

2017

NATIONAL HOUSING TRUST

FUND PROGRAM

RENTAL WORKSHOP

South Carolina Housing Finance and Development Authority
300-C Outlet Pointe Blvd, Columbia, SC 29210

National Housing Trust Fund

The National Housing Trust Fund (NHTF) is a new affordable housing production program that is designed to complement existing federal, state and local efforts to increase and preserve the supply of safe, decent and affordable housing, primarily rental housing, for extremely low-income (ELI) and very low-income (VLI) households, including homeless families.

Introduction & Purpose

- Develop rental units for households at or below 30% AMI or households below the federal poverty line, whichever is greater
- SC's 2016 NHTF Allocation is \$3 million; Anticipate 2017 Allocation of \$3.7 million
- 80% of SC's allocation (minus admin) must be used to develop rental housing
- Can use 10% for homeownership; but will not do so this year

Introduction & Purpose

- If NHTF exceeds \$1 billion nationally, can use 25% of allocation for 50% AMI; \$174 million - 2016, \$219 million - 2017
- Units must be affordable for 30 years
- Preference for electing a longer affordability period, or committed PBRA, or leveraging other funding sources, etc.

General Information

- Anticipated NHTF Schedule
 - Application Deadline - **June 30th, 5 PM**
 - Review July - August
 - Missing Item(s) Letters - early August
 - Construction Costs, Underwriting,
Environmental July - August
 - Conditional Commitments - September

General Information

- Submit an original application in a 3-ring binder utilizing the tabbing system – we have packages of tabs available
- One (1) complete, exact copy – color pictures, tabs, etc.
- One (1) electronic copy – either a CD or a USB drive (thumb drive)

General Information

- Must be self-contained; we can not rely on previously submitted information
- All documentation must be dated January 1, 2017, or after unless specifically stated in the manual
- Nonrefundable \$200 application processing fee is due at application submission in form of a cashier's check made payable to SCSHFDA

General Information

- All additional funding sources must be legally binding commitments at the time of application submittal
- There are environmental provisions that are similar to the HOME regulations, but exclude most consultation procedures (F-37 - Environmental Prov)

Eligible Activities

- NHTF funds are available for site-specific new construction of non-luxury rental housing units. All applications must contain a minimum of 5 units with suitable amenities
- All 5 units do not have to be NHTF-assisted

Eligible Activities

- Land Acquisition - construction must begin within a year of NHTF commitment
- Demolition - demolished and underway within a year of NHTF commitment
- New Construction
- Reconstruction
- Site Improvements
- Operating Reserves

Let's Talk About Operating Reserves

- NHTF can be used to fund up to 6 months of operating reserves for NHTF-assisted units
 - Projected - \$2,000 - \$2,600 for each NHTF-assisted unit per year
 - Ex.: 5 units x 2,600 = 13,000
- 13,000 per year / \$6,500 for 6 months

Let's Talk About Operating Reserves

- § 93.201(e) *Operating cost assistance and operating cost assistance reserves.* For NHTF-assisted units, **for which project-based assistance is not available...** In HUD's words, operating reserves are not available for projects using PBRA.

Eligible Applicants

- An organization, agency, or other entity (including a public housing agency, a for-profit or a nonprofit entity) that receives NHTF assistance as an owner or developer to carry out a NHTF-assisted project. An eligible recipient must:
 - Certify to comply with NHTF

Eligible Applicants

- Demonstrate financial capacity
 - Financial Statements compiled, reviewed or audited by an independent CPA licensed in SC
 - FS must include a balance sheet dated on or after September 30, 2015
 - Must have no less than \$100,000 in unrestricted liquid assets

Eligible Applicants

- Must have a minimum net worth of \$200,000
- Demonstrate understanding of other government funded housing programs
 - 3 full-time, paid, staff members who have successfully completed federal grant housing programs
- Designated Program Administrator

Eligible Applicants

- In Good Standing with all Authority and HUD programs
- Demonstrate experience/capacity to own, construct, manage & operate affordable rental housing
- Last 8 years developed 2 projects with at least 4 units each OR 1 project with at least 8 units

Review Process

- Evaluation Criteria - NHTF program requirements, federal & state law, threshold criteria, and completeness
- Applications with 4 or more missing and/or incomplete items will be DQed
- 3 or less missing/incomplete items submit within 7 business days or DQed
- Sites reviewed by 3rd party consultant

Review Process

- Construction Cost Analysis for cost reasonableness; costs adjusted if recommended by 3rd party consultant
- Applications point scored highest to lowest
- Reviewed for financial feasibility

Review Process

- Projects ranked highest to lowest; highest scoring are awarded until NHTF funds are depleted
- Awards List recommended to Executive Director
- Conditional commitment letters offered

Review Process

- 3 months to submit final plans & specs for review, comment, approval
- If Environmental Provisions have not met the “Standard,” must provide appropriate documentation also
- NHTF Funding Agreements will be offered only after environmental standards are met and final plans & specs are approved

