

SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY

HOUSING ACTION PARTNERSHIPS PROGRAM MANUAL

I. Program Overview

The mission of the South Carolina State Housing Finance and Development Authority (the "Authority") is to create quality affordable housing opportunities for the citizens of South Carolina. We expect the applicants of all programs to follow appropriate environmental practices and requirements as well as to discourage urban sprawl when existing available sites have the necessary infrastructure – utilities, roads, schools, etc. – to be used for development.

The Housing Action Partnerships Program (HAPP) is an Authority funded program designed to provide financing for the development of affordable housing whose financial needs cannot be addressed with other existing Authority programs. At the first Board of Commissioner's meeting at the beginning of each fiscal year (July), the Board of Commissioners will determine whether money is available for the Program. Applications submitted for funding should be able to substantiate that there are unmet housing needs in the area for which the funding is being requested. Examples of unmet housing needs are a lack of available affordable housing in the area or existing housing available in the area that is not habitable and should be demolished and rebuilt as opposed to rehabilitation, or there are special tenant populations in the area for which affordable housing is not available, etc.

HAPP funds are available on a statewide basis and the funds can be used for the development of and/or the preservation of affordable rental housing and homeownership opportunities. Eligible properties are limited to apartments, duplexes, town homes, or single-family houses. Eligible rental activities include new construction, acquisition with substantial rehabilitation, or substantial rehabilitation only. Homeownership activities include down payment and closing cost assistance as well as construction and permanent financing. Developments must be solely for housing. Commercial properties are not eligible to receive HAPP funds. If an applicant is proposing mixed use housing then HAPP funds may only be applied to the low income portion of the development. Market rate housing and beneficiaries over 80% of the area median income are not eligible for HAPP funds.

Eligible applicants are nonprofit organizations (established 501(C)3 or 501(C)4 organizations as recognized by the Internal Revenue Service) and units of local government. All applicants must be in good standing with all other Authority administered programs. Nonprofit applicants applying for HAPP funding must have committed financial support from the local government in the area they are proposing to work in. All applicants must have a dedicated continual source of revenue to support the partnerships program as well as other verifiable financial resources which can be used as match funds with the HAPP award. The revenue stream and financial resources must be available and committed at the time of the HAPP application submission and throughout development completion. HAPP funds will be awarded to all applicants in the form of grants. HAPP funds can be used only for eligible activities as outlined in this manual and no HAPP funds can be used for any type of administrative fees. Priority for HAPP funding will be given to applicants that have not previously received a HAPP award and those applicants that maximize HAPP funds with matching funds. Awards granted may be different from that requested in the application and it is at the sole discretion of the Authority's Board of Commissioners to make

such a determination. All awards to be made will be at the discretion of the Authority's Board of Commissioners. All decisions are final with no recourse for appeals.

Applicants may only be involved with and submit one (1) HAPP application per year. No one applicant is eligible to receive more than \$1 million in HAPP funds per year. Applicants must expend all previously awarded HAPP funds and provide evidence that previous developments are 100% complete prior to submitting another HAPP application.

II. Application Cycle and Fees

Once the Authority's Board of Commissioners determine if funding will be available for the Housing Action Partnerships Program (July of each year) then beginning in August applications for all HAPP activities will be made available. There will be one (1) funding cycle per year for the HAPP program. Applications will be accepted from the beginning of August until the end of September. Exact dates for each year's funding cycle will be posted to the Authority's website.

A nonrefundable application fee of \$1,000.00 is due at the time of application submission. The fee must be certified funds made payable to SC State Housing Finance and Development Authority.

Funding announcements for each year will be made by the end of December.

III. Financial Assistance

Eligible applicants may receive no more than \$1 million in HAPP funds per year. Applicants may apply for homeownership only, rental development only, or a combination of both activities; however, no more than \$1 million dollars will be awarded in total to any applicant regardless of the activity type proposed. Applicants will be awarded HAPP funds in the form of a grant.

HAPP funds awarded to a development may be used only for that specific development. Failure to observe this provision will result in the award being rescinded and may result in the disqualification of the applicant and all other persons or organizations involved in the development from further participation in the Housing Action Partnerships Program as well as other Authority administered programs.

The Authority reserves the right to require a cost certification to be performed by a third party independent certified public accountant in order to determine the expenditures made by the applicant of the HAPP award. Costs associated with hiring a CPA and all associated accounting fees will be charged to the applicant.

