funds until those funds have been expended.
5. Participants that have 2012-4 and earlier HOME awards must have the award(s) officially closed out in order to be eligible to participate in the current HOME application cycle.
6. Participants with open HOME awards must be in compliance with the Implementation Schedule in order to be eligible to participate in the 2015-4 HOME application cycle.
7. No County, in any given year, can receive more than 50% of the current years available HOME Rental funds in the Round One funding selection. It is the Authority's intent to promote fair and objective administration of the HOME Program funds by ensuring that no single County receives an excessive share of the available program funds in any one application cycle. Remaining Round One funds will be awarded in a Round Two funding selection. Round Two funding will be awarded beginning with the highest scoring remaining applications which adhere to all threshold requirements.
8. Applicants that are related entities, principals, and/or individuals and are applying for HOME funds are only eligible to apply for two (2) HOME awards and may only be allocated two (2) HOME awards.
9. All HOME CHDO Applicants must have a designated Program Administrator on staff that will be responsible for the coordination of the project (i.e. project implementation through project completion).
10. A Market Study or Market Study Needs Assessment Report prepared by an Authority approved third party market study provider must be submitted with the application to ensure there is adequate demand for the proposed project. Applications with twelve (12) or fewer units must submit a Market Study Needs Assessment Report. Applications with thirteen (13) or more units must submit a Market Study.

11. Appraisal requirements: The Authority requires appraisals at Application submission for all development proposals.

- ~~a. A property appraisal is required to ensure that the Applicant does not purchase the property for more than the fair market value.~~
- ~~b.a. An appraisal, dated no more than six (6) months prior to the date the HOME application is signed, is required with submission of the application.~~
- ~~c.b. Notice to Seller for the Acquisition of Property with Federal Funds (Form M-52) is required. It must be initiated at the time of the option or contract and must be submitted with the application.~~
- ~~d. A written report which provides an estimated value of a piece of property prepared by an independent third party licensed real estate appraiser. For rehabilitation developments, appraisals must represent the income approach. For new construction developments, containing only vacant land, appraisals must use the market data approach.~~
- c. Appraisers must be licensed by the South Carolina Real Estate Appraisers Board on a permanent, non-temporary basis, as well as have a State Certified General Real Property Appraiser's license.

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- d. Appraisers must identify the Authority as an authorized user of the appraisal, noting that the Authority may rely on the representations made therein. Additionally, the Authority reserves the right to convey a copy of the appraisal to third parties, assigns and pertinent parties involved in the contemplated allocation of tax credits.
  - e. 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).
  - f. For rehabilitation developments, appraisals must represent the income approach. For new construction developments, containing only vacant land, appraisals must use the market data approach.
  - g. 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.
  - h. If the appraisal does not substantiate the purchase price submitted in the tax credit application the Authority may decrease the amount proposed in the application to match the appraised value. Developments not meeting minimum underwriting requirements or found to be financially infeasible as a result of this reduction will be disqualified.
  - i. If the Authority deems the appraised value of a proposal to be unusual or excessive, a separate appraiser will be hired by the Authority, at the applicant's expense, to prepare a second appraisal
  - e-j. ~~Notice to Seller for the Acquisition of Property with Federal Funds (Form M-52) is required. It must be initiated at the time of the option or contract and must be submitted with the application.~~

12. Applicants who require HOME funds in combination with a Low-Income Housing Tax Credit (LIHTC) development **may not** apply in this HOME application cycle. HOME funds in combination with LIHTC may only be obtained during the annual competitive LIHTC application cycle.

13. Applicants must provide all of the following for projects involving relocation:

- a. A current rent role certified by the property manager or property owner that clearly identifies which units are occupied and which are vacant.
- b. Completed *Tenant Profile Form* (Form M-39) for each occupied household.
- c. Acceptable documentation indicating that *General Information Notices* (Exhibits 2 or 3) have been completed and successfully delivered to 100% of the existing tenants.
- d. A relocation plan addressing temporary and/or permanent relocation.

14. Applicants must have site control of the proposed site:

- a. All Applicants must provide an option, sales contract or a warranty deed in the name of the Applicant for the proposed project site.
- b. Applicants are allowed to enter into options and sales contracts for property prior to the completion of the environmental review if, and only if, the option or sales contract is conditional in nature so as not to provide legal claim to any amount of HOME funds to be used for the specific project or site until the environmental review process is satisfactorily completed.
- c. For all projects requesting HOME funds, the following language **must be** included in any purchase option, purchase contract, or long term lease or included as an executed addendum attached to one of these documents and dated on or before February 23~~4~~, 2015~~4~~, "Notwithstanding any provision of this Agreement, if U.S. Department of Housing and Urban Development (HUD) funds are used, including, but not limited to HOME funds, the parties agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of an environmental review and receipt of a release of funds notice from the U.S. Dept. of HUD under 24 CFR Part 58. The parties further agree that the provision of any federal funds to the project is conditioned on the determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review. If no HUD funds are utilized in regard to this property, this provision shall be considered null and void."
- e-d. ~~Notice to Seller for the Acquisition of Property with Federal Funds (Form M-52) is required. It must be initiated at the time of the option or contract and must be submitted with the application.~~



## RENTAL POINT CRITERIA

Points will be awarded to all applications as outlined in this section. Both positive and negative points will be assessed.

### Experience

Points are awarded based on the Applicant's experience and success in developing HOME projects or for first time Applicants who can demonstrate their experience in developing housing projects similar to the one(s) proposed. Applicants must complete the *Applicant Experience Certification* (Form M-34) for points.

1. Previous development experience of HOME Rental properties: Owners (which include individual(s), corporation(s), nonprofit(s), for-profit(s), Public Housing Authorities or units of local government) will receive points for the previous development of successful HOME Rental projects. Experience gained as an owner of another firm may be included but not as an employee of another firm. Experience in HOME Rental projects means coordinating the development team from the planning, financing and construction of a project through receipt of Certificates of Occupancy. Applicant must have a current ownership interest in the project.
  - One point per successfully completed HOME Rental project (5 project maximum). **Up to 5 Points**
2. No previous development experience of HOME Rental properties: A first time Applicant may demonstrate the ability to implement affordable housing projects by providing documentation as to the development of similar projects in other federal grant programs or other public funds. A list of completed projects must be provided along with contact names and phone numbers.
  - One point per successfully completed project (3 project maximum). **Up to 3 Points**

### Performance Issues - Authority Programs

Negative points will be assessed on the Applicant's previous three (3) years of performance with any of the Authority's State's HOME Programs.

1. Applicant was suspended or debarred the Authority's HOME for any length of time. **-4 Points**
2. HOME-f Funded project(s) were not 100% completed within the Implementation Schedule. **-3 Points**
3. Awarded HOME-funds were de-obligated or rescinded by the Authority for lack of progress or an inability to complete the project. **-2 Points**

### Site and Neighborhood Characteristics

Points will be awarded as listed below for services located within one (1) or two (2) miles as indicated by accessible public paved road, which are appropriate to the proposed tenant population. Distances should be measured using a computer based mapping system such as Google Maps or other similar distance calculating systems. Submitted area site plan must have ¼ mile, ½ mile and 1 mile radius circles shown from center of proposed site. Color photographs of all services must be included with the application and copies of the application and the name of the service must be visible in the photograph. Applicants may include a maximum of one (1) primary ~~and one (1) alternate~~ positive site service of each service type for scoring purposes. All directions must be printed from the mapping system and included in the application for points to be awarded. **Directions that do not lead to the service, as stated in the directions provided with the Application, will not be awarded points.** Distances are subject to Authority verification and are GPS measured and odometer\* confirmed by third party site analyst from center of entrance into site to center of entrance into service location. Only one (1) of each service type will be counted for points. Scattered sites are considered one (1) project. All units in a scattered site project must meet the stated distance to obtain the positive points. If any

unit is within the stated distance of a detrimental site characteristic then points will be deducted. All positive site services must be open to the general public and operational at the time the Authority's site visit is made or points will not be awarded.

**\*Odometer Calculations:** the distances to positive services are driven and the odometer mileages and electronic tracking data systems used to determine mileage calculations. Distances are measured to one decimal point and are not rounded up or down. Distances less than a 1/2 mile are measured using electronic tracking data systems.

**The following service located within ONE (1) MILE of the development site will earn four (4) points:**

- Full Service Grocery Store. The store must operate with regular business hours selling offering a **full** range and variety of foods, cleaning products and paper products. To qualify as offering a full range and variety of foods, the store must offer sufficient quantities of items from each of the following four categories of staple foods on a continuous basis; 1) meats, poultry and fish, 2) breads and cereals, 3) vegetables and fruits, and 4) dairy products. **4 Points**

**The following services located within TWO (2) MILES of the development site will earn three (3) points each:**

- Full Service Grocery Store The store must operate with regular business hours selling offering a **full** range and variety of foods, cleaning products and paper products. To qualify as offering a full range and variety of foods, the store must offer sufficient quantities of items from each of the following four categories of staple foods on a continuous basis; 1) meats, poultry and fish, 2) breads and cereals, 3) vegetables and fruits, and 4) dairy products. Note: points are not eligible if points were taken for stores within one (1) mile.
- Pharmacy or Drug Store (must operate with regular business hours).
- Convenience Store **and** Gas Station.
- Public park or playground (owned and maintained by a local government) and containing, at a minimum, playground with equipment and/or walking/biking trails or Recreation Center/ Senior Center or Library.

**Up to 9 12 Points**

Applicants will receive **negative** points for the following detrimental site characteristics:

1. Sites within one-half (1/2) mile of an operating commercial beef/hog/chicken/turkey farm or processing plant. As part of the application submission, Applicants are required to identify and provide name(s) and location(s) of any such facility within one-half (1/2) mile of where the development is proposed. **-1 Point**
2. Sites within one-quarter (1/4) mile of adult video-entertainment venue/club. **-1 Point**
3. Sites within one-quarter (1/4) mile of a sewage treatment plant. **-1 Point**

**Project Readiness**

1. Applicant will be awarded points for demonstrating site control:
  - a. A copy of the recorded deed in the Applicant's name. **4 Points**
  - b. New construction - Applicant provides 11" x 17" Final Plans and Specifications stamped by the Architect as final plans and specifications. **4 Points**
2. A letter from the City/County official or utility provider, documenting water and sewer utility tie-ins are accessible and within:
  - a. 350 feet of the proposed site; **OR** **2 Points**
  - b. 351 to 500 feet of the proposed site. **1 Point**
3. The proposed project is located within a current identified master plan or revitalization plan or empowerment zone. Applicant must provide a letter from the locality stating such. **2 Points**
4. Projects proposing the redevelopment of Authority funded NSP1 land banked parcels.
  - a. Redevelopment of one to three land banked parcels. **2 Points**
  - b. Redevelopment of more than three land banked parcels. **3 Points**

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## Targeting

1. Applicant will be awarded points for designating, at a minimum, ten percent (10%) of the total units for disabled, homeless, or special needs tenants. A letter from the appropriate disability agency regarding the need for these units must be submitted with the application. **2 Points**

## Relocation

1. Proposed projects that do not require permanent relocation. **3 Points**

## Financial Structure

1. Applicant proposes a project not entirely funded with state HOME funds. The financial structure must consist of additional sources of funds leveraged from non-Authority administered programs. The result is as follows:
  - a. \$1 - \$75,000 of non-Authority funds **1 Point**
  - b. \$75,001 - \$150,000 of non-Authority funds **2 Points**
  - c. \$150,001 and up of non-Authority funds **3 Points**
2. Applicants **NOT** requesting HTF in conjunction with Authority HOME funds. **2 Points**
3. Applicants requesting 100% HOME funds as an amortizing loan to be paid monthly over a thirty (30) year or less period to the Authority. **3 Points**

## Development Design Criteria

Projects awarded HOME funds must incorporate into the project all of the items chosen for points. As part of the placed in service application submission, the Authority will conduct an inspection to ensure that items for which points were taken exist in the project and will require manufacturer's data sheets to be submitted, as necessary, as confirmation that items chosen meet the standards as outlined.

