



## SOUTH DAKOTA HOUSING **OPPORTUNITY** FUND

### **2022-2023 HOF Allocation Plan**

**As Approved by the SDHDA Board of Commissioners  
April 19, 2022**

Applications Due:  
August 31, 2022; August 31, 2023  
5:00 p.m. Central Time



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Table of Contents

I. PURPOSE.....	1
<b>DEVELOPMENT OF RENTAL AND HOMEOWNERSHIP HOUSING .....</b>	<b>1</b>
II. POLICIES AND PROCEDURES .....	1
A. THE PLAN.....	1
1. Distribution of Funds .....	1
2. Application Cycle(s) and Deadlines .....	2
3. Limitations .....	2
4. Types of Financing .....	2
5. Term of Financing .....	3
6. Leveraging/Match Requirement.....	3
7. Eligibility .....	3
8. Disclaimers.....	3
B. AMENDMENTS TO THE PLAN .....	4
III. GENERAL REQUIREMENTS.....	4
A. ELIGIBLE ACTIVITIES.....	4
1. Rental Housing.....	4
a. Occupancy Requirements.....	4
b. HOF Rents .....	5
c. Subsequent Rent Schedule, Utility Allowances, and Rent Adjustments.....	5
d. Mixed Income Project.....	5
e. Mixed Use Project .....	5
f. Public Housing Notification .....	5
g. Annual Owner Certifications.....	6
h. Tenant Protections .....	6
2. Homeownership .....	6
a. Homebuyer Qualifications .....	6
b. Selling Price .....	6
c. Homebuyer Recapture / Resale Guidelines.....	7
d. Lease-Purchase .....	7
B. PERIOD OF AFFORDABILITY .....	8
C. TENANT RELOCATION AND DISPLACEMENT.....	8
D. GUARANTEES.....	8
IV. FUNDING PROCESS.....	9
A. APPLICATION STAGE .....	9
1. Project Finance Limits.....	9
2. Financial Feasibility.....	9
3. Reserve Accounts .....	10
a. Taxes and Insurance.....	10
b. Replacement .....	10
c. Operating.....	10
d. Transfer of ownership .....	10
4. Determination of HOF Amount.....	10
B. CONDITIONAL COMMITMENT STAGE .....	11
C. DISBURSEMENT OF HOF FUNDS.....	11
1. Loan Documentation .....	11
2. Project/Construction Start .....	11
3. Draws .....	11
4. Cost Certification.....	12
5. Loan Repayment.....	12
6. Recapture of HOF Funds .....	12
V. PROJECT SCORING FOR HOUSING DEVELOPMENT .....	12

A.	LOCAL HOUSING NEED (MAXIMUM 100 POINTS)	12
B.	INCOME TARGETING (MAXIMUM 100 POINTS)	12
C.	EXTENDED USE COMMITMENT (MAXIMUM 10 POINTS)	13
D.	FINANCIAL SUPPORT FROM LOCAL SOURCES (MAXIMUM 25 POINTS)	13
E.	SERVICE ENRICHED HOUSING (MAXIMUM 20 POINTS)	13
F.	PERCENTAGE OF SOFT COSTS USED FOR PROJECT COSTS (MAXIMUM 40 POINTS)	14
G.	READINESS TO PROCEED CRITERIA	14
1.	Plans and Specifications (Maximum 25 Points)	15
2.	Site Control (Maximum 25 Points)	15
3.	Construction Financing (Maximum 30 Points)	15
4.	Permanent Financing (Maximum 30 Points)	15
5.	Zoning (Maximum 10 Points)	15
6.	Platting (Maximum 10 Points)	15
H.	PROJECT CHARACTERISTICS – Exhibit 4 (MAXIMUM 200 POINTS)	15
I.	FINANCING TYPE (MAXIMUM 25 POINTS)	16
VI.	<b>OTHER REQUIREMENTS</b>	16
A.	FAIR HOUSING AND EQUAL OPPORTUNITY	16
B.	LEAD-BASED PAINT	16
C.	CONFLICTS OF INTEREST	16
D.	DEBARMENT AND SUSPENSION	16
E.	HISTORIC PROPERTIES	17
F.	FLOOD INSURANCE	17
VII.	<b>MONITORING FOR COMPLIANCE</b>	17
VIII.	<b>DEFINITIONS</b>	17
	<b>EXHIBIT 1 REQUIRED SUBMISSIONS FOR COMPLETE APPLICATION</b>	<b>19</b>
	<b>EXHIBIT 2 LOCAL HOUSING NEED REQUIREMENTS</b>	<b>22</b>
	<b>EXHIBIT 3 HOF RENTAL OR HOMEOWNERSHIP DEVELOPMENT APPLICATION CHECKLIST</b>	<b>24</b>
	<b>EXHIBIT 4 MULTIFAMILY PROJECT CHARACTERISTICS</b>	<b>25</b>
	<b>EXHIBIT 4 SINGLE FAMILY PROJECT CHARACTERISTICS</b>	<b>31</b>
	<b>EXHIBIT 5 HOF RENTAL OR HOMEOWNERSHIP DEVELOPMENT SELF SCORING WORKSHEET</b>	<b>36</b>
	<b>EXHIBIT 6 CONSTRUCTION STANDARDS</b>	<b>37</b>
	<b>HOF PROGRAMS</b>	<b>39</b>
I.	<b>POLICIES AND PROCEDURES</b>	39
1.	Distribution of Funds	39
2.	Application Cycle(s) and Deadlines	39
3.	Limitations	40
4.	Types of Financing	40
5.	Term of Financing	40
6.	Leveraging/Match Requirement	40
7.	Eligibility	40
8.	Disclaimers	41
A.	AMENDMENTS TO THE PLAN	41
II.	<b>GENERAL REQUIREMENTS</b>	41
A.	ELIGIBLE PROGRAMS	41
1.	Homebuyer Assistance	41
2.	Homeowner Rehabilitation	41
3.	Homelessness Prevention	41
B.	PERIOD OF AFFORDABILITY	42