IV. Rental Developments

Eligible activities for rental developments include new construction, acquisition with substantial rehabilitation or substantial rehabilitation only. The Authority defines substantial rehabilitation as a minimum of \$10,000.00 in hard construction costs per unit. It is expected that the \$10,000.00 per unit rehabilitation cost is work to be performed on an actual unit and not a combination of unit repairs plus other things such as parking lot repairs, landscape installation, etc. Only developments that do not have Authority administered funds as part of their financing are eligible under this activity.

Rental development sites should promote greater choice in housing opportunities and should avoid an undue concentration of affordable housing in areas already containing a high proportion of low-income persons in affordable housing developments. Sites should be in close proximity to

services such as grocery stores, restaurants, medical services, schools, etc. Sites within close proximity to landfills, junkyards, industrial areas, detention centers, etc. or that contain wetlands have slope or terrain not suitable for development should be avoided. Developments that include mobile homes are not eligible for funding from the Housing Action Partnerships Program.

Eligible developments must provide affordable rental housing for lower income households. Lower income households are defined as households that are at or below 80% of the county median income for household size. A household is a single person, family, or unrelated persons living together whose gross annual income adjusted for household size is at or below 80% of the median income of the area of residence as determined by the US Department of Housing and Urban Development (HUD). The Section 8 definition for calculating incomes will apply. Income verification is required for all households in order to determine if the family is eligible for funding. No HAPP funds may be used for households above 80% of the area median income.

Affordable rental units are housing units that have a restriction on the amount of gross rent that can be charged. Gross rent is calculated based on the number of bedrooms and not the number of family members. Gross rent includes actual rent and a utility allowance. Gross rents may not exceed 80% of the area median income (AMI) gross rent limit as established by HUD. The utility allowance is the estimated monthly expense for utilities, except for telephone and cable television. Utility cost estimates can be obtained from the local Public Housing Authority. The owner must review the maximum monthly rents and utility allowances annually upon the anniversary of the lease renewal and update as necessary. No HAPP funds may be used to fund market rate units.

The affordability period for rental developments is twenty (20) years. Rental developments funded with HAPP funds are required to have full property and hazard insurance on the development for the length of the affordability period. The Authority must be named “loss payee” on the policy. Evidence of insurance coverage must be provided to the Authority.

V. Homeownership

Homeownership activities include down payment and closing cost assistance as well as construction and permanent financing. Only developments that do not have Authority administered funds as part of their financing are eligible to apply.

Homeownership sites should promote greater choice in housing opportunities and should avoid an undue concentration of affordable housing in areas already containing a high proportion of low-income persons in affordable housing developments. Sites should be in close proximity to services such as grocery stores, restaurants, medical services, schools, etc. Sites within close proximity to landfills, junkyards, industrial areas, detention centers, etc. or that contain wetlands have slope or terrain not suitable for development should be avoided. Developments that include mobile homes are not eligible for funding from the Housing Action Partnerships Program. Homes in which any type of commercial business is to be operated from are not eligible.

Homeownership developments must provide affordable homeownership opportunities for low income households. If developing market rate homes as part of the development then HAPP funds can only be used to fund the lower income homes. Homes funded with HAPP funds must be reserved exclusively for use by households at or below 80% of the county median income based on household size. A household is a single person, family, or unrelated persons living together whose gross annual income adjusted for household size is at or below 80% of the median income of the area of residence as determined by HUD. The Section 8 definition for calculating incomes will apply.

If developing subdivisions the applicant should be aware of the market conditions in the area where the development is to be built since the development may not necessarily be representative of the existing market conditions. The type of home to be built as well as the selling price of the home must be taken into consideration in order to ensure that the product being developed will be affordable to the population to be served. House prices should be determined based on a thorough review of the market area.

VI. Application Submission Requirements

1. Complete Application - All pages of the HAPP Application must be completed and the application certification page executed. All required signatures must be originals.

2. Application Fee - A nonrefundable application fee of \$1,000.00 is due at the time of application submission.

3. Entity Information - A list of all persons to be associated with the development either as individuals, nonprofits, units of local governments, partnerships, limited liability companies, corporations, consultants, and/or financial guarantors must be provided. Any identity of interest between any persons associated with the development must be specified on the Authority's Identity of Interest form.

4. Site Information - Each application submitted must be site specific. Each application must accurately identify the development site(s) and submit the following:

- a) Written directions from the Authority to the site(s);
- b) A legal description of the site(s);
- c) A site plat;
- d) Color photographs of the proposed site(s) and a description of the surrounding land uses; and
- e) A map clearly identifying the exact location of the site(s) including the development address.