1. Roof shingles must be architectural style anti-fungal and warranted for a minimum of thirty (30) years. **8 Points**
2. Attic insulation rated R-38 or higher. **3 Points**
3. Energy Star rated HVAC systems (15 SEER or greater) in all units. **5 Points**
4. Underground utilities (gas/electric, cable and phone) throughout the project site. **2 Points**
5. Each unit must have an Energy Star ceiling fan with light fixture in the living room and all bedrooms. All ceiling fans and overhead lights must connect to wall switches. **5 Points**
6. Full size Energy Star refrigerator, with ice maker, having a minimum size of eighteen (18) cubic feet. **5 Points**
7. Energy Star rated dishwasher in all units. **3 Points**
8. Over the range mounted microwave oven, with re-circulating fan, in all units. **4 Points**
9. All units must have a Range Queen or comparable extinguishing system over the stove or have element temperature control plates on each stove burner (e.g. Safe-T-element, etc.). **3 Points**
10. Provide an easily-accessible area that serves the entire project and is dedicated to the collection and storage of non-hazardous material for recycling, to include paper, corrugated cardboard, glass, plastics, and metals. Property management is responsible for ensuring proper disposal and removal of the recyclables. For scattered site projects, provide a letter from the City/County stating that individual recycle bins will be provided to each house, duplex, or townhouse. **1Point**
11. Energy Star rated windows in all units. **8 Points**
12. Landscaping – Projects using native drought resistance plantings, preserving and protecting existing trees during construction. An Architect certified landscape plan should be submitted listing the new plantings and marking the existing trees. ~~However, the Authority will accept a detailed plan created by the Applicant that indicates (1) the location of all existing plantings and the proposed location of all new planting areas; and (2) a list of all plants to be added, to include both the common and botanical name of the plants; and (3) a signed certified statement by the Applicant that the plan submitted can be relied upon by the Authority.~~ **2 Points**
13. Water Conservation – All units must install toilets with 1.6 gallons or less per flush, shower heads at 2.0 GPM or less, and bath and kitchen faucets at 2.0 GPM or less. **2 Points**

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## **MANDATORY DESIGN CRITERIA**

The following mandatory design criteria **must be** included in the project design for:

### **~~For~~ ALL Project Types:**

1. Window coverings for each window, including glass doors, must be installed. Metal blinds are not permitted.
2. All kitchen and bathroom interior cabinets must be solid wood or wood/plastic veneer products with dual slide tracks on drawers. New cabinets must have solid wood dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A1 61.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
3. All entry doors must be metal-clad wood, steel or fiberglass doors that are insulated, paneled, and have a peephole. Deadbolt locks are required in entry doors. Dead bolt locks on entry doors should have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. The minimum clear width of all exterior doors shall be 34 inches.
4. All doors must be side hinged except for bi-fold and sliding doors in place at existing older persons or elderly projects as long as they are functioning properly. Existing family projects must replace all bi-fold and sliding doors with hinged doors.
5. All retention and/or detention ponds must be fenced in unless a letter is provided from the Department of Health and Environmental Control (DHEC) that a fence is not required. The storm water retention/detention basin design, maintenance and management shall be the sole responsibility of the owner/developer and shall be in strict accordance with all applicable federal, state, local and environmental regulations governing storm water retention/detention basins.
6. A new project sign at the entrance(s) to the complex affixed with a Fair Housing logo. This is not required for scattered site projects.
7. Exterior lighting fixtures at all entry doors including individual units, community buildings and common areas within the building(s). The fixtures at the individual apartment units are to be controlled from the interior of the unit.
8. Enclosed trash dumpsters and/or compactors if proposed for the project. The dumpster must be enclosed by solid fencing on at least three sides. The pad and approach pad to the dumpster must be concrete and not asphalt. The trash dumpster/compactor must be ADA accessible and located on an ADA accessible route.
9. Roofing materials shall be anti-fungal shingles with a minimum 25-year warranty.
10. The following Energy Star appliances must be provided in each unit: Full sized refrigerator-freezer, with ice maker, having a minimum size of fourteen (14) cubic feet.
11. At a minimum, fourteen (14) SEER HVAC units must be installed. All refrigeration lines must be insulated. All projects must have central heat and air. Window units are not allowed for any development type.
12. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units.
13. Wall switch controlled Energy Star rated overhead lighting is required in all rooms.
14. Sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices. Rehabilitation projects must meet the Radon Mitigation Standards as required by the Environmental Protection Agency.
15. Metal flashing or 20 mil polyethylene when used in conjunction with a self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
16. Mailboxes, playground and all exterior project amenities must be ADA accessible.
17. Exterior wall insulation must have an overall R-11 minimum for the entire wall assembly and roof or attic insulation must have an R-30 rating minimum.
18. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. All shower units without a tub must have minimum dimensions of 30-inch width by 48-inch length (ADA approved shower). All tubs in designated handicap accessible units must come complete with "factory-installed grab bars".
19. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24" and must be hung with the top of mirror a minimum of 6'-0" above finish floor. Vanity cabinets or a medicine cabinet shall be provided in all units. All cabinets in designated handicap accessible units must be installed at ADA mounting heights.
20. Water heaters must be placed in drain pans with drain piping plumbed to disposal point as per the latest approved addition of the International Plumbing Code.
21. Pipe all Water Heater Temperature & Pressure (T&P) relief valve discharges to disposal point as per the latest approved edition of the International Plumbing Code.
22. Exterior shutters (new not recycled) are required on all 100% vinyl siding buildings. Only existing rehabilitation projects may have 100% vinyl building exteriors.
23. Roof gable vents must be made of aluminum or vinyl materials.
24. All attics must be vented.
25. Carpet and Resilient flooring materials must meet minimum FHA standards.
26. Each bedroom and hallway, etc. must have, as required by Code (local, state or Federal) a hard-wired battery back-up smoke detector.

27. A carbon monoxide detector must be installed in each unit with gas mechanical systems or gas appliances. Units with an attached garage must also have a carbon monoxide detector installed. A combination unit smoke detector and carbon monoxide detector can be used to meet this requirement.
28. Pre-finished fascia and soffits must be vinyl covered aluminum and/or perforated cementitious panels with vents.
29. Gutter and downspout systems complete with splash blocks will be supplied surrounding all multi-story residential buildings but will not be required for single story buildings.
30. At a minimum, all projects must meet the 2006 International Energy Conservation Code.

**~~For~~ ALL New Construction Projects:**

1. All units must be equipped with an energy efficient rated hot water heater with energy factor of 0.61 for gas or 0.93 for electric and will have manufacturer's data sheet submitted with the plans.
2. All units must have an Energy Star rated HVAC system and will have manufacturer's data sheet submitted with plans.
3. All HVAC air handlers and hot water heaters must be contained within the unit/building. These may not be located in the attic or crawl space.
4. All units must have Energy Star rated windows and will have manufacturer's data sheet submitted with plans.
5. Lighting must be in all common area corridors, stairwells, and the community room. Interior light fixtures to be fitted with Energy Star light bulbs.
6. Low flow water saving features must be used; low flow showerheads, low flow kitchen and bathroom faucets, and low flow toilets and will have manufacturer's data sheet submitted with plans.
7. Washer/dryer hookups in all units. Hookups for stackable washer and dryers may only be installed in older persons and elderly units.
8. All units pre-wired for cable television hook-ups in the living room and one (1) per bedroom.
9. Units with three (3) or more bedrooms must have a minimum of one (1) full bathroom and ~~a~~ one (1) three-quarter bathroom. Bathrooms are defined as follows: ½ bathroom contains a toilet and vanity with sink; ¾ bathroom contains a toilet, vanity with sink, and a shower; and a full bathroom contains a toilet, vanity with sink, and a tub/shower combination. ADA units ONLY may have a roll in shower.
10. The minimum bedroom size for all bedrooms must be a minimum 120 square feet. The minimum bedroom square footage excludes the closet space.
11. The minimum square footage per unit based on the number of bedrooms per unit must be as listed below. All of the units in the project must meet the minimum square footage per unit. The Authority considers the square footage of an individual unit to be the usable living space measured from the interior wall to interior wall.

<u>Bedrooms per Unit</u>	<u>Minimum Sq. Ft. per Unit</u>
One	750
Two	950
Three	1,100
Four	1,250

12. All elderly projects will be one-story structures, or if greater than one story, all stories will be accessible by elevators.
13. All sidewalks and walkways shall be a minimum of 36" in width and made of concrete and shall provide access to all parking spaces, front entryway doors, common amenities and driveways and shall be ADA compliant. Where ADA accessible routes, walkways, etc. are required within the development, clearly marked ramps, crosswalks, signage, etc. shall be furnished in accordance with ADA regulations.
14. Sliding glass doors are prohibited.
15. Water closets must be centered, at a minimum, 18 inches from sidewalls, vanity/lavatories and bath tubs.
16. Public use stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. Handrails and pickets must be constructed from steel or aluminum.
17. Patio and porch/balcony components used as part of the building shall have concrete slabs or decks (may use TEK Polymer) and must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Structural wood columns shall be at a minimum 6" x 6" pressure treated columns concealed as noted above with properly sized fiberglass, high density urethane or aluminum columns. Columns must be installed on metal brackets/clips to prevent water seepage into the columns. Decorative rails and/or guard rail systems used at porches and patios shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed.
18. Wall Framing: Sound proofing or sound batt insulation is required between the studs framing in party walls. A sound rating of STC 54 is required.
19. Fluorescent lighting is required in the kitchen.
20. All buildings must be minimum 20% brick/stone veneer. The remaining exterior of the buildings may be fiber cement and/or hardiplank. The exterior of the building is defined as the exterior façade from finished grade elevation to eave line. All exterior wall faces must have an excess of brick/stone veneer based on the percentages selected above. This is applicable to all sides of all the buildings. On all exterior walls the brick/stone veneer must extend above all areas of grass, landscaping and other areas of soil or mulch.

21. All new construction projects must submit a complete site specific soils report and boring site plan at the time of submission of final plans and specifications, bound within the project specifications. The soils report and boring site plan must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum of one (1) soil boring at the planned paved area of the project. A registered professional engineer or a certified testing agency with a current license to practice in the State of South Carolina must prepare the report.

**~~For ALL Single Family, Townhouse, and Duplex Projects:~~**

- ~~1.~~ 1. When targeting family populations for single family, townhouse or duplex projects, the Authority two (2) bedroom homes will be allowed only for ten (10%) percent (10%) of the total units-homes included in the project to be two (2) bedroom and one and one half (1 ½) bathrooms. All other units-homes must be three (3) bedrooms and two (2) full bathrooms.
- ~~1-2.~~ 2. ~~When targetingFor one hundred (100%) percent older persons or elderly populations for single family and duplexesprojects,~~ the Authority will allow all units to be two (2) bedroom and one (1) bathroom homes to be built. Townhouses may not be developed when targeting elderly populations.
- ~~2-3.~~ 3. All townhouses must contain a minimum of two (2) bedrooms and one and one-half bathroom. At a minimum, a half bathroom must be located on the first floor. Bathrooms are defined as follows: ½ bathroom contains a toilet and vanity with sink; ¾ bathroom contains a toilet, vanity with sink, and a shower; and a full bathroom contains a toilet, vanity with sink, and a tub/shower combination. ADA units ONLY may have a roll in shower.
- ~~3.~~ 4. ~~All duplexes must contain a minimum of two (2) bedrooms and one and one-half bathroom. For single story units only one (1) bathroom is required. See definition of bathrooms above.~~
5. Projects must have concrete driveways, curbing at street and front entry walkways. In the case of new infill scattered site projects, drainage swales will be allowed along the front (street side) in lieu of curbing at the street.
5. All new construction projects must have a washer and dryer hookup in each unit. Hookups for stackable washer and dryers may only be installed in older persons and elderly units.
- ~~5-6.~~ 6. ~~All HVAC and hot water heaters must be contained within the unit/building. These may not be located in the attic or crawl space.~~

**~~For ALL Rehabilitation Projects:~~**

Any of the following mandatory items (not to include repainting of the entire unit) replaced on or after January 1, 2007-~~65~~ are not required to be replaced as part of the rehabilitation.

