

HOME-ARP Draft Allocation Plan

Appendix B: Public Comments & Responses

3/28/2023

Comment: Why is the Authority using \$20 million of its State Housing Trust Funds as leverage for the HOME ARP Funding? There is no requirement to leverage the federal funds so it is confusing as to why the Authority would take funding from a very flexible program and layer on multiple federal rules and regulations. The \$20 million in State Housing Trust Funds could be used to fill financial funding gaps for shovel ready tax credit and bond developments so that affordable housing could be started immediately and made available for low income tenants. Throughout the Draft Plan it mentions repeatedly that there is a shortage of affordable housing yet awards for the HOME ARP program will not be made until Spring 2024 and developments would not start construction until 6 or more months, at best, past the award date and then another year or more to be completed. If the goal is to create affordable housing immediately then it's suggested that the \$20 million in State Housing Trust Funds be used elsewhere instead of leveraging federal funds that do not require leveraging.

Response: SC Housing decided to leverage \$20 million of State Housing Trust Fund dollars with HOME-ARP funding for several reasons: HUD recommends leveraging other funding sources with HOME-ARP rental developments to provide an internal subsidy from sources that can serve higher income populations to offset a portion of the operating costs of HOME-ARP units, it is a unique opportunity to assist HOME ARP Qualifying Populations, as defined by HUD as extremely low income households and increase the availability of affordable rental housing for special needs populations, including housing for the elderly, the disabled, and the homeless, and SC HTF regulations also direct the use of SC HTF dollars to maximize the utilization of federal housing assistance programs and to leverage other public and private resources.

Comment: As per page 20, the Draft Plan proposes providing operating assistance at \$126,000 per unit for 15 years. This equates to \$8,400 in expenses per unit per year which is well above the operating cost limits listed in the 2022 and 2023 SRDP Manual and 2023 QAP. SRDP limits the operating expenses at \$3,750 per unit per year and the 2023 QAP has operating expenses between \$3,500 and \$5,000 per unit per year. What calculation was used to determine \$8,400 per year was acceptable? Based on the projections of providing \$126,000 per unit in operating assistance and the projection of creating 105 units total, the \$13,230,000 proposed to be provided for operating assistance over 15 years could be better utilized building additional affordable housing units. How does the Authority plan to ensure that this payment of operating expenses results in benefit to the residents? There is no mention of rent caps or lower income targeting in the proposed plan to ensure that the benefit goes to the residents. Then if this operating assistance is only provided for 15 years, and the development depends on this assistance to survive and pass the benefit on to the residents but the other programs or funding sources in the development have restrictions that go on for an additional 5 to 15 years, what happens to the development at year 16 when the operating assistance expires?

Response: It is expected that most households and individuals that meet the definitions of the qualifying populations will not have the financial means to pay rent amounts necessary to cover debt service and/or operating costs. The capitalization of operating assistance results in a benefit to the residents. By providing the operating subsidy, it will enable the development to remain financially viable and sustainable throughout the fifteen-year affordability period without having to rely on project based or tenant-based vouchers to cover rental income deficits. The estimates used in the draft plan were calculated as worse case scenarios to estimate the potential number of units expected to be produced. Worse case scenarios meaning all HOME-ARP units are occupied by qualifying households that do not have income to pay rent, using an estimated deficit of \$700 per unit of monthly rental income. The funds capitalized in a development's operating cost assistance reserve can only be drawn to address the operating deficits associated with the HOME-ARP units restricted for occupancy by the qualifying populations. The actual amounts of operating assistance provided to a development will be based on the actual deficits of the development. Due to the varying types of eligible project types (traditional 1, 2, 3, 4-bedroom apartments, SROs, group homes, and single-family homes, etc.) and the amount of rent charged to the household, being based on the household's income, it is not possible to predict what the actual rental income deficits will be. Comparison of operating cost limitations currently in place in the Small Rental Development Program (SRDP) and the Low-Income Housing Tax Credit (LIHTC) Program's Qualified Allocation Plan (QAP) are not relevant, as HUD allows the inclusion of additional expenses such as replacement reserves, taxes, and compliance monitoring fees in the calculation. Operating expense limitations may be put in place upon further guidance to be issued from HUD at a later date.

At the expiration of the affordability period, the HOME-ARP restrictions will lift and any remaining funds capitalized for operating assistance are required to be returned to HUD. Units restricted with SC HTF rent and income limitations will be required to continue to meet compliance requirements for a period of twenty years. As is with any affordable housing development after affordability restrictions lift, the property owner is free to do with the property and/or units what they wish. Owners that intend to keep the HOME-ARP developments affordable beyond the fifteen-year affordability period will need to plan accordingly to ensure they are able to generate sufficient cash flow to keep the property financially viable.