<i>III. FUNDING PROCESS</i> .....	42
A. APPLICATION STAGE .....	42
B. CONDITIONAL COMMITMENT STAGE .....	42
C. DISBURSEMENT OF FUNDS .....	43
1. Loan Documentation .....	43
2. Program Start .....	43
3. Draws .....	43
4. Loan Repayment .....	43
5. Recapture of HOF Funds .....	43
<i>IV. SCORING CRITERIA FOR HOF PROGRAMS</i> .....	43
A. PROGRAM DEMAND (MAXIMUM 100 POINTS).....	44
B. INCOME TARGETING (MAXIMUM 100 POINTS) .....	44
C. SUPPORT FROM LOCAL SOURCES (MAXIMUM 25 POINTS) .....	44
D. PROGRAM POLICY AND PROCEDURE MANUAL (MAXIMUM 30 POINTS) .....	44
E. MATCHING FUNDS (MAXIMUM 30 POINTS) .....	44
F. FINANCING TYPE (MAXIMUM 25 POINTS).....	44
G. PARTNERING WITH OTHER AGENCIES (MAXIMUM 30 POINTS).....	45
<i>V. OTHER REQUIREMENTS</i> .....	45
A. FAIR HOUSING AND EQUAL OPPORTUNITY .....	45
B. LEAD-BASED PAINT .....	45
C. CONFLICTS OF INTEREST .....	45
D. DEBARMENT AND SUSPENSION .....	45
E. HISTORIC PROPERTIES.....	46
F. FLOOD INSURANCE.....	46
<i>VI. MONITORING FOR COMPLIANCE</i> .....	46
<i>VII. DEFINITIONS</i> .....	46
<b>EXHIBIT 1 REQUIRED SUBMISSIONS FOR COMPLETE PROGRAM APPLICATION .....</b>	<b>48</b>
<b>EXHIBIT 2 HOF PROGRAM APPLICATION CHECKLIST .....</b>	<b>49</b>
<b>EXHIBIT 3 HOF PROGRAM SELF-SCORING WORKSHEET .....</b>	<b>50</b>
<b>EXHIBIT 4 HOMEBUYER ASSISTANCE .....</b>	<b>51</b>
<b>EXHIBIT 5 HOMEOWNER REHABILITATION .....</b>	<b>53</b>
<b>EXHIBIT 6 HOMELESSNESS PREVENTION .....</b>	<b>54</b>

# **SOUTH DAKOTA HOUSING OPPORTUNITY FUND 2020-2021 ALLOCATION PLAN**

## **I. PURPOSE**

The South Dakota Housing Opportunity Fund (HOF) is designed to promote economic development in South Dakota by expanding the supply of decent, safe, sanitary, and affordable housing for families and individuals in South Dakota.

South Dakota Housing Development Authority (SDHDA) and the SDHDA Board of Commissioners (SDHDA Board) are responsible for the administration of HOF in accordance with SDCL 11-13. This Plan provides a system for allocation of HOF funds and HOF program income.