1. Replace and install new flooring in each unit. At a minimum, tile must be VCT or better.
2. Entire unit (all rooms and ceilings) must be repainted.
3. New bathroom fixtures must be installed to include the following:
  - a) New tub and new shower, re-glazing not allowed. Three piece surround insert is acceptable. All caulking must be replaced.
  - b) Replace sink, vanity and plumbing fixtures with new. Vanity to include, at a minimum, a pull out drawer and/or storage area.
  - c) New toilet.
  - d) Install new re-circulating exhaust fan.
  - e) Install new water supply valves.
4. New kitchen fixtures must be installed to include the following:
  - a) Dual track sliding drawers.
  - b) New double sink and plumbing fixtures.
  - c) New stove with re-circulating exhaust fan.
  - d) New Energy Star rated refrigerator, with ice maker that is a minimum of 14 cubic feet.
  - e) Install new water supply valves.
5. New Energy Star hot water heaters with an energy factor greater than 0.61 for gas or 0.93 for electric.
6. Replace all windows with insulated, double pane glass in either vinyl or aluminum framing.
7. All units wired for high speed (broadband) Internet hook-up with at least one (1) centrally located connection port or wireless computer network. All wires to be hidden.
8. Units with existing washer/dryer connections must replace and install new water supply fixtures and valves.
9. All elderly acquisition/rehabilitation projects may have more than one-story, provided that existing elevators, receiving regular maintenance, are in good working condition as of the Application submittal date and service all upper level rental units. Those projects without existing elevators will be required to install elevators.
10. Window blinds and exterior window screens to be replaced.
11. Replace all damaged and worn interior doors, jambs, frames, and hardware.

~~11-12.~~

Rehabilitation projects adding any new building foundations must submit a foundation specific soils report. The soils report and boring site plan must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum of one (1) soil boring at the planned paved areas of the project. A registered professional

engineer or a certified testing agency with a current license to practice in the State of South Carolina must prepare the report. ~~If prior geotechnical reports of a site as it was previously developed can be provided then new reports will not be required. However, it is required that soil reports and borings be submitted prior to projects moving forward with construction.~~

## REGULATORY AND/OR PROGRAMMATIC GUIDELINES

### 1. GUIDELINES

- a. The Authority will award HOME funds to eligible Applicants that propose rental projects consisting of the construction of affordable housing units, the acquisition of optioned property to include the construction or rehabilitation of affordable housing units on the property, and/or the rehabilitation of existing affordable rental housing.
- b. Applicants must have identified a specific site or project and have site control of the property at the time of application submission.
- c. All HOME funds are subject to HUD regulations and all other applicable federal and state requirements.
- d. ~~2015-4 HOME Rental Application Tab Checklist~~ (Exhibit 1) is provided to identify the required documentation and its placement in the HOME Rental Application Package.

### 2. PROPERTY STANDARDS

- a. Applicants must adhere to the written standards and specifications developed by the Authority and outlined in the HOME Construction Manual as well as to all State and local standards, codes, ordinances, and zoning requirements in order to use HOME funds for any activity. The HOME Construction Manual can be downloaded from the Authority's website at: [www.schousing.com/library/HOME/Manuals](http://www.schousing.com/library/HOME/Manuals).
- b. Applicants must adhere to all mandatory design criteria included in this Manual as well as all development design criteria chosen for points.
- ~~b-c.~~ Where relevant, the housing must be constructed to mitigate the impact of potential disasters (e.g. earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or other State and local requirements, or such other requirements as HUD may establish.

### 3. PHYSICAL NEEDS ASSESSMENT (PNA)

- a. All rehabilitation projects with a total of 26 units or more, must submit a PNA report prepared and certified by a third party independent licensed engineer or architect.
- b. The Authority requires a minimum of \$5,000 per unit in hard construction costs with at least fifty percent (50%) of the hard construction costs attributed to interior unit costs. If the PNA report represents needed repairs in excess of \$5,000 per unit, then the application must reflect the higher rehabilitation costs. Developments that do not reflect at least \$5,000 per unit in hard construction costs will be disqualified for HOME funding consideration.
- c. The PNA report must state that one hundred percent (100%) of the units were inspected and provide information unit by unit. **If the PNA report does not reflect that one hundred percent (100%) of the units were inspected then the proposed development will be eliminated from further funding consideration.**
- d. Any mandatory items, as outlined in this Manual, replaced on or after January 1, 2007-8 are not required to be replaced as part of the rehabilitation. The PNA report must include a unit by unit listing of all mandatory items replaced on or after January 1, 2007-8.
- e. The report must include a comprehensive list of the immediate necessary repairs and their costs. Additionally, the remaining "useful life" of major systems including the HVAC and roofing must be estimated. Major systems that have been replaced within the past ~~seven (7)~~ eight (8) years are not allowable rehabilitation expenditure items for meeting the \$5,000 in hard construction costs per unit requirement.
- f. All appliances ~~seven (7)~~ eight (8) years and older, to include range, refrigerator, dishwasher, and hot water heater, must be replaced.
- g. The PNA report must also address the overall structural integrity of each existing building(s).
- h. Adaptive reuse developments are not required to submit a PNA report.
- i. If the project is awarded HOME funds, the Authority will conduct an initial property inspection to identify and verify deficiencies addressed in the PNA.
- j. **Exhibit R - PNA Certification Form** - must be submitted with the PNA report. The hard construction costs per unit indicated in the HOME application must be greater than or equal to the hard construction costs indicated on **Exhibit R**.

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### 3.4. MARKET STUDY OR MARKET STUDY NEEDS ASSESSMENT REPORT

- a) A Market Study or Market Study Needs Assessment Report that is no more than six (6) months old is required with the application submission. If a Market Study is available that is older than six (6) months and was prepared by an Authority approved market study provided, an update to the Market Study will be allowed. The study or report provided must demonstrate the need for the proposed project.
- b) A Market Study or Market Study Needs Assessment Report must be prepared by an Authority approved market study provider.

#### APPRAISALS

- ~~a. A property appraisal is required to ensure that the Applicant does not purchase the property for more than the fair market value.~~
- ~~b. An appraisal, dated no more than six (6) months prior to the date the HOME application was signed, is required with submission of the application.~~
- ~~c. For rehabilitation developments, appraisals must represent the income approach. For new construction developments, containing only vacant land, appraisals must use the market data approach. Notice to Seller for the Acquisition of Property with Federal Funds (Form M-52) is required. It must be initiated at the time of the option or contract and must be submitted with the application.~~
- ~~d. A written report which provides an estimated value of a piece of property prepared by an independent third party licensed real estate appraiser. For rehabilitation developments, appraisals must represent the income approach. For new construction developments, containing only vacant land, appraisals must use the market data approach.~~

### 4.5. SITE & NEIGHBORHOOD STANDARDS

Housing provided through the HOME program must promote greater choice of housing opportunities.

- a. All HOME-provided housing must be suitable from the standpoint of facilitating and furthering full compliance with Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C. 2000d), Title VIII of the Civil Rights Act of 1968, as amended "The Fair Housing Act" (42 U.S.C. 3601) and Equal Opportunity in Housing (Executive Order 11063).
- b. The Sites proposed site for new construction developments or rehabilitation that includes increasing the number of units in an existing development must:
  1. be adequate in size, exposure, and contour to accommodate the number and type of units proposed;
  2. have utilities available and have adequate streets to service the site;
  3. not be located in areas of minority concentration or in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents-
    - i. Minority concentration, for purposes of this section, shall be defined as census tracts where the percentage of any minority group is greater than or equal to twice the percentage in the population of the State as a whole. Percentages will be provided by the market analyst and included in the Market Studies/Market Study Needs Assessment- Report-s. Final calculations will be done by Authority staff using US Census American Fact Finder website: <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>.
    - ii. Exceptions to the "minority concentration" standard are listed on Exhibit XX. Should a proposal require an exception, the appropriate local official must certify to such in a letter. The letter must adequately address which exception applies and why.
  4. promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons;
  5. not be one which is seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
  6. be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents;
  - 1-7. except for new construction housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for lower-income workers, must not be excessive.
- ~~b. Sites must have utilities available and have adequate streets to service the site.~~
- ~~c. The site must promote greater choice of housing opportunities and avoid an undue concentration in areas containing a high proportion of low income persons.~~
- ~~c. If the Authority determines any detrimental site characteristics exist on, adjacent to, or within unallowable distances from the site, the Authority may reject the application.~~
- d. Complete and submit a Site and Neighborhood Standards Certification (Form M-40).



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## 5.6. INCOME TARGETING

- a. INITIAL OCCUPANCY - Rental housing will qualify as affordable only if the project meets the following requirements at initial occupancy:
  - 1) Has at least eighty percent (80%) of the HOME assisted rental units occupied by families who have annual incomes that are sixty percent (60%) or less of the area median income, adjusted for family size;
  - 2) Has at least twenty percent (20%) of the HOME assisted rental units occupied by families who have annual incomes that are fifty percent (50%) or less of the area median income, adjusted for family size;
- b. LONG TERM OCCUPANCY Applicants are required to maintain the following occupancy requirements throughout the affordability period:
  - 1) Eighty percent (80%) of the HOME-assisted units must be occupied by households with incomes at or below eighty percent (80%) of the area median income, adjusted for family size; and
  - 2) Twenty percent (20%) of the HOME-assisted units must be occupied by households with incomes at or below fifty percent (50%) of the area median income, adjusted for family size.
- c. An Applicant must determine that each potential tenant (individual or family) is income eligible by determining the family'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 HOME beneficiaries, Applicants should use the Authority's "Determining Income Manual/Technical Guide for Determining Income and Allowances for the HOME Program" provided by HUD or which can be downloaded from the Authority's website [here: www.schousing.com/HOME\\_Investment\\_Partnerships\\_Program/HOME\\_Forms\\_&\\_Announcements](http://www.schousing.com/HOME_Investment_Partnerships_Program/HOME_Forms_&_Announcements). HOME income limits are updated annually by HUD. Current HOME Income limits can also be downloaded from the Authority's website.
  - 2) Rents for over-income households are adjusted dependent upon whether the over-income household resides in a fixed or floating unit.
    - a. **Adjusting rents for over-income tenants in "fixed" units.**  
Over-income tenants residing in fixed-~~NSP and/or~~ HOME assisted units must pay 30% of their adjusted income for rent and utilities. Unless state or local law imposes rent controls, there is NO RENT CAP for fixed units.
    - b. **Adjusting rents for over-income tenants in "floating" units.**  
Over-income tenants residing in floating-~~NSP and/or~~ HOME assisted units must pay 30% of their adjusted income for rent and utilities, however, the rent may not exceed the market rent for comparable, unassisted units in the neighborhood.