Comment: The average cost per unit of the 2022 SRDP awards is \$281,500 per unit. If the Authority did not provide 15 years of operating expenses an additional 46 units of affordable housing could be provided. Why was it deemed necessary to provide 15 years of operating expenses at the expense of producing less affordable housing? Since funding is required to be expended by 2030 it is assumed that the Authority will be providing the 15 years of operating funds up front. What mechanism will be in place to ensure that awarded operating funds remain in place and used solely for operating costs of the project?

Response: Due to the high probability that the qualifying populations occupying HOME-ARP developments will have little or no income to make rent payments, the inclusion of operating assistance is necessary to ensure that developments are able to be financially viable for the fifteen-year affordability period. SC Housing will capitalize operating cost assistance reserve amounts that will be available to project owners once the development places in service. HUD requires that the funds are

maintained by the owner in a separate interest-bearing account and also requires that SC Housing approves the withdrawal of funds from those accounts. Unexpended operating cost assistance reserve amounts remaining at the end of the affordability period must be returned.

Comment: Does the Authority plan to create a new funding program for HOME ARP funds or simply duplicate the SRDP program using HOME ARP Funds? The complexity and inefficiency of the SRDP program has proven to not be a cost-effective program, by example: The Authority made over \$28 million available for funding in the 2021 SRDP program and after awards were made had over \$11 million in unexpended funds. For the 2022 SRDP program the Authority had \$33 million available in funding and after awards were made had over \$27 million in unexpended funds. With the proposed Draft Plan to have \$42,684,202 in available funding (includes the suggested \$20 million in State Housing Trust Funds) for the HOME ARP program and based on the past two years of SRDP awards, it may be unrealistic to think that funding will be sufficiently utilized if the SRDP program is the proposed plan for allocating HOME ARP funds.

Response: SC Housing will be implementing a new program for HOME-ARP funding. Although many regulatory requirements of the HOME-ARP program and the traditional HOME Investment Partnership Program funding are similar, their requirements are distinctly different in, which program materials and policies are specific to HOME-ARP funding. SC Housing plans to release a Notice of Funding Availability (NOFA) for a competitive funding cycle anticipated for later this year. As stated in the draft allocation plan, additional funding cycles may be held until all funds have been awarded.

Comment: The Plan shows that development of affordable rental housing only will receive allocation of the state's HOME-ARP funds. Does this mean that only applications for the rehabilitation or construction of affordable rental housing will be considered? No other eligible HOME-ARP activities, such as supportive services, will be considered within applications for this funding round?

Response: That is correct, SC Housing is proposing to use HOME-ARP funding for the development and preservation of rental housing including operating subsidies.

Comment: The Plan states: "This goal is estimated based on average total development cost of recently awarded supportive housing projects in SC Housing's Small Rental Development Program **and the amounts estimated to provide operating assistance in the amount of \$126,000 per unit for the duration of the 15-year affordability period.** The estimated 105 affordable housing units to be produced by the combination of HOMEARP funds and state Housing Trust Funds will not fully address the gap of affordable housing units needed to house the qualifying populations residing in South Carolina; however, **providing operating assistance funds for the HOME-ARP units will prevent the need for project and tenant-based voucher assistance to be required in order for the development to be financially feasible.**" Does this statement mean that each unit of affordable housing in applications for HOME-ARP funds will automatically receive \$126k per unit? If no, what criteria is required? Also, is the \$125k per unit amount in total over the 15-year affordability period? Is it correct to assume that this represents \$700 per month in rental assistance for each unit over 15 years?

Response: The \$126,000 and \$700 amounts are estimates used to predict how many units may be produced. The actual amount of rental subsidy provided will be determined specifically for each awarded project. Operating subsidies needed for each project will be the amounts estimated for the duration of the 15-year affordability period. HUD is expected to release guidance soon on estimating amounts needed for operating subsidies.

Comment: How are the operating assistance funds anticipated to be allocated per unit over the 15-year period? Is it reimbursable each month based on lease/proof of tenancy by a low-income resident, or by some other means?

Response: SC Housing will determine an estimated amount needed for each project that will be drawn down from HUD's IDIS system when the project places in service. Those funds will be disbursed on a to-be-determined schedule throughout the affordability period to the project owner.

Comment: Are there plans to provide funds for utility assistance?

Response: Operating assistance may include utilities paid by the owner.