HOF funds are intended for the development of rental or homeownership housing, the administration of down payment assistance and homeowner rehab programs, homelessness prevention activities, and infrastructure financing.

This Allocation Plan is compartmentalized into three components:

1. Development of Rental and Homeownership Housing – pages 1-38
2. HOF Programs – pages 39-55
3. Infrastructure Financing – pages 56-57

## **DEVELOPMENT OF RENTAL AND HOMEOWNERSHIP HOUSING**

### **II. POLICIES AND PROCEDURES**

#### **A. THE PLAN**

##### **1. Distribution of Funds**

SDHDA will distribute HOF funds geographically throughout the State taking into consideration the following HOF distribution formula:

Municipalities with a population of	
50,000 or more	30 percent
Other areas of the State	70 percent

Ten percent of the HOF funds may be utilized for administrative expenses incurred by SDHDA and eligible Applicants applying for HOF for programs as outlined in Section III.B. The remaining funds will be distributed per the eligible activity as follows:

Housing Development	75 percent
Programs	25 percent

If the approved applications for any area or activity are less than the percentages above, the remaining amount may be made available for qualified applications from the other geographical area or activity.

If less than one million dollars is appropriated for any single HOF Application Cycle, the Housing Development and Program set asides will be eliminated and SDHDA may in its discretion limit the eligible activities for which applications will be accepted.

## **2. Application Cycle(s) and Deadlines**

Applications for housing development will be awarded on a first come, first serve basis with applications accepted January 1st through May 31st for rental housing and homeownership development. Applications accepted during this time frame, will follow the allocation plan guidelines as of January 1st of the application year. Any changes to the allocation plan will take effect during the August, 2022 application cycle, which is a competitive cycle. with applications due August 31st, 2022 / 2023. Applications received will be scored in accordance with Section V of this plan to ensure feasible and desirable projects are awarded funds. Housing development projects must score a minimum of 300 points to be considered for funding.

Applications for Programs will be accepted annually, with 2022 applications due August 31st 2022, and 2023 applications due July 31st, 2023. Applications received will be scored in accordance with Section V of this plan to ensure feasible and desirable projects are awarded funds. Program applications must score a minimum of 100 points to be considered for funding. However, if after the August 2022 / 2023 application cycle, HOF funds remain unallocated or additional HOF funds become available, SDHDA may hold another application cycle or accept eligible applications on a first-come, first-serve basis. If SDHDA holds another application cycle (instead of accepting applications on a first-come, first-serve basis), SDHDA will provide an announcement of the additional cycle. Please refer to SDHDA's website at [www.sdhda.org](http://www.sdhda.org) for availability of funds.

Applicants are encouraged to submit the online application that can be found on the SDHDA website. Completed applications (refer to Exhibit 1) must be electronically submitted or delivered (via U.S. Postal Service, private mailing service, or hand delivered) to SDHDA by 5:00 p.m. Central Time on the applicable due date. Applications via facsimile will NOT be accepted.

## **3. Limitations**

Taking into consideration the eligible activities for HOF, those being housing development and programs, no more than 25 percent of the annual available HOF funds may be awarded to any one developer/sponsor/owner and no more than 50 percent of a development's total project costs or program budget can be financed by HOF, unless a waiver is granted by SDHDA Board of Commissioners. For calculation of the developer/sponsor/owner limitation, all of the developer/sponsor/owner's applications, regardless of type of activity or project, will be combined for the calculation.

## **4. Types of Financing**

HOF funds may be requested as a loan or as a forgivable loan. HOF funds may also be used as a guaranty for other funding sources. If applicants are requesting HOF funds as a forgivable loan, the applicant must demonstrate the need for the funds as a forgivable loan. Consideration must be given to the AML being served.

## 5. Term of Financing

HOF funds must be expended and disbursed within two years of the date of the Conditional Loan Commitment or the Subrecipient Written Agreement. Any HOF funds not disbursed by the due date may be de-obligated by SDHDA and returned to the available HOF allocation for the next application cycle.

## 6. Leveraging/Match Requirement

HOF funds can be used to finance up to 50 percent of the project program costs, with the remaining 50 percent being leveraged funds (or match). The leveraging of funds can be satisfied in a variety of ways such as funds provided as a loan or grant, donations (monetary or in-kind), etc. Funds used for leverage must be necessary for the development of the project.

Sources of leverage must be identified within the application and documentation of such will be required prior to closing of the loan and disbursement of HOF funds.