## 6.7. RENT LEVELS

- a. Rents for HOME assisted units are determined on an annual basis by HUD and are restricted for the length of the applicable affordability period.
- b. The HOME Final Rule requires approval of all rents on an annual basis for developments with HOME units. The approval process will be handled by the Compliance Monitoring Department. Annual Rent Approval Form M-66 will be submitted to Compliance Monitoring staff to begin the approval process.
- c. Current HOME Rent limits can be downloaded from the Authority's website.
- ~~a.~~
- ~~b. Current HOME Rent limits can be downloaded from the Authority's website.~~
- ~~d.~~ The rents, as listed, include all applicable utilities. Utilities paid by tenants must be subtracted from the rents to determine the maximum allowable rent. Rents may increase or decrease from year to year. Applicants must use the HOME Utility Allowances provided on the Authority's website ONLY. These utility allowances are based on the HUD Model. The HOME Utility Allowances can be found here: [www.schousing.com/HOME\\_Investment\\_Partnerships\\_Program/HOME\\_Utility\\_Allowances](http://www.schousing.com/HOME_Investment_Partnerships_Program/HOME_Utility_Allowances).
- ~~e.~~ HOME rents are not necessarily representative of current market conditions for projects. The rents are calculated by HUD annually.

## 7.8. AFFORDABILITY REQUIREMENTS

HOME-assisted units must remain affordable throughout the affordability period. Unless the project is new construction, the affordability period is dependent upon the amount of HOME funds invested per unit.

**HOME Investment per Unit**

**Period of Affordability**

Under \$15,000 per unit	5 years
\$15,000 to \$40,000 per unit	10 years
Over \$40,000 per unit	15 years
New Construction	20 years

### **8.9. FIXED AND FLOATING UNITS**

The owner must elect “fixed” or “floating” unit designations at the time of application:

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

### **9.10. TENANT SELECTION PROCEDURES**

Applicants must ensure that tenant selection policies and criteria are written and include the following:

- 1) Consistent with the purpose of providing housing for very low and low-income families;
- 2) Reasonable, given HOME Program eligibility and acceptance requirements;
- 3) Give consideration to housing needs of families with federal preferences for admission to Section 8 and public housing;
- 4) Select tenants from a written waiting list in chronological order;
- 5) Give prompt written notification of rejection and the grounds for such rejection.

### **10.11. RELOCATION**

- a. [All HOME projects are subject to the Uniform Relocation Act \(URA\).](#)
- b. According to Federal Regulations, residential tenants may be eligible for permanent or temporary relocation. Relocation payments and other relocation assistance for both permanently and temporarily relocated tenants, both residential and business, are eligible HOME project costs.
- c. All residential tenants in place prior to the submission of an application for rehabilitation must be provided the opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable dwelling unit in the building(s) upon completion of the project. Existing tenants can only be evicted for cause. Documentation must be maintained that demonstrates reasons for evictions. Not renewing the lease of an existing tenant due to credit score or criminal background history is considered permanent displacement and is prohibited.
- ~~d.~~ If the rehabilitation is such that it will require the tenant to be temporarily relocated, the associated costs (i.e. moving costs, cable and telephone transfer fees, etc.) incurred by the tenant are an eligible cost of the project.
- ~~e-d.~~ [All HOME projects are subject to the Uniform Relocation Act \(URA\).](#)
- ~~f-e.~~ Tenants that are the legal residents residing in a unit at the project at the time of application submission must be provided certain **protections**. These include:
  - 1) Written notices of their right to remain in the unit or the need to be temporarily or permanently relocated;
  - 2) Payments for the cost of temporary relocation;
  - 3) Payments to those tenants which are required to move permanently.
- f. Units occupied by over-income tenants CANNOT be designated as HOME units.
- g. As part of the HOME application, all Applicants proposing projects involving relocation must provide the following:
  - 1) A completed *Tenant Profile Form* (Form M-39) for ALL households in occupied units;
  - 2) A copy of each *General Information Notice* (Exhibits 2 or 3), that was provided to each household AND a copy of the documentation indicating how it was delivered;
  - 3) General Information Notices may be delivered by certified mail, return receipt requested or in-person. Documentation of the method of service, as well as the tenants served, must be submitted as part of the application. Failure to follow these requirements will disqualify the application from funding consideration.
  - 4) A current certified rent roll that clearly identifies which units are occupied and which are vacant.
  - 5) A relocation plan addressing temporary and permanent relocation.
  - 6) Relocation requirements apply to all occupants of a project for which HOME assistance is sought, even if less than one hundred percent (100%) of the units are HOME-assisted.

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## **11.12. DISPLACEMENT**

- a. A tenant is considered displaced if they permanently move from the property as a direct result of rehabilitation, demolition, or acquisition of a HOME-assisted project.
- b. A tenant is **not** considered displaced if:
  - 1) The tenant is evicted for cause, assuming the eviction was not carried out to evade URA obligations;
  - 2) The person has no legal right to occupy the property under State or local law (e.g., squatter);
  - 3) The tenant moved in after the application was submitted for funding and before commencing occupancy they were provided written notice of the planned project stating construction and the possible impact such construction may have on the person (e.g., the person may be displaced, temporarily relocated, or experience a rent increase), and that they would not qualify as a "displaced person" as a result of the project; and
  - 4) The Authority, with HUD's approval, determines they are not displaced.
- c. A temporarily displaced tenant is not considered displaced.

## **12.13. DISPLACEMENT MAY BE TRIGGERED IN THE FOLLOWING WAYS**

- a. Before Application: A tenant moves permanently from the property before the Applicant submits an application for HOME assistance and the Authority or HUD determines that the displacement was a direct result of the rehabilitation, demolition, or acquisition of the HOME project (e.g., the Authority determines that the Applicant displaced tenants in order to propose a vacant building for HOME assistance).
- b. After Application or Approval: A tenant moves permanently from the property after submission of the application because:
  - 1) The Applicant requires the tenant to move permanently because of the unit size or the unit is eliminated;
  - 2) The Applicant fails to provide timely required notices to the tenant;
  - 3) The tenant is required by the Applicant to move temporarily and the Applicant does not pay all actual, reasonable out-of-pocket expenses or because the conditions of the move are unreasonable;
  - 4) The tenant moves permanently from the project because the tenant is not provided the opportunity to lease a suitable, affordable unit in the project. Such tenants are considered economically displaced;
  - 5) The tenant receives temporary relocation assistance beyond one year; therefore, are considered displaced and are eligible for permanent relocation assistance.
- c. The Authority HIGHLY ENCOURAGES Applicants to make EVERY effort to not trigger displacement.
  - 1) Applicants should offer tenants the opportunity to lease an affordable suitable unit within the project if possible.
  - 2) All Applicants should become familiar with the URA and Section 104(d) of the Housing and Community Development Act (also known as the "Barney Frank Amendments" and any applicable relocation rules).

## **13.14. TENANT PROTECTIONS**

- a. The Applicant is required to:
  - 1) Follow the provisions of 24 CFR Part 92.253 of the HOME regulations for tenant lease protections;
  - 2) Execute a lease agreement for a minimum of twelve (12) months, unless by mutual consent, the tenant and owner agree to a lesser term.
- b. An owner may not terminate the tenancy or refuse to renew the lease of a tenant for rental housing assisted with HOME funds except for serious or repeated violations of the terms of the lease; for violation of applicable federal, state or local law; or for other good cause.
- c. Any termination or refusal to renew must be preceded by no less than thirty (30) days written notice specifying the grounds for the action.
- d. Owners may not refuse, except for just cause, to lease a HOME-assisted unit to a family, which holds a rental certificate or voucher or a comparable document under the HOME Program.

## **14.15. PROHIBITED LEASE TERMS**

- a. Agreement to be sued: Agreement by the tenant to be sued, admit guilt or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
- b. Treatment of Property: Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law.
- c. Excusing the Owner from Responsibility: Agreement by the tenant not to hold the owner or the owner's agents legally responsible for actions or failure to act, whether intentional or negligent.
- d. Waiver of Notice: Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant.

- e. Waiver of Legal Proceedings: Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant would have the opportunity to present a defense.
- f. Waiver of Legal Trial: Agreement by the tenant to waive any right to a jury trial.
- g. Waiver of Right to Appeal Court Decision: Agreement by the tenant to waive their right to appeal or to otherwise challenge in court a decision in connection with the lease.
- h. Tenant Chargeable with Cost of Legal Actions regardless of Outcome: Agreement by the tenant to pay attorney fees or other legal costs even if the tenant wins the court proceeding by the owner against the tenant. The tenant however, may be obligated to pay costs if the tenant loses.
- h-i. Requirement for tenants to participate in mandatory services.

**15.16. AMOUNT OF PER UNIT HOME ASSISTANCE**

- a. The *minimum* amount of HOME dollars invested cannot be less than \$1,000 per HOME assisted unit.
- b. The *maximum* amount of HOME dollars invested is determined by the HUD 221(d) (3) subsidy limits, the amount of total project costs that are HOME-eligible, and the financial needs of the project. ~~(Exhibit 4)~~
  - 1) HUD 221(d)(3) Subsidy Limits
    - i. 0 bedroom - \$52,586
    - ii. 1 bedroom - \$60,632
    - iii. 2 bedroom - \$70,314
    - iv. 3 bedroom - \$93,601
    - v. 4 bedroom - \$104,275

**16.17. ELIGIBLE PROJECT COSTS (24 CFR PART 92.206)**

- a. All costs must be "reasonable and necessary", included in the application, and approved as part of the development budget. Costs include the following:
  - 1) *Development Hard Costs*
    - Costs to meet the applicable building standards in effect at the time a building permit is obtained from the locality
    - Costs to make essential improvements including the actual costs of construction or rehabilitation
    - Energy-related repairs or improvements
    - Improvements necessary to permit use by handicapped persons
    - Lead Based Paint Hazard Reduction
    - Costs to repair or replace major housing systems in danger of failure in existing structures
    - Costs to demolish existing structures
    - Costs for improvement to the project site
    - Costs of acquiring optioned improved or unimproved land for new construction or rehabilitation projects - only if currently being acquired or acquired within 12 months of February ~~23~~, 201~~5~~4
    - Improved or unimproved land for new construction or rehabilitation projects being acquired, must be valued at the lesser of the purchase price or the appraised value submitted with application
  - 2) *Acquisition Costs (incurred by the developer)*
    - Costs of acquiring improved or unimproved real property
    - Costs cannot exceed appraised property value
  - 3) *Related Soft Costs*
    - Loan origination fees
    - Credit report fees
    - Title report and update fees
    - Recordation fees
    - Preparation and filing legal document fees
    - Appraisals
    - Market Study Report fees
    - Attorney's fees
    - Loan processing fees
    - Developer fees
    - Architectural fees
    - Engineering fees
    - Preparation of work write-ups/cost estimate fees
    - Project audit costs (only eligible under certain circumstances)
    - Affirmative marketing and fair housing costs

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4) *Project Pre-Development Costs* – Pre-development soft costs incurred up to 24 months before a commitment of HOME funds may be reimbursed. Eligible pre-development costs are those necessary to develop and prepare plans, drawings, specifications, or work write-ups, etc. Costs for such must be documented through invoices and submitted with the HOME application as part of the underwriting process.

**17.18. PROHIBITED ACTIVITIES (24 CFR PART 92.214)**

- a. HOME funds may not be used for:
  - 1) Utility connections – (i.e. Tap Fees, Lift or Pump stations)
  - 2) Project reserves (including operating, rent-up and replacement reserves)
  - 3) Limitations on Actions Pending Environmental Clearance. HOME funds may not be used to reimburse a non-governmental entity for project-related costs incurred after the Applicant has submitted an application for HOME funds and before the environmental review process has been completed, approved by HUD and the Authority in receipt of the Authority to Use Grant Funds
  - 4) Delinquent taxes, fees or charges on properties to be assisted with HOME funds
  - 5) Any cost that is not eligible under §§ 92.206 through 92.209
  - 6) Infrastructure costs in projects where HOME funds will be used for infrastructure only
  - 7) Playground equipment

**18.19. PROJECT FEASIBILITY & UNDERWRITING GUIDELINES**

- a. All applications are subject to financial review by the Authority.
- b. All Applicants must complete the *Development Costs section* included in the application.
- c. The Authority, in its sole discretion, reserves the right to waive any of the financial requirements if the facts and circumstances regarding a project warrant the waiver.
- d. Any such waiver will be decided solely by Authority staff on a case-by-case basis.