5. Site Control Documents - At the time of application submission, the applicant must have site control. The applicant must show evidence of site control by having one of the following executed documents:

- a) The Applicant holds title to the property on which the development will be constructed by a properly executed and recorded Deed; or
- b) The Applicant has an executed purchase option (the Authority will not accept options on other options) with date certain performance; or
- c) The Applicant has an executed purchase contract with date certain performance.

6. Development Plans and/or Specifications – For new construction developments preliminary plans must be submitted. Plans should include the front, rear and side elevations of the buildings as well as detailed unit floor plans for each bedroom size. All required plans should be presented in a format that will fit in a 3-ring binder, neatly folded if necessary, and utilize a scale in which one (1) inch equals 100 feet or less. For rehabilitation developments a copy of work write up specifications must be submitted.

7. Financial Commitments – Financial commitments must be provided at the time of application submission as follows:

- a) Construction and permanent lender(s) commitments that specify all terms and conditions of their funding.
- b) Financial commitment and a support letter from the unit of local government.

- c) Verifiable documentation regarding the dedicated continual source of revenue.
- d) Verifiable documentation and/or commitment letter(s) regarding funds to be used as matching funds.

VII. Application Evaluations and Approvals

Authority staff will review initial applications for completeness. A compilation of all applications submitted for funding will be provided to the Authority's Board of Commissioners for review and evaluation. The Authority's Board of Commissioners will make the determination if each application submitted meets the criteria for the Housing Action Partnerships Program as outlined in this manual. Determinations as to funding are at the sole discretion of the Authority's Board of Commissioners. Notification of funding awards will be forwarded directly to the applicant once a final decision has been made. A final award list will be posted to the HAPP webpage on the Authority's website.

VIII. Other Program Requirements

All units in a development must meet or exceed minimum code standards in jurisdictions having such codes or meet HUD's Uniform Physical Conditions Standards in jurisdictions that have not adopted a minimum housing code. All contractors performing work on developments must be licensed. Work must be completed pursuant to the plans and specifications submitted with the initial HAPP application. Materials used for construction or rehabilitation must be new. All units, during the course of construction, must be inspected and certified by the local building inspector, licensed architect, engineer, or other qualified inspector. The Authority, as necessary, will conduct initial, construction, and final inspections on all developments. Upon completion of the development all units must be inspected and a certificate of occupancy issued by the local jurisdiction for the unit and/or entire development.

Applicants receiving HAPP awards must be bonded for the full amount of the HAPP award and provide evidence of such to the Authority.

HAPP funds awarded to applicants must commit all HAPP funds within two (2) years of award notification. All developments must be completed within the specified time frames outlined in the Grant Agreement which is a binding document executed between the applicant and the Authority. HAPP funds are subject to recapture by the Authority if the development is not completed as proposed and/or completed within specified time frames. The Authority will require the applicant to file quarterly reports and provide all other related information as requested by the Authority in order to determine that the development is progressing and adhering to the established time frames.

Applicants must certify that all information furnished in support of an application is true and complete and that the activities proposed in the application can be completed and operated as proposed to the Authority.

The Authority may conduct its own independent review and analysis of the documentation provided by an applicant for its own protection and may, in its sole discretion, require additional information or make adjustments in required documentation. In determining and establishing the amount, terms, and conditions of a HAPP award, the Authority may request or require adjustments or changes in the information submitted in connection with an application.

A Funding Agreement and/or other documents deemed necessary by the Authority must be signed by the applicant in order to receive HAPP funds. Failure of the applicant to abide by the

HAPP program requirements will result in the recapture of all HAPP award proceeds and the disqualification of the applicant and all other persons or organizations involved in and associated with the development from further participation in all Authority administered programs for a period of time to be determined solely by the Authority. If HAPP funds subject to recapture are not repaid when requested, the Authority will take the necessary legal action to recover the funds.

In order to receive a HAPP award the applicant must be in compliance with all Authority administered programs in which it does and/or has participated. The applicant nor any of its officers, principals, advisors, consultants, or any other member(s) of its development team must not presently be nor within the past five years have been debarred from participation in any federal program, to include, but not limited to, U.S. Housing and Urban Development, the Internal Revenue Service, and U.S. Department of Agriculture. The applicant can not be delinquent in any financial obligation that it owes the Authority.

Falsification of any of the statements and/or documentation, regardless of when discovered, made in an application or in the attachments provided with the application will result in the cancellation of the HAPP award.