If applicants are unable to meet the requirement of 50 percent leveraged funds (match) applicants may request a waiver from the SDHDA Board of Commissioners. Thorough documentation of the reason for the waiver will be required at time of application.

If HOF is utilized with another funding source offered by a city, the state, a federal, or SDHDA program, Applicant will be required to follow the most restrictive requirements.

## 7. Eligibility

**Eligible Projects.** HOF funds may be used for new construction, acquisition and rehabilitation of rental housing, the purchase of homeownership housing, substantial or moderate rehabilitation of rental or homeownership housing, housing preservation, including home repair and rehabilitating homes to make them accessible to individuals with disabilities, homelessness prevention activities, and community land trusts. Housing developments previously receiving HOF funds will not be considered as an eligible project until such time the initial affordability period or the extended use period has been met.

**Eligible Applicants.** Any for-profit entity, nonprofit entity, tribal government, housing authority, political subdivision of this state or agency of such subdivision, or agency of this state is eligible to apply for funding. No individuals may apply for funding directly unless authorized by SDHDA.

**Eligible Households.** HOF funds shall be targeted to serve low to moderate income households with a maximum income at or below one hundred fifteen percent (115%) of the county area median income (AMI) or state area median income (AMI), whichever is higher, based on the U.S. Department of Housing and Urban Development (HUD) criteria.

Applicants may further define eligibility within their particular project.

## 8. Disclaimers

Regardless of ranking under the project selection criteria, SDHDA reserves the right to allocate HOF funds to any application if SDHDA determines in its sole discretion that such allocation furthers the HOF objectives. SDHDA reserves the right to deny HOF funds for any application that SDHDA determines in its sole discretion does not further the HOF objectives.



With respect to housing development projects, SDHDA assumes no responsibility to make inspections during construction and/or rehabilitation and assumes no liability for construction quality or code compliance. SDHDA may do periodic on-site inspections to review the scope and progress of the project. The local building official will be required to approve both the proposed project and completed work.

SDHDA reserves the right to exchange information with other city, state and federal agencies and with other parties as deemed appropriate. By submitting an application for HOF funds, the Applicant is acknowledging and agreeing to this exchange of information.

## **B. AMENDMENTS TO THE PLAN**

This Plan may be amended for substantive changes by SDHDA at any time following public notice and public meeting. This Plan may be amended by SDHDA for non-substantive changes, including to comply with state law, clarify matters, or cure ambiguities, at any time, and such amendments will be fully effective and incorporated herein upon the SDHDA Board's adoption of such amendments, without public notice and comment.

## **III. GENERAL REQUIREMENTS**

### **A. ELIGIBLE ACTIVITIES**

Activities allowed under HOF include:

#### **1. Rental Housing**

New construction, acquisition, rehabilitation, or conversion of a building for rental housing (permanent or transitional) are eligible activities.

Eligible costs include land and/or building acquisition, rehabilitation, demolition of existing structures, improvements to the project site that are comparable with the surrounding projects, and utility connections including off-site connections from the property line to the adjacent street.

Improvements to the project site may include on-site roads and sewer and water lines necessary for the development of the project. The project site consists only of that property owned by the project owner and upon which the project is located. The development must meet the applicable local and state building codes and acquisition costs cannot exceed the appraised market value of the property.

Housing provided for homelessness prevention will be considered as housing development. HOF may be requested for new construction, acquisition, and/or rehabilitation of a shelter or transitional housing.

Additional requirements for new construction and rehabilitation/conversion activities can be found in Exhibit 4 for both multi-family housing and single family housing.

#### **a. Occupancy Requirements**

During the affordability period, the HOF assisted rental housing units must be set aside for households at or below 115 percent Area Median Income (AMI) or further restricted to the

AMI indicated in the application. The required AMI test must be met at initial occupancy and data evidencing compliance must be reported to SDHDA annually (Owner's Certification). When HOF units become available for rent, the new household must also meet the occupancy requirements.

For purposes of meeting affordable housing requirements for a project, the dwelling units specified as HOF units may be changed over the affordability period, so long as the total number of HOF units remains the same, and the substituted units are, at a minimum, comparable in terms of size, features, and number of bedrooms to the originally designated HOF units.

**b. HOF Rents**

Every HOF assisted rental unit is subject to rent limitations (HOF Rents) designed to ensure that rents are affordable to the respective tenants being served. HOF Rents cannot exceed the calculated rent of 30 percent of the adjusted income for the AMI being served by the proposed project, based on bedroom size.