**19.20. CONSTRUCTION & PROCUREMENT**

- a. All projects must complete the *Construction Cost Addendum* (Form M-35) included with the application.
  - 1) The *Construction Cost Addendum* can be completed by an architect, general contractor or local government personnel who will not bid on the project.
- b. New construction projects must submit detailed 11" x 17" preliminary plans and specifications.
- c. Applicants must ensure that every entity awarded a contract to be paid for with HOME funds is not on the list of Parties Excluded from Federal Procurement or Non-Procurement Programs as published by the U. S. General Services Administration and HUD Regional and Field Offices' Limited Denials of Participation lists.
- d. Applicants must have completed an environmental review and received an *Authority to Use Grant Funds* notice from HUD before executing a construction contract, starting construction, or taking any physical actions on a site.
- e. If the proposed project is already underway, all work must cease immediately once the application for HOME funds has been made. No work or choice limiting actions may occur after the application submission date. Work may only recommence after an environmental review has been completed and an *Authority to Use Grant Funds* notification has been received. Projects already underway are only eligible if they were started without the intent of using Federal assistance.
- f. Procurement must be performed using a competitive sealed-bid process when costs exceed \$100,000. Applicants must have an established procurement procedure that is submitted as part of the HOME application. These procedures must reflect applicable state, local laws and regulations, along with compliance with Federal regulations 24 CFR 85.36. Procurement policies and bid selection procedures must also comply with regulations of Section 3, MBE/WBE, Minority Outreach requirements and Federal Labor Standards, if applicable.
  - 1) **A minimum of three bids is preferred.** The bids shall be from general contractors who are licensed in the State of South Carolina. All bids shall be submitted with line item costs. The acceptable bid shall be no more than 10% higher or lower than the independent cost analysis or the work write-up approved by the Authority. Any exception to the above items shall be approved in writing by the Authority.
  - 2) All applicants must maintain and follow the written procurement policies approved during the application approval process. Procurement policies or bid selection procedures must comply with the regulations of Section 3, MBE/WBE outreach requirements, and federal labor standards when applicable.
  - 3) All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. The recipient shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. Solicitations shall clearly set forth all requirements that the bidder shall fulfill in order for the bid to be evaluated by the recipient. Bidders must be informed of all the federal requirements the project will be

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subject to. Contracts shall be entered into only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.

- 4) Identity of Interest Relationships: In circumstances where the HOME award recipient is also the owner, and wishes to act as the general contractor, the recipient must request approval in writing, and then complete the *Identity of Interest Certification*. Recipients with an Identity of Interest relationship must still adhere to all applicable procurement requirements when awarding subcontracts.

**Any exception to the above items must be approved in writing by the Authority.**

#### **20-21. PAYMENT & PERFORMANCE BOND**

- a. When a contract exceeds \$100,000, Applicants drawing HOME funds during construction are required to provide either:
  - 1) A *Direct Pay Irrevocable Letter of Credit*, or
  - 2) A *Payment and Performance Bond*.
- b. Acceptable letters of credit must be payable directly to the SC State Housing Finance & Development Authority in an amount equal to the total construction contract.
- c. All letters of credit will be reviewed to limit the Authority's liability.
- d. A Payment and Performance Bond must be in an amount equal to the total construction contract.

#### **21-22. DAVIS-BACON ACT**

- a. All HOME-assisted projects containing twelve (12) or more units shall comply with the Davis-Bacon Act. When funds are used in twelve (12) or more units, the Applicant must comply with the provisions requiring the payment of not less than the prevailing wages in the locality.
- b. The wage rates are predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act, to all laborers and mechanics employed in the development of any part of the housing.
- c. The Applicant will be required to enforce labor standards, process weekly payroll forms, and include the Federal Labor Standards Provisions and Wage Rates in all applicable contracts.
- d. The Authority will randomly conduct on-site inspections for employee interviews.
- e. Refer to the HOME Construction Manual for more details.

#### **22-23. ENVIRONMENTAL REVIEW REQUIREMENTS**

- a. The Authority will commission environmental consultants to prepare environmental reviews for all applications.
- b. Applicants will be required to submit Forms M-37 and M-38 so that a project specific environmental review, in accordance with 24 CFR Part 58, as amended, can be completed.
- c. Once HOME awardees have been approved, the Authority will publish a Notice of Intent (NOI) and a Request for Release of Funds (RROF). Local governments are responsible for their own publishing of these notices.
- d. HOME funds will **not** be awarded to projects which require mitigation of any hazardous materials, other than lead-based paint and/or asbestos, found on, within, or adjacent to the proposed site(s).
- e. In accordance with 24 CFR Part 58 Applicants, 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 received from HUD. Any violation of the statutory regulation will result in the automatic de-obligation of a HOME award and eliminate an application from funding consideration.
- f. For projects involving acquisition, an option agreement on a proposed site or property is allowable prior to the completion of the environmental review **if and only if** the option agreement is conditional in nature so as not to provide legal claim to any amount of HOME funds to be used for the specific project or site until the environmental review process is completed. Sample language to meet this requirement is provided in the Authority's Environmental Review Manual.
- g. If the proposed project is already underway **all work must cease immediately** once the application for HOME funds has been made. No work or choice limiting actions may occur after the application date. Work may only recommence after an environmental review has been completed and an *Authority to Use Grant Funds* has been issued.
- h. All Applicants should refer to the Authority's Environmental Review Manual for further information.

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### **23.24. LEAD-BASED PAINT**

- a. HOME-assisted projects are subject to compliance with Lead-Based Paint Regulations. Effective September 15, 2000, the U.S. Department of Housing and Urban Development (HUD) issued a new regulation designed to protect young children from lead-based paint hazards in housing that is financially assisted by the federal government or being sold by the government. The regulation, "Requirements for Notifications, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance," was published in the Federal Register on September 15, 1999. This regulation appears within title 24 of the Code of Federal Regulations as part 35 24 CFR Part 35. The requirements apply to housing built before 1978; the year lead-based paint was banned nationwide for consumer use. The regulation sets hazard reduction requirements that give a much greater emphasis than previous regulations to reducing lead in house dust. The regulation requires dust testing after paint is disturbed to make sure the home is lead-safe. Specific requirements depend on whether the housing is being disposed of or assisted by the federal government, and also on the type and amount of financial assistance, the age of the structure, and whether the dwelling is rental or owner-occupied.
  - 1) *Types of Housing Covered:*
    - i. Federally-owned housing being sold
    - ii. Housing receiving a federal subsidy that is associated with the property, rather than with the occupants (project-based assistance)
    - iii. Public housing
    - iv. Housing occupied by a family (with a young child) receiving tenant-based subsidy (such as a voucher or certificate)
    - v. Multifamily housing for which mortgage insurance is being sought
    - vi. Housing receiving federal assistance for rehabilitation, reducing homelessness, and other special needs
  - 2) *Types of Housing Not Covered:*
    - i. Housing built since January 1, 1978, when lead paint was banned for residential use
    - ii. Housing exclusively for the elderly or people with disabilities, unless a child under age 6 is expected to reside there
    - iii. Zero-bedroom dwellings, including efficiency apartments, single-room occupancy housing, dormitories, or military barrack
    - iv. Property that has been found to be free of lead-based paint by a certified lead-based paint inspector
    - v. Property where all lead-based paint has been removed
    - vi. Unoccupied housing that will remain vacant until it is demolished
    - vii. Non-residential property
    - viii. Any rehabilitation of housing improvement that does not disturb a painted surface
- b. All Applicants proposing projects subject to the Lead- Based Paint requirements must provide a copy of the lead based paint evaluation and include in the cost estimate the costs for the lead hazard reduction.
- c. Refer to the HOME Construction Manual for more detailed requirements and a complete list of Lead-Based Paint requirements.

### **24.25. SECTION 504**

- a. Section 504 of the Rehabilitation Act of 1973 prohibits discrimination against persons with disabilities in the operation of programs receiving Federal financial assistance. HUD regulations implementing Section 504 contain accessibility requirements for new construction and rehabilitation of housing as well as requirements for ensuring that the programs themselves are operated in a manner that is accessible to and usable by persons with disabilities.
  - 1) New Construction projects with five (5) or more units must have a minimum of five percent (5%) of the units accessible to individuals with mobility impairments AND an additional two percent (2%) of the units accessible to individuals with sensory impairments.
  - 2) Rehabilitation projects with fifteen (15) or more units and rehabilitation costs that will be seventy-five percent (75%) or more of the replacement costs of the completed facility must have a minimum of five percent (5%) of the units accessible to individuals with mobility impairments AND an additional two percent (2%) of the units accessible to individuals with sensory impairments.

### **25.26. SECTION 3**

- a. Section 3 requirements apply to the following HOME-assisted projects:
  - 1) Projects assisted with HUD funds for construction and rehabilitation activities in excess of \$200,000
  - 2) Contracts and subcontracts exceeding \$100,000 that were awarded in connection with projects assisted with HUD funds for construction and rehabilitation activities in excess of \$200,000.
- b. If a new construction or rehabilitation project is assisted with any HUD program funds in excess of \$200,000 but

- no single contractor or subcontractor is awarded more than \$100,000 in association with the project then only the organization that directly received the HOME assistance is subject to comply with the Section 3 requirements concerning training, employment and contracting activities.
- c. If there are contracts and subcontracts awarded in conjunction with the Section 3 applicable project, then Section 3 requirements apply to the organization that directly received the HOME funds and all the contracts and subcontracts for work awarded in connection with the HOME project that are in excess of \$100,000.
  - d. These include all contracts and subcontracts awarded in excess of \$100,000, even those not funded with HOME funds and those that are for non-construction related activities.
  - e. The purpose of Section 3 of the Housing and Urban Development Act of 1968, as amended is to ensure that “the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low and very low income persons, particularly those who are recipients of government assistance for housing.”
  - f. To the greatest extent feasible, HOME participants and their contractors and subcontractors must provide opportunities for job training, employment, contracting and subcontracting to Section 3 residents and businesses. See 24 CFR Part 135 for regulations enacted in furtherance of Section 3.
  - g. Refer to the HOME Construction Manual for more details.

### **26-27. MONITORING & COMPLIANCE**

- a. All projects are subject to HOME compliance monitoring requirements. At a minimum, the owners of projects are responsible for conducting the following annually:
  - 1) Maximum rent and utility allowances must be reviewed and recalculated annually upon the anniversary of the lease renewal date. Updated HOME rents are published annually by HUD and are provided on the Authority’s website.
  - 2) The HOME Final Rule requires approval of all rents on an annual basis for developments with HOME units. The approval process will be handled by the Compliance Monitoring Department. Annual Rent Approval Form M-66 will be submitted to Compliance Monitoring staff to begin the approval process.
  - 3) HUD Utility Schedule Model. All utility allowance calculations on the Excel Spreadsheets as part of the HUD Utility Schedule Model must be provided. The Authority reserves the right to review all backup data used for calculations. HUD link: <http://www.huduser.org/portal/resources/utilmodel.html>.
  - 4) The annual income or annual gross income of tenants in HOME projects must be reviewed and verified each year. Updated HOME incomes are published annually by HUD and are provided on the Authority’s website.
  - 5) The annual income definition found at 24 CFR Part 5: income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12 month period.
  - 6) On-site inspections for compliance with the Uniform Physical Conditions Standards (UPCS) should be conducted by the owners:
    - i. The Authority conducts periodic on-site compliance reviews throughout the affordability period to ensure compliance with HOME rental program requirements. These reviews include, but are not limited to, occupancy requirements and property standards. Refer to the *HOME Compliance Manual* located on the Authority’s website for further compliance monitoring requirements.
    - ii. Rental projects with 10 or more HOME units will be required to submit financial statements annually to determine the financial health of the project. Specifics will be determined upon release of guidance from HUD.