Review Process

- Bulletins will be posted and emailed if there are any changes from this point forward; if you are not on our NHTF email list, please give us your information after this workshop

Threshold Requirements

- Must be in GOOD STANDING with all Authority programs
- A Market Study (13+ units) OR Market Study Needs Assessment (≤ 12 units)
- Appraisal - no older than 6 months
- Site Control - option, sales contract, 50+ year land lease, or warranty deed; F-52 Notice to Seller

Threshold Requirements

- Phase I Environmental Site Assessment (ESA-ASTM) - If RECs, Phase II ESA-ASTM must be provided; this report will satisfy 1 or 2 of the environmental provisions
- Site is already appropriately zoned for the proposed development

Rental Point Criteria

- PBRA - points will be given based on the % of PBRA provided to a project
 - 51%+ of total units are PBRA - **3 pts**
 - 21% - 50% of units are PBRA - **2 pts**
 - Up to 20% of units are PBRA - **1 pt**
- Affordability Period - points for applications voluntarily adding 5 years to the minimum 30 years **2 pts**

Rental Point Criteria

- Leveraging - points will be given for applications that have non-Authority, non-federal committed funding sources
 - 5% - 10 % total other sources - **1 pt**
 - 10% - 20% total other sources - **2 pts**
 - 21%+ total other sources - **3 pts**

Rental Point Criteria

- Site and Neighborhood Characteristics
 - Full service grocery store within 1 mile of the site entry **4 pts**
 - Services located within 2 miles of the site entry: grocery store, drug store, convenience store with gas station, and public park or playground
up to 12 pts

Rental Point Criteria

- **F-6 - Site Distances** spreadsheet
- Negative points for detrimental site characteristics; commercial beef/hog/chicken/turkey farm or processing plant, sewage treatment facility, adult video/ entertainment venue/club **-1 pt for each**

Rental Point Criteria

- Project Readiness
 - Deed in Applicants name **4 pts**
 - Documented water & sewer utility ties within 500 ft. of site **1 or 2 pts**
 - Within identified master plan, revitalization plan, empowerment zone; locality letter **2 pts**
 - NSP land banked parcel **up to 6 pts**

Rental Point Criteria

- Development Design Criteria - All Units
 - 30-year Architectural shingles w/ 30 lbs. class synthetic felt **8 pts**
 - Insulated attic and/or ceiling R-38, walls R-15, crawl space and/or floors R-25 **3 pts**
 - Energy Star rated HVAC systems (15 SEER or greater) **5 pts**

Rental Point Criteria

- Development Design Criteria - All Units
 - Underground utilities **2 pts**
 - Energy Star ceiling fan with light fixture in the living room and all bedrooms. Ceiling fans and light fixtures must connect to separate wall switches **5 pts**

Rental Point Criteria

- Development Design Criteria - All Units
 - Full size Energy Star refrigerator, with ice maker, having a minimum size of eighteen (18) cubic feet **5 pts**
 - Energy Star rated dishwasher - **3 pts**
 - Over the range microwave with **vented fan** **4 pts**

Rental Point Criteria

- Development Design Criteria - All Units
 - Range Queen, Fire Stop, Auto Stop or comparable extinguishing system over the stove **3 pts**
 - Collection and storage of non-hazardous material for recycling - **1 pt**
 - Energy Star rated windows with screens **8 pts**

Rental Point Criteria

- Development Design Criteria - All Units
 - Architect certified landscape plan **2 pts**
 - Toilets with ≤ 1.28 GPF, shower heads at ≤ 1.5 GPM, and bath and kitchen faucets at ≤ 1.5 GPM **2 pts**
 - All exterior door units to be fiberglass with rot proof jambs **-5 pts**

Mandatory Design Criteria

All Project Types

pages 15 - 17 in 2017 NHTF Rental Manual

| # of Bedrooms per Unit | # of Bathrooms per Unit | Minimum Sq. Ft. per Unit |
|------------------------|---|--------------------------|
| 0 Bedroom/Efficiency | One (1) Full | 550 |
| 1 Bedroom | One (1) Full | 750 |
| 2 Bedroom | One (1) Full | 950 |
| 3 Bedroom | One (1) Full & One (1) Three-quarter (3/4) | 1,100 |
| 4 Bedroom | One (1) Full & One (1) Three-quarter (3/4) | 1,250 |

Mandatory Design Criteria

All Single Family and Townhouse Projects

page 17 in 2017 NHTF Rental Manual

Financial Terms & Conditions

- \$2,700,000 in NHTF available
- Maximum award \$700,000
- 30-year forgivable loan
- 30-year repayable loan at 0%
- Secured with a note and mortgage
- Second lien to conventional lender only
- Must cash flow for the entire affordability period - 30 to 35

Financial Terms & Conditions

- Initial DCR fall within 1.20 to 1.45
- Maximum per-unit subsidy limits
 - 0 bedroom - \$125,000
 - 1 bedroom - \$130,000
 - 2 bedroom - \$135,000
 - 3 bedroom - \$140,000
 - 4+ bedroom - \$145,000