Rents must include allowances for utilities and services (excluding telephone, cable, and internet). Applicants are encouraged to utilize the allowances established by the local Public Housing Authority or calculate their own allowances based on documentation from service providers.

**c. Subsequent Rent Schedule, Utility Allowances, and Rent Adjustments**

SDHDA has the right to review all rent schedules and utility allowances. Any rent adjustments are required to have SDHDA approval prior to implementation. Utility allowance analysis must be completed annually by the site manager and submitted to SDHDA for review and any adjustments approved by SDHDA.

**d. Mixed Income Project**

All HOF funds used in conjunction with a mixed-income project must be used solely for the benefit of the HOF units in the project. Each building in a project must include HOF units. Common area costs will be prorated between the number of HOF units and the number of other units.

**e. Mixed Use Project**

A building that is designed in part for other than residential housing may qualify as affordable housing under the HOF program if such housing meets the rent limitations in the Occupancy Requirements and HOF Rents sections. The laundry or community facilities that a project contains for the exclusive use of the project residents and their guests are considered residential use. Costs for common areas shared by both residential and commercial tenants will be prorated. Each building in a project must contain residential living space.

Commercial buildings that are rehabilitated for rental use, are eligible for funding under the HOF Program. Adequate off-street parking must be provided.

**f. Public Housing Notification**

At the time of application, all Applicants proposing the use of HOF funds for rental housing must notify local public housing agencies of the proposed project.

### **g. Annual Owner Certifications**

Annual re-certification of existing rents will be required;

### **h. Tenant Protections**

The lease between a tenant and the owner of rental housing assisted with HOF funds must be for at least one year, unless by mutual consent the tenant and the owner agree to a shorter term, and may not contain any prohibited lease terms as established by SDHDA. Tenant selection and termination of any tenancy are also subject to SDHDA standards and requirements.

## **2. Homeownership**

Funds may be used for new construction, or acquisition with rehabilitation of single-family housing units. Funds may also be used for the development of affordable lots in housing subdivisions if construction of single-family housing units will begin within 12 months of land purchase. The Applicant will have six months from the date of the Conditional Loan Commitment to begin construction on the proposed project. Land banking - the acquisition and holding of land for future use - is prohibited.

Eligible costs include land and/or building acquisition with rehabilitation, demolition of existing structures, improvements to the project site that are comparable with the surrounding projects, and utility connections including off-site connections from the property line to the adjacent street.

Improvements to the project site may include on-site roads and sewer and water lines necessary to the development of the project. The project site consists only of that property owned by the project owner and upon which the project is located. The development must meet the applicable local and state building codes, and acquisition costs cannot, without prior SDHDA approval, exceed the appraised market value of the property.

Funds may also be used to provide development subsidy to homeownership projects which have appraisal gaps. Appraisal gap is defined as the difference between the cost to develop a unit and the appraised value of said unit. The maximum amount of subsidy per unit is \$20,000. Any HOF unit utilizing development subsidy must remain affordable for a 10-year period of affordability. SDHDA will place a covenant on the property to ensure the period of affordability is met.

Additional requirements for construction standards and requirements can be found in Exhibit 6.

### **a. Homebuyer Qualifications**

The homebuyer must utilize the HOF assisted residence as his or her principal residence.

All homebuyers on the mortgage must participate in homebuyer education, and if warranted, homebuyer counseling and credit counseling.

### **b. Selling Price**

The selling price of the home shall not exceed the appraised value. For homebuyer activities involving acquisition and rehabilitation, the estimated total cost of the acquisition and rehabilitation, shall not exceed the appraised value.

Applicants are to carefully consider the AMI being targeted and develop housing accordingly. SDHDA may reject proposals if the anticipated resale cost of the home is not reasonable for the AMI being served. To help make this determination, the Applicant must consider the percentage of the homebuyer's income that can be used to pay the principal, interest, taxes, and insurance (PITI). Typically, this is equivalent to PITI being 30 percent or less of the homebuyer's family income.

### **c. Homebuyer Recapture / Resale Guidelines**

If the property is sold during the HOF program affordability period, the initial and subsequent owner of the property is entitled to receive a fair return on investment. Fair return on investment shall be defined as a sale price no greater than the increase or decrease in the value of the property based on the Federal Housing Finance Agency's House Price Index (HPI) and any capital improvements made to the property. Any increase or decrease in the HPI during the time the owner owns the home shall be added or subtracted from the original sales price at the time of the initial or subsequent sale. SDHDA will use the calculator at <https://www.fhfa.gov/DataTools/Tools/Pages/HPI-Calculator.aspx> to determine the maximum allowable sale price for a subsequent purchase. Refer to the SDHDA Homebuyer Assistance Policy & Procedure Manual which can be found on the SDHDA website.