### **27-28. TERMINATED PROJECTS**

- a. A HOME-assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and any HOME funds invested in the project must be repaid to the Authority’s HOME Investment Program Fund in accordance with 24 CFR Part § 92.503(b).
- b. The Authority allows Applicants ninety (90) days from the date of termination to repay the HOME funds back to the Authority or risk future eligibility for HOME funding and debarment from Authority administered programs.

### **28-29. STALLED PROJECTS**

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



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**29.30. ADDITIONAL FEDERAL REQUIREMENTS**

- a. Applicants shall comply with all other federal requirements that may not be listed in this manual that are outlined in 24 CFR Part 92 and 24 CFR Part 92 Subpart H such as, but not limited to;
  - 1) General Audit Requirements
  - 2) Affirmative Marketing
  - 3) Equal Opportunity and Fair Housing
  - 4) Conflict of Interest
  - 5) Debarment and Suspension
  - 6) Flood Insurance and Executive Order 12372

**Exhibit 1 – 2014 HOME Rental Application Tab Checklist**

**Applicant Name:** \_\_\_\_\_ **Date:** \_\_\_\_\_

*Applicants must initial each category for which documents are included and complete.*

<b>Tab</b>		<b>Comments</b>	<b>Initial</b>
<b>1</b>	<b>Application</b>	All required signatures must be originals. Faxes will not be accepted.	
<b>2</b>	<b>Application Processing Fee</b>	A non-refundable \$150 Application Fee is due at the time of application submission. A cashier's check made payable to the Authority is required.	
<b>3</b>	<b>Nonprofit Information (if applicable)</b>	IRS 501(c)(3) Nonprofit Determination CHDO Certification letter	
<b>4</b>	<b>Financial</b>	Current compiled, reviewed or audited Financial Statements which must include a balance sheet	
		Financial Statements must show unrestricted liquid assets of 10% of the total HOME award requested	
		Executed Funding Commitments	
<b>5</b>	<b>Experience</b>	Applicant Experience Certification for Rental (Form M-34)	
		Provide a list of key staff members along with their contact information. Identify the Program Administrator	
		Include a copy of the Program Administrator's Resume noting rental development/management experience	
		HOME Eligibility Certification (Form M-47) signed by Authority Staff	
<b>6</b>	<b>Construction</b>	<b>New Construction:</b>	
		a) Final Plans — YES: <input type="checkbox"/> — NO: <input type="checkbox"/> — (Minimum size: 11" x 17" & Full Color)	a)
		b) Soil borings — Must be submitted with <i>Final Plans</i>	b)
		c) Specifications	c)
		d) Development Plans — Must include the front, rear and side elevations of the buildings as well as the detailed unit floor plans for each bedroom size. (minimum size: 11" x 17" Full Color)	d)
		e) Site Plan — Must show how the project is to be built and indicate the placements of buildings, parking areas, sidewalks, planned landscaping, amenities, easements, trash dumpsters, buffers, etc. on the site (minimum size: 11" x 17" Full Color)	e)
		f) Landscaping Plan (If applicable)	f)
		g) Site specific letter from the City/County stating individual recycling bins will be provided for each unit	g)
		h) Construction Design Certification (Form M-36)	h)
		i) Procurement Plan (refer to page 25 of the 2014 HOME manual)	i)
		<b>Rehabilitation:</b>	a)
		a) Specifications	b)
		b) Work write up	c)
		c) Site Plan — Must indicate the placements of buildings, parking areas, sidewalks, planned landscaping, amenities, easements, trash dumpsters, buffers, etc. on the site (Minimum size: 11" x 17" & Full Color)	d)
d) Landscaping Plan (If applicable)	e)		
e) Site specific letter from the City/County stating individual recycling bins will be provided for each unit	f)		
f) Construction Design Certification (Form M-36)	g)		
g) Procurement Plan (refer to page 25 of the 2014 HOME manual)			
<b>7</b>	<b>Environmental Review</b>	Environmental Information (Form M-37)	
		Environmental Review User Questionnaire (Form M-38)	

		Lead Safe Housing Rule (Form M-7B and applicable documentation—Required for all projects)	
8	Appraisal	Property appraisal no more than six (6) months prior to the 2014 HOME application date Notice to Seller (Form M-52)	
9	Relocation (if applicable)	Tenant Profile Forms (Form M-39) for <b>each</b> occupied household General Information Notices (Exhibit 2 or 3) for 100% of existing tenants General Information Notices documentation of delivery Rent Roll certified by the property manager or property owner	
10	Site Control	Warranty Deed Option or Sales Contract (refer to page 15 of the 2014 HOME Manual for conditional environmental language)	
11	Utility Allowance	Utilities Allowance Documentation	
12	Marketing Plan	Waiting List Certification (Form M-43) Marketing Outreach Plan	
13	Management Plan	Tenant Selection Process Affirmative Marketing Equal Opportunity and Fair Housing a) Methods for informing potential tenants about fair housing laws b) Description of how the HOME assisted development will be affirmatively marketed c) Describe outreach efforts to be undertaken to serve hard to reach populations d) Describe what actions were taken to affirmatively market HOME units and describe the effectiveness of those actions e) Describe the training to be provided to staff on federal, state and local fair housing laws and regulations f) Complete Fair Housing Developer Certification (M-53)	a) b) c) d) e) f)
14	Market Study Assessment OR Market Study Needs Assessment Report	Market Study prepared by an Authority approved market study provider and dated no more than six (6) months from the 2014 HOME application date. (thirteen 13 or more units) Market Study Needs Assessment Report prepared by an Authority approved Market Analysis and dated no more than six (6) months from the 2014 HOME application date. (twelve 12 or less units)	
15	Project Readiness	Site specific letter from the City/County official stating the development is located within a current Master Plan or Revitalization Plan or Empowerment zone. Site specific letter from the City/County official or utility provider verifying that water and sewer utility tie ins are assessable. (Refer to page 16 of the 2014 HOME manual) Provide a list of addresses for NSP 1 Land Bank parcels	
16	Site & Neighborhood Characteristics	a) Description of proposed project b) Labeled photographs (or color copies) of the front and back of the proposed site c) A map clearly identifying the exact location of the development site d) Directions to the development site from the Authority e) Letter from the City/County verifying that site is currently zoned for the development f) Letter from each utility provider verifying on-site utilities (water, sewer, electrical) g) Site and Neighborhood Certification (Form M-40) h) Color photographs of all services with name of services visible i) Directions from the site to the service printed from a mapping system	a) b) c) d) e) f) g) h) i)
17	Targeting	Letter from appropriate disability agency supporting the need for 10% of units being designated for disabled, homeless and special need tenants	

**PLEASE NOTE: Tabs are provided for items 1 through 17. The Authority requires all Applicants to adhere to the tabbing system.**

**Exhibit 2 – General Information Notice**  
**SAMPLE Residential Tenant that WILL NOT BE DISPLACED**

**GUIDEFORM GENERAL INFORMATION NOTICE RESIDENTIAL TENANT NOT DISPLACED**

**Applicant's Letterhead**

**(Date)**

Dear \_\_\_\_\_:

\_\_\_\_\_, is interested in rehabilitating the property you currently occupy at \_\_\_\_\_ for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnerships Program.

The purpose of this notice is to inform you that you will not be displaced in connection with the proposed project.

If the project application is approved and federal financial assistance provided, you may be required to move temporarily so that the rehabilitation can be completed. If you must move temporarily, suitable housing will be made available to you and you will be reimbursed for all reasonable out of pocket expenses, including moving costs and any increase in housing costs. You will need to continue to pay your rent and comply with all other lease terms and conditions.

Upon completion of the rehabilitation, you will be able to lease and occupy your present apartment or another suitable, decent, safe and sanitary apartment in the same building/complex under reasonable terms and conditions not to exceed the greater of (a) your current rent/average utility costs, or (b) 30% of your average monthly gross household income.

If federal financial assistance is provided for the proposed project, you will be protected by a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). One of the URA protections for persons temporarily relocated is that such relocations shall not extend beyond one year. If the temporary relocation lasts more than one year, you will be contacted and offered all permanent relocation assistance as a displaced person under the URA. This assistance would be in addition to any assistance you may receive in connection with temporary relocation and will not be reduced by the amount of any temporary relocation assistance previously provided. You will also have the right to appeal the agency's determination, if you feel that your application for assistance was not properly considered.

**(NOTE: Pursuant to Public Law 105-117, aliens not lawfully present in the United States are not eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.)**

We urge you not to move at this time. If you choose to move, you will not be provided relocation assistance.

**Please Remember:**

- **This is not a notice to vacate the premises.**
- **This is not a notice of relocation eligibility.**

You will be contacted soon so that we can provide you with more information about the proposed project. If the project is approved, we will make every effort to accommodate your needs. In the meantime, if you have any questions about our plans, please contact: (name) \_\_\_\_\_, (title) \_\_\_\_\_, (address) \_\_\_\_\_, (phone) \_\_\_\_\_.

\_\_\_\_\_  
Sincerely,  
\_\_\_\_\_  
(name and title) \_\_\_\_\_

=====NOTES:

1. **The application must include documentation of the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery.**
2. **This is a guide form. It should be revised to reflect the circumstances**

**Exhibit 3 – General Information Notice**  
**~~SAMPLE Residential Tenant TO BE DISPLACED~~**

**GUIDEFORM GENERAL INFORMATION NOTICE RESIDENTIAL TENANT TO BE DISPLACED**

**Applicant's Letterhead**  
**(Date)**

Dear \_\_\_\_\_:

\_\_\_\_\_ is interested in \_\_\_\_\_ the property you currently occupy at \_\_\_\_\_ for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the HOME Investment Partnerships Program.

The purpose of this notice is to inform you that you may be displaced as a result of the proposed project. This notice also serves to inform you of your potential rights as a displaced person under a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). You may be eligible for relocation assistance and payments under the URA, if the proposed project receives HUD funding and if you are displaced as a result of acquisition, rehabilitation or demolition for the project.

- ~~This is **not** a notice to vacate the premises.~~
- ~~This is **not** a notice of relocation eligibility.~~

If you are determined to be eligible for relocation assistance in the future, you may be eligible for: 1) Relocation advisory services including help to you find another place to live; 2) At least 90 days advance written notice of the date you will be required to move; 3) Payment for your moving expenses; and 4) Replacement housing payments to enable you to rent, or if you prefer to purchase, a comparable replacement home. You will also have the right to appeal the agency's determination, if you feel that your application for assistance was not properly considered. The enclosed HUD brochure, "Relocation Assistance To Tenants Displaced From Their Homes" provides an explanation of this assistance and other helpful information.

~~(NOTE: Pursuant to Public Law 105-117, aliens not lawfully present in the United States are **not** eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. **All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.**)~~

Please be advised that you should continue to pay your rent and meet any other obligations as specified in your lease agreement. Failure to do so may be cause for eviction. If you choose to move or if you are evicted prior to receiving a formal notice of relocation eligibility you will not be eligible to receive relocation assistance. It is important for you to contact us before making any moving plans.