Comment: Are extremely low-income tenants given extra consideration in the application? For example, if an applicant expects to rent to a majority of extremely low-income tenants?

Response: There are no preferences for extremely low-income households. All qualifying populations will be served in chronological order on a first come first served basis. A household's income is not used to determine eligibility in the HOME-ARP program. Income is used however, to determine the amount of rent a household pays.

Comment: Due to the great need for affordable rental housing as evidenced in the Plan, will SC Housing make any changes to its policies for grantees? Example: % completion of in-progress SC Housing SDRP and other projects?

Response: Eligibility criteria for HOME-ARP applicants will be determined at a later date and will be posted for comment on the HOME-ARP webpage in the form of a draft application manual prior to releasing the finalized NOFA.

Comment: Due to supply chain issues, construction workforce shortages and inflationary pressures across the state, will SC Housing make exceptions for its policies on % completion of projects (see above), 2-year timeframes for construction "start," etc. (excluding HUD HOME rules and regulations)

Response: Completion benchmarks for awarded HOME-ARP projects will be determined at a later date and will be posted for comment on the HOME-ARP webpage in the form of a draft application manual prior to releasing the finalized NOFA. Benchmarks will be put in place to ensure all HOME-ARP funding is expended by HUD's September 30, 2030 deadline.

Comment: The hearing reported that 31 responses were received for the SC Housing survey. Persons with disabilities frequently require accommodations to access, understand, and respond to online surveys, and other queries about their housing and residential service needs. Please consider accessibility and accommodations for future surveys. The University of South Carolina's Medical Center - Center for Disability Resources - is an excellent resource for designing surveys with accommodations, which often result in more participation by the population with disabilities. Extremely low-income and low-income individuals, including those with disabilities, lack access to computers, internet and wi-fi in order to participate in online surveys, as well. Research indicates that such populations are more likely to participate in surveys posted on social media, using their cell phones. Rural populations are also more likely to respond via such means. The USC Medical Center's Rural Innovations Center is an excellent resource for capturing responses from our rural low-income and disabled residents. The Center has assisted SOS in garnering responses to its needs assessments through listening sessions at rural libraries.

Response: The survey released as part of the initial consultation process was not directed at the general population or expected beneficiaries of HOME-ARP funding. HUD required the initial consultation to be held with agencies and service providers that work with and provide services to those meeting the qualifying population definitions. The survey was sent to 2,166 potential respondents and SC Housing did not receive any requests for accommodations.

Comment: Could you please tell me if the Town of Bluffton or its residents could benefit from these funds.

Response: The proposed eligible activity pending HUD approval will be the production and preservation of affordable rental housing to serve qualified populations (homeless, those at risk of homelessness, those fleeing domestic violence or human trafficking, and other vulnerable populations). Municipalities will be eligible to apply for funding when the program launches, which is anticipated to occur in late summer/early fall 2023.

Comment More than 29,000 persons with disabilities in S.C. are on waiting lists for Medicaid waiver funds for housing and residential services, according to Disability Rights SC. And, according to the University of Minnesota's Institute on Community Integration, about 23,000 persons with disabilities in our state are on no list for housing or services, due to lack of knowledge of services, or their frustration with the size of waiting lists. According to SC Employment First (2020), SC is ranked 6th in the nation for unemployment of adults with disabilities. Therefore, the majority of SC adults with disabilities in our state live on social security, in their family home, with aging caregivers -- at risk of homelessness. Given the base monthly Social Security benefit of roughly \$800, most adults with disabilities in our state cannot afford rent. As caregivers age or pass away, adults with disabilities must wait in hospitals for "crisis placements." About 200 SC residents now await these crisis placements. The population with disabilities in S.C. represents a large extremely low-income population that must be deemed eligible for rental units in approved HOME-ARP projects across our state. Based on the high numbers of adults with disabilities who lack access to employment and Waiver funds, SOS Care urges SC Housing to add the above data to its allocation plan. This population's size and needs also warrant specific mention, as do domestic violence victims and others who were called out in the Plan.

Response: The population as described is anticipated to meet HUD's definition of those At Risk of Homelessness which includes individuals and families with annual incomes below 30% of median family income for the area, as determined by HUD.

Comment: Are individual low-income apartment buildings allowed to apply for funds for rental assistance or other assistance to help their residents?

Response: SC Housing is planning to utilize HOME-ARP funding for the new construction and rehabilitation of affordable rental units. SC Housing will also provide operating assistance for awarded HOME-ARP developments, if financially necessary. Funds will not be used for rental assistance.