NHTF Eligible Costs

- Development Hard Costs
- Demolition
- Site Work - post award
- Acquisition Costs - improved or unimproved real property
- Related Soft Costs
- Operating Reserves

Prohibited Costs

- Delinquent taxes, fees or charges on potential NHTF-assisted properties
- Utility connections - tap fees, lift or pump stations, etc.
- Any cost not eligible under § 93.201 and § 93.202 (page 5225 - Fed Register)

Project Feasibility & Underwriting

- Development Costs - evaluated at initial application and at project completion or Placed in Service (PIS) for necessity and reasonableness.
- Independent 3rd party construction consultant will review all proposed costs
- Reserve right to determine if costs ok

Project Feasibility & Underwriting

- Developer Fees, Developer Overhead and Consultant Fees
- F-35 Construction Cost Addendum
- Minimum Hard Costs
- Contractor Costs
- Hard Construction Costs

Project Feasibility & Underwriting

- Operating Costs
- Vacancy Rate
- Debt Coverage Ratio (DCR)
- Annual Rent & Expense Trends
- Permanent Loan Requirements

Project Feasibility & Underwriting

- Replacement Reserves - \$300 all units
- Operating Reserves - \$2,000-\$2,600
- Chris McMillan (803) 896-9196
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Suggested Additional Funding Sources

- Local PJ HOME funds - cost allocation as well as subsidy layering is a consideration
- LIHTC - may be available in future years
- TEB - must have this funding in place first as commitments must be bonafide
- Federal Home Loan Bank's Affordable Housing Program

Suggested Additional Funding Sources

- CDBG
- Community Loan Banks
- Conventional lenders
- SC Housing Trust Fund (HTF)
 - \$2,100,000 available
 - \$350,000 maximum per project

Suggested Additional Funding Sources

- Available to eligible nonprofits as:
 - 20-year forgivable loan
 - Minimum 20-year to maximum 30-year repayable at 0%
- Available to all other eligible Applicants as:
 - Minimum 20-year to maximum 30-year repayable at 0%

Suggested Additional Funding Sources

- Can designate units as HTF-assisted separately from NHTF-assisted
- All units must be comparable in terms of size, features, & number of bedrooms
- May use up to 80% AMI and rent limits
- Awarded to highest scoring until gone

Regulatory & Programmatic Guidelines

- All NHTF funds are subject to HUD regulations and all other applicable federal and state requirements
- **F-1** - 2017 NHTF Rental Application Tab Checklist provided to assist in submitting a complete application

Property Standards

- Must meet state or local residential and building codes, written standards and specifications developed by the Authority as well as all state and local codes, ordinances, and zoning requirements
- Section 504 - all projects must have a minimum of 5% of total units mobility accessible and another 2% sensory

Property Standards

- Energy Efficiency -2009 International Energy Conservation Code
- Disaster Mitigation - 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

Site & Neighborhood Standards

- New construction proposals - must determine if location is in an area of minority concentration
 - If no, submit QT-P6 report
 - If yes, submit QT-P6 report, and F-4 from appropriate individual with appropriate explanation

Income Targeting

- Households with incomes at or below 30% AMI or the federal poverty line, whichever is greater. In SC, that determination will be dependent upon the county. HUD publishes 30% income limits annually; the federal government computes the federal poverty level annually as well. Those income levels are posted on the Authority's website.

Rent Levels

- Rents plus utilities of ELI tenants shall not exceed the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of the area median income
- Determined annually by HUD and posted on our website; 2017 has not yet been released; 2016 was released in June of last year.

Rent Levels

- Once a year, all completed NHTF projects must submit the F-66 Annual Rent Approval Form to the Authority's Compliance Monitoring Department for review and approval.
- Must be done regardless if rents are going up, down, sideways, stable... it is the law.

Affirmative Marketing

All projects with 5 or more NHTF-assisted units must have an adopted affirmative marketing procedure and requirements. Such requirements must consist of actions to provide information and otherwise attract eligible households in the market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability.

Environmental Provisions

- NHTF projects are subject to the same environmental concerns that HUD-assisted projects (i.e., HOME, CDBG, etc.) are subject to. The main difference is that the NHTF Environmental Provisions are outcome based, and exclude consultation procedures that would be applicable if NHTF project selection was a federal action.

Environmental Provisions

- It should be determined prior to construction if a project will meet the NHTF Environmental Provisions. If a project cannot meet the NHTF Environmental Provisions, the project cannot be funded by NHTF. For example, if a project will impact a wetland, it cannot be funded by NHTF.

Other Regulatory/Programmatic Guidelines

- Fixed and Floating Units - same as HOME
- Tenant Protections
- Prohibited Lease Terms
- Tenant Selection Procedures
- Relocation
- Displacement

Other Regulatory/Programmatic Guidelines

- Construction & Procurement
- Payment & Performance Bond
- Lead-Based Paint
- Section 3
- Monitoring & Compliance
- Terminated Projects
- Stalled Projects

Questions?

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