~~**Again, this is not a notice to vacate the premises and does not establish your eligibility for relocation payments or assistance at this time.** If you are determined to be displaced and are required to vacate the premises in the future, you will be informed in writing. In the event the proposed project does not proceed or if you are determined not to be displaced, you will also be notified in writing.~~

If you have any questions about this notice or the proposed project, please contact: (name) \_\_\_\_\_,  
(title) \_\_\_\_\_, (address) \_\_\_\_\_, (phone) \_\_\_\_\_.

\_\_\_\_\_  
Sincerely,  
\_\_\_\_\_  
(Name and title) \_\_\_\_\_

Enclosure

=====NOTES

- ~~1. **The application must include documentation of the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. This is a guide form. It should be revised to reflect the circumstances.**~~

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***Exhibit 4 - HOME Program Per Unit Subsidy Limits***

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**~~HUD 221(d)(3) Subsidy Limits~~**

~~0 bedroom—\$49,914~~

~~1 bedroom—\$57,216~~

~~2 bedroom—\$69,575~~

~~3 bedroom—\$90,006~~

~~4 bedroom—\$98,799~~

~~The above applies to all counties in South Carolina and is based on the most current Swift and FHA Multifamily statutory mortgage programs.~~

**Exhibit 5 - 2014 HOME PLACED IN SERVICE Application Checklist**

**This Application Package Checklist must be submitted with the Placed-In-Service Application.**

Project Name: \_\_\_\_\_ County: \_\_\_\_\_

**Please check off each category for which documents are submitted or mark as N/A.**

<b>Tab</b>	<b>Document</b>	<b>Comments</b>	<b>Initial</b>
<b>1</b>	<b>Placed-In-Service Application</b>	All required signatures must be originals. Faxes will not be accepted	
<b>2</b>	<b>Placed-In-Service Application Checklist</b>	Placed-In-Service Checklist	
<b>3</b>	<b>Final HOME Draw Request</b>	Final HOME Draw Request M-15A Request For Payment and M-15F Draw Summary Form. Include all appropriate documentation to support payment request.	
<b>4</b>	<b>Cost Information</b>	<del>SC Housing HOME Uses Summary Form M60 - Documentation of all applicable expenditures must be included behind SC Housing HOME Uses Summary Form M60(Including Form M65 Vendor Expense Summary)</del>	
		<del>HTF Uses Summary Form M61 - Documentation of all applicable expenditures must be included behind HTF Uses Summary Form M61(Including Form M65 Vendor Expense Summary)</del>	
		<del>Participating Jurisdiction HOME Uses Summary Form M62 - Documentation of all applicable expenditures must be included behind Participating Jurisdiction HOME Uses Summary Form M62(Including Form M65 Vendor Expense Summary)</del>	
		<del>Permanent Financing Uses Summary Form M63 - Documentation of all applicable expenditures must be included behind Permanent Financing Uses Summary Form M63(Including Form M65 Vendor Expense Summary)</del>	
		<del>Other Funding Uses Summary Form M64 - Documentation of all applicable expenditures must be included behind Other Funding Uses Summary Form M64(Including Form M65 Vendor Expense Summary)</del>	
		<del>Other Funding Uses Summary Form M64 - Documentation of all applicable expenditures must be included behind Other Funding Uses Summary Form M64(Including Form M65 Vendor Expense Summary)</del>	
		<del>Other Funding Uses Summary Form M64 - Documentation of all applicable expenditures must be included behind Other Funding Uses Summary Form M64(Including Form M65 Vendor Expense Summary)</del>	
		<del>Current applicable Utility Cost Estimate</del>	
<b>5</b>	<b>Rent Roll</b>	Certified Rent Roll for both new construction and rehabilitation projects	
<b>6</b>	<b>Permanent Financing Information</b>	Permanent Loan Documents (Executed Documents detailing Terms of Permanent Financing)	
		Other Commitments/Executed Funding Documents	
<b>7</b>	<b>Completion Information</b>	Certificate(s) of Occupancy - For both new construction and rehabilitation projects, the Authority requires that all units in all buildings be 100% complete and available for immediate occupancy	

If, upon the submission of the HOME Placed-in-Service Application, it is determined that the project is not substantially the same as the project described in the Initial HOME Application, the project will not receive the balance of the HOME funds awarded. It is expected that project to which HOME funds were awarded will be the same as the projects that are placing in service.

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<p><b>Koontz &amp; Salinger</b>  Jerry Koontz  P O Box 37523  Raleigh, NC 27627  Ph: 919-362-9085  Fax: 919-362-4867  <a href="mailto:vonkoontz@aol.com">vonkoontz@aol.com</a></p>	<p><b>Vogt Santer Insights</b>  Rob Vogt  896 West Goodale Blvd  Columbus, OH 43212  Ph: 614-224-4300  Fax: 614-225-9505  <a href="mailto:chips@vsinsights.com">chips@vsinsights.com</a></p>
<p><b>Market Analyst Professionals</b>  Chris Vance  5400 Washburn Avenue South  Minneapolis, MN 55410  Ph: 248-515-0496  Fax: 815-417-6310  <a href="mailto:cavance@mindspring.com">cavance@mindspring.com</a></p>	<p><b>John Wall And Associates</b>  John Wall  801 S. McDuffie Street  Anderson, SC 29624  Ph: 864-261-3147  Fax: 864-226-5728  <a href="mailto:jwa_ofc@bellsouth.net">jwa_ofc@bellsouth.net</a></p>



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\*All relevant tables should be placed with corresponding text.

**Market Needs Assessment Report Requirements:**

**A. Project Description**

1. Give the following information for the proposed subject as provided by the ~~LHHC~~ HOME Applicant:
  - a. Development Location;
  - b. Construction Type: New Construction, Rehab, Acquisition and Rehab, Adaptive Reuse;
  - c. Occupancy Type: Family, Older Persons, etc.;
  - d. Target Income Group: 50% AMI, 60% AMI, Market Rate;
  - e. Special Needs Population (if applicable);
  - f. Number of units by bedroom/bathroom;
  - g. Number of buildings and stories and if there will be an elevator;
  - h. Unit Size(s);
  - i. Structure Type/Design: Townhouse, Garden Apartment, etc.;
  - j. Proposed Rents and Utility Allowances and if utility is Tenant or Owner's responsibility;
  - k. Status of Project Based Rental Assistance: None, Existing, Proposed;
  - l. Proposed Development Amenities;
  - m. Proposed Unit Amenities;
  - n. For rehab proposals, information about the scope of work planned.
  - o. A map showing the proposed site(s).

**B. Market Area**

1. Census tracts that encompass the PMA.
  - a. Provide the most recent statistics on race available for the census tract in which the project is located.

**C. Local Economy**

1. Employment by industry--numbers and percentages (i.e. Manufacturing: 150,000 (20%)).

**D. Community Demographic Data**

1. Population Trends
  - a. Total Population
  - b. Population by age groups
  - c. Number of older persons (for older persons projects)
2. Household Trends
  - a. Total number of households, average household size, and group quarter.
  - b. Households by tenure (If appropriate, breakout by older persons and non-older persons).
  - c. Households by income. (Older person(s) proposals should reflect the income distribution of those households only).

**E. Project-Specific Demand Analysis**

1. **Income Restrictions:** Use the applicable incomes and rents in the subject's application. Be aware of the specific income restrictions which apply to the tax credit program. Take the income restrictions designated in the application into account when estimating demand.
2. **Affordability:** Analysts must assume that no family households are able to pay more than 35% of gross income towards gross rent and no elderly households are able to pay more than 40% of their gross income toward gross rent. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
3. The demand analysis should clearly indicate the minimum and maximum income range for each targeted group.
4. **Demand:** The demand should be derived from the following sources using data established from a reputable source:
  - a. **Demand from New Renter Households:** New rental units required in the market area due to projected renter household growth. Determinations must be made using the current base year of ~~2013~~ 2014 and projecting forward to the

anticipated placed-in-service date of ~~2017~~ 2016. The ~~population projected- household projections~~ must be limited to the age and income cohort and the demand for each income group targeted (i.e. 50% of median income) must be shown separately.

- In instances where a significant number (more than 20%) of proposed rental units are comprised of three-and four-bedroom units, analysts must refine the analysis for those units by factoring in the number of large households (generally 4+ persons). A demand analysis which does not take this into account may overestimate demand.

b. **Demand from Existing Households:** The second source of demand should be determined using 2010 census data or the most current American Community Survey (ACS) data and projected from:

- 1) **Rent over-burdened households**, if any, within the age group, income cohort and tenure targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% or in the case of elderly 40% of their gross income toward gross rent rather than some greater percentage. If an analyst feels strongly that the rent-overburdened analysis should focus on a greater percentage, they must give an in-depth explanation why this assumption should be included. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
- 2) **Households living in substandard rental housing.** Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand.
  - The Market Analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent-overburdened and/or living in substandard housing.
- 3) **Elderly Homeowners likely to convert to rentership:** The Authority recognizes that this type of turnover is increasingly becoming a factor in the demand for elderly tax credit housing. A narrative of the steps taken to arrive at this demand figure should be included.
- 4) **Other:** Please note, the Authority does not, in general, consider household turnover rates other than those of elderly to be an accurate determination of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, s/he may be allowed to consider this information in their analysis. The analyst may also use other indicators to estimate demand if they can be fully justified (e.g. an analysis of an under-built or over-built market in the base year). Any such additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.

5. **Method:**

a. **Demand:** The two overall demand components added together 4a and 4b above represent demand for the project.

6. **Example of Method:**

a. **Demand**

	Households at 50% Median Income (min. income to max. income)	Households at 60% of Median Income (min. income to max. income)	Project Total (min. income to max. income)
Demand from New Households (age and income appropriate)			
+	+	+	
Demand from Existing Households Rent-Overburdened			
+	+	+	
Demand from Existing Households Renters in Substandard Housing			
+	+	+	
Demand from Existing Households Elderly Homeowner Turnover			
=	=	=	
Total Demand			

**F. Signed Statement Requirements**

The signed statement must include the following language:

I affirm that I have no financial interest in the project or current business relationship with the ownership entity and my compensation is not contingent on this project being funded. This report was written according to the SCSHFDA’s market needs assessment report requirements. The information included is accurate and can be relied upon by SCSHFDA.

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Market Analyst Author

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Date

**A Market Study is for HOME projects with thirteen (13) or more units.****Market Study Process:**

1. Applicants must use an Authority approved market analysts to complete market studies. All market analysts **must adhere** to Market Study terminology as sanctioned by the National Council of Housing Market Analysts. The Market Study Terminology list is available at: [www.housingonline.com/Resources.aspx](http://www.housingonline.com/Resources.aspx).
2. Submitted market studies must conform to the requirements in these Guideline Procedures. The market study should reflect conclusions based on the proposed development. This includes capture rates, absorption periods, market advantage, etc.
3. The Applicant's market analyst must indicate within the conclusion and recommendations section of the market study a conclusion regarding the ability of the market area to support the proposed development. This conclusion should further address the depth of the rental market and whether the proposed development will have a negative long-term impact on existing rental communities.
4. The Authority will review all market studies. Applicants will be notified by the Authority via email of any deficiencies found in the submitted market study. All issues must be resolved to the satisfaction of the Authority staff in order for the study to be deemed acceptable.
5. The Authority will consider the market study, the market, marketability factors, and any additional information available to determine if an acceptable market exists for a development as proposed. The Authority is not bound by the conclusions or recommendations of the market study submitted by the Applicant and reserves the right to disqualify any application in the competition if it determines an acceptable market does not exist.

**Market Study Requirements:****A. Project Description**

1. Give the following information for the proposed subject as provided by the HOME Applicant:
  - a. Development Location;
  - b. Construction Type: New Construction, Rehab, Acquisition and Rehab, Adaptive Reuse;
  - c. Occupancy Type: Family, Older Persons, etc.;
  - d. Target Income Group: 50% AMI, 60% AMI, Market Rate;
  - e. Special Needs Population (if applicable);
  - f. Number of units by bedroom/bathroom;
  - g. Number of buildings and stories and if there will be an elevator;
  - h. Unit Size(s);
  - i. Structure Type/Design: Townhouse, Garden Apartment, etc.;
  - j. Proposed Rents and Utility Allowances including energy source (Gas, Oil, Electric) and if utility is Tenant or Owner's responsibility;
  - k. Status of Project Based Rental Assistance: None, Existing, Proposed;
    - i. Proposed Development Amenities;
    - ii. Proposed Unit Amenities;
    - iii. For rehab proposals, please provide: current occupancy levels, current rents being charged (versus proposed rents), tenant incomes, as well as detailed information about the scope of work planned and how the rehabilitation will be carried out.

**B. Site Description**

1. Give the date(s) the senior analyst/market study author made a site visit including surrounding market area developments.
2. Describe physical features of the site, adjacent parcels, surrounding structures and neighborhoods. Give a brief description of the surrounding land uses. Note any obvious environmental concerns or any other visible concerns.
3. Give the site's general physical location to surrounding roads, public transportation, community amenities, employment, and services. It is extremely important to identify the closest shopping areas, schools, and employment centers, medical facilities and other amenities that would be important to the targeted population.
4. Indicate if there are any road or infrastructure improvements planned or under construction in the proposed market area.
5. Provide information or statistics as well as local perceptions of crime in the neighborhood, if applicable.
6. Comment on access, ingress/egress, and visibility to site.
7. Describe overall positive and negative attributes about the site as they relate to marketability.

### C. Market Area

1. A map of the Primary Market Area (PMA);
2. A physical description of the PMA including the methodology used to define it;
3. Census tracts that encompass the PMA;
- ~~3-4.~~ Provide the most recent statistics on race available for the census tract in which the project is located; and
- ~~4-5.~~ The analyst may provide information about the secondary market area if desired; however, demand should be based solely on the PMA.

### D. Market Area Economy

1. A map of the site as compared to the locations of major employment concentrations.
2. Employment by industry--numbers and percentages (i.e. Manufacturing: 150,000 (20%)).
3. The major current employers and anticipated expansions, contractions in their workforces, as well as newly planned employers and their impact on employment in the market area.
4. Total workforce figures and employment and unemployment trends for the county and, where possible, the PMA. Provide numbers and percentages for both. Provide annualized figures for these trends (i.e. average annual increase of unemployment of 1.2%).
5. If relevant, comment on the availability of housing for low- to very low-income employees of businesses and industries that draw from the PMA.
6. Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA.

### E. Community Demographic Data

Provide the following demographic information for the market area, giving historical data as well as current data and estimates. Include data on population and household trends from 2000 to 2014~~-3~~ and projected to 2017~~-6~~. Projections must be prepared by a reputable source such as Nielsen, ESRI, or Ribbon Demographics. U.S. Census data prior to the 2000 Census is only acceptable as historical data. If the Market Analyst does not agree with these projections, s/he must provide the reasoning, along with substitute projections. Both numbers and percentages should be shown for the data below. Annualized growth figures should be included. Please include a brief narrative of overall conclusions.

1. Population Trends
  - a. Total Population
  - b. Population by age groups
  - c. Number of older persons (for older persons projects)
  - d. If a special population is proposed for the development (i.e. migrant workers, homeless), provide additional information on population growth patterns specifically related to this population.
2. Household Trends
  - a. Total number of households, average household size, and group quarter.
  - b. Households by tenure (If appropriate, breakout by older persons and non-older persons).
  - c. Households by income. (Older person(s) proposals should reflect the income distribution of those households only).
  - d. Renter households by number of persons in the household.

### F. Project-Specific Demand Analysis

1. **Income Restrictions:** Use the applicable incomes and rents in the subject's application. Be aware of the specific income restrictions which apply to the HOME program. Analysts must take the income restrictions designated in the application into account when estimating demand.
2. **Affordability:** Analysts must assume that no family households are able to pay more than 35% of gross income towards gross rent and no elderly households are able to pay more than 40% of their gross income toward gross rent. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
3. The demand analysis should clearly indicate the minimum and maximum income range for each targeted group.

In cases where the proposed rents for projects with Project Based Rental Assistance are higher than the maximum allowable HOME rents, two separate demand analyses must be shown: One with the rental assistance (thereby allowing \$0 for the minimum income) and one without the rental assistance. For the second demand calculation without rental assistance, analysts should use HOME rents regardless of market conditions.

For projects with market rate units, the analyst must make some reasonable determination of a maximum income level beyond which a household would not likely be a participant in the rental market. The analyst should clearly state the assumptions used in making the aforementioned determination.

4. **Demand:** The demand should be derived from the following sources using data established from a reputable source:
  - a. **Demand from New Renter Households:** New rental units required in the market area due to projected renter household growth. Determinations must be made using the current base year of 2013-2014 and projecting forward to the anticipated placed-in-service date of 2017-2016. The population-projected-household projections must be limited to the age and income cohort and the demand for each income group targeted (i.e. 50% of median income) must be shown separately.
    - In instances where a significant number (more than 20%) of proposed rental units are comprised of three-and four-bedroom units, analysts must refine the analysis for those units by factoring in the number of large households (generally 4+ persons). A demand analysis which does not take this into account may overestimate demand.
  - b. **Demand from Existing Households:** The second source of demand should be determined using 2010 census data or the most current American Community Survey (ACS) data and projected from:
- 5) **Rent over-burdened households**, if any, within the age group, income cohort and tenure targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% or in the case of elderly 40% of their gross income toward gross rent rather than some greater percentage. If an analyst feels strongly that the rent-overburdened analysis should focus on a greater percentage, they must give an in-depth explanation why this assumption should be included. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
- 6) **Households living in substandard housing.** Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand.
  - The Market Analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent-overburdened and/or living in substandard housing.
- 7) **Elderly Homeowners likely to convert to rentership:** The Authority recognizes that this type of turnover is increasingly becoming a factor in the demand for elderly HOME housing. A narrative of the steps taken to arrive at this demand figure should be included.
- 8) **Other:** Please note, the Authority does not, in general, consider household turnover rates other than those of elderly to be an accurate determination of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, s/he may be allowed to consider this information in their analysis. The analyst may also use other indicators to estimate demand if they can be fully justified (e.g. an analysis of an under-built or over-built market in the base year). Any such additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.
9. **Method:** Please note that the Authority's stabilized level of occupancy is 93%.
  - a. **Demand:** The two overall demand components added together 4a and 4b above represent demand for the project.
  - b. **Supply:** Comparable/competitive units funded, under construction, or placed in service in 2014-2013 must be subtracted to calculate net demand. Vacancies in projects placed in service prior to 2015-2014 which have not reached stabilized occupancy must also be considered as part of the supply.
  - c. **Capture rates:** Capture rates must be calculated for each targeted income group and each bedroom size proposed as well as for the project overall.
  - d. **Absorption rates:** The absorption rate determination should consider such factors as the overall estimate of new renter household growth, the available supply of comparable/competitive units, observed trends in absorption of comparable/competitive units, and the availability of subsidies and rent specials.

10. **Example of Method:**

a. **Demand**

	Households at 50% Median Income (min. income to max. income)	Households at 60% of Median Income (min. income to max. income)	Project Total (min. income to max. income)
Demand from New Households (age and income appropriate)			
+	+	+	
Demand from Existing Households Rent-Overburdened			
+	+	+	
Demand from Existing Households			

Renters in Substandard Housing			
+	+	+	
Demand from Existing Households Elderly Homeowner Turnover			
=	=	=	
Total Demand			
-	-	-	
Supply			
=	=	=	
<del>Excess Demand/Supply Net</del> Demand			

**b. Net Demand and Capture Rates**

Bedrooms	Total Demand	Supply	Net Demand	Units Proposed	Capture Rate
1 Bedroom % AMI					
2 Bedroom % AMI					
3 Bedroom % AMI					
4 Bedroom % AMI					

**G. Supply Analysis (Comparable/Competitive Rental Developments)**

The supply analysis will be given significant weight in the Authority’s review of the market study. The senior analyst/market study author must visit all comparable/competitive developments. The analysis must include all existing HOME projects and other projects that would compete with or be affected by the proposed project. The analyst must include and consider all developments under construction and/or in the pipeline in the analysis.

1. The following information should be included for each comparable/competitive development:
  - a. Name, Address, and Phone Number
  - b. Contact Person’s Name and phone number-staffing of the comparable/competitive property development
  - c. Photograph
  - d. Monthly Rents and utilities included in the rent, if any
  - e. Type of development (RHS, tax credit, conventional, bond, bond and tax credits, etc.)
  - f. Breakdown of unit sizes by bedroom/bathroom count
  - g. Square footage for each comparable/competitive unit type
  - h. Project age and Condition
  - i. Population Served
  - j. Description of unit amenities (include kitchen equipment) and site amenities
  - k. Concessions given, if any
  - l. Current vacancy rates broken down by bedroom size. Vacancy rates are to be determined using the most current information provided by property management.
  - m. Waiting list information, if any
  - n. Number of units receiving rental assistance, description of assistance as project or tenant based.
  - o. For developments in the planning or construction stages, provide the name, address/location, name of owner, number of units, unit configuration, rent structure, estimated date of market entry, and any other relevant market analysis information. If there are no developments in the planning stages or under construction, a statement to that effect must be provided.
  - p. If the proposed project is an additional phase of an existing project, include a tenant profile as well as any information about a waiting list.

The above information should be provided in a comparative framework **including** the proposed project and those projects under construction and/or in the pipeline. For example, in addition to providing a page of information along with a picture for each comparable/competitive development, the analyst should also provide comparative charts that show such factors as the proposed project’s rents, square footages, amenities, etc. as compared to the other projects.

2. A map showing the comparable/competitive developments in relation to the proposed site. The map should have an identifiable usable scale.
3. If applicable to the proposed development, provide data on three and four bedroom single-family rentals, OR provide information on rental trailer homes and single family homes in rural areas lacking sufficient three and four bedroom rental units in an attempt to identify where potential tenants are currently living.
4. Derive the market rent and compare them to the proposed development’s rents. Quantify and discuss market advantage of the subject and impact on marketability. Market advantages should be provided for each unit type and the project overall.
5. Calculate the overall market vacancy rate, the overall comparable/competitive vacancy rate, and the overall vacancy rate for all HOME projects in the market area. (Do not include new projects in the process of “renting up” in vacancy rate.)



6. The cost and availability of homeownership and mobile home living, if applicable.
7. Conclusion as to the impact that the proposed project will have on the occupancy of comparable rental communities in the PMA, specifically other HOME communities.

**H. Interviews**

The results of formal or informal interviews with property managers, town planning officials or anyone with relevant information relating to the overall demand for the proposed development should be summarized in this section.

**I. Recommendations**

Market Analysts must provide a recommendation that clearly states whether a proposed project should be approved as proposed. The Market Analyst must provide a brief summary of all the major factors that led to their conclusion.

**J. Signed Statement Requirements**

The signed statement must include the following language:

I affirm that I have made a physical inspection of the market and surrounding area and the information obtained in the field has been used to determine the need and demand for HOME units. I understand that any misrepresentation of this statement may result in the denial of further participation in the South Carolina State Housing Finance & Development Authority's programs. I also affirm that I have no financial interest in the project or current business relationship with the ownership entity and my compensation is not contingent on this project being funded. This report was written according to the SCSHFDA's market study requirements. The information included is accurate and can be relied upon by SCSHFDA to present a true assessment of the low-income housing rental market.

\_\_\_\_\_ Market Analyst Author

\_\_\_\_\_ Date