If the initial homebuyer sells the HOF financed home prior to the end of the affordability period as defined in Section III.B., SDHDA will recapture the lesser of the SDHDA calculated amount or net sale proceeds. Net proceeds of a sale are the sales price minus non-HOF loan repayments for prior lien mortgages and any closing costs.

The SDHDA calculated amount will be determined by either the program parameters as established by the Applicant, or no less than the current HOF balance. HOF provided as a forgivable loan can be forgiven on an annual basis as the household meets program requirements, based on no less than a 60-month term.

### **d. Lease-Purchase**

Applicants may provide homeownership through a lease-purchase housing option. The homebuyer must purchase the housing within 36 months of signing the lease-purchase agreement. If at the end of the 36-month period, the household occupying the lease-purchase unit is not eligible or able to purchase the unit, SDHDA may allow an additional six months to identify an eligible homebuyer to purchase the unit. In all cases, if the unit is not purchased by the end of the 42-month project completion period, it must turn into a HOF rental unit and the HOF affordability requirements for rental housing will apply. The housing unit may revert back to homeownership at a future date with approval by SDHDA.

The homebuyer must qualify at 115% AMI at the time the lease-purchase agreement is signed. A qualifying homebuyer may choose to purchase the unit immediately or may lease the unit for up to 36 months while preparing for homeownership. A minimum of five percent of the unit's predetermined purchase price must be set aside to assist with downpayment and closing costs. If the homebuyer violates the purchase contract for any reason, the homebuyer forfeits the downpayment set aside. The Applicant may then select another HOF qualified homebuyer to continue the lease. The new homebuyer will receive any downpayment set aside remaining after necessary repairs are made.

## B. PERIOD OF AFFORDABILITY

In consideration of providing HOF for affordable housing, the housing must be kept in compliance and restricted by HOF guidelines for the minimum affordability period specified below, or for the term of the HOF financing, whichever is longer. Additional information regarding SDHDA's monitoring for compliance can be found in Section VII of this Plan.

Activity	Years of Affordability			
	5	10	15	20
<b>New Construction or Reconstruction of Rental Housing with HOF funds invested per HOF unit as follows:</b>				
Under \$50,000		X		
\$50,000 to \$100,000			X	
Over \$100,000				X
<b>Rental Housing (Rehabilitation or Acquisition of existing housing) with HOF funds invested per HOF unit as follows:</b>				
Under \$50,000	X			
\$50,000 to \$100,000		X		
Over \$100,000			X	
<b>Homeownership Projects</b>				
Under \$15,000	X			
Over \$15,000		X		
<b>Homebuyer Assistance on New Construction</b>				
Under \$15,000	X			
Over \$15,000		X		

## C. TENANT RELOCATION AND DISPLACEMENT

SDHDA typically will not allow permanent displacement of current residents of any project funded with HOF funds. If Applicant is proposing displacement of current residents, Applicant is encouraged to contact SDHDA early on to discuss the situation.

## D. GUARANTEES

SDHDA will require guarantees from the underlying corporate and individual owners of the general partner(s) of the Developer, the individual owners of any "shell entities" with an ownership interest in the Developer or in the Developers general partner(s), and from any guarantors required by other financing sources investing in the project. A guarantee of completion will ensure that the Developer will construct and complete the project. A guarantee of performance will ensure that the project will operate in compliance with all applicable federal, state, and local laws and regulations. A guarantee of reserves will ensure that annual deposits will be made to a replacement reserve account in the amount specified in the loan documents.

## IV. FUNDING PROCESS

Requests for HOF funds are considered in a two-step process: Application and Conditional Commitment. No new construction, acquisition, or rehabilitation activities may begin until a start order has been issued by SDHDA.

SDHDA reserves the right to not process any application that SDHDA determines is not: (1) complete; (2) consistent with the purposes and goals of this Plan; (3) proposing an eligible activity; or (4) financially feasible.

### A. APPLICATION STAGE

The Applicant must submit a complete application and all documentation referenced in Exhibit 1. Applications will be evaluated according to the following standards.

#### 1. Project Finance Limits

To ensure efficient use of HOF for development of housing units, SDHDA will review the proposed project costs including: land, site improvements (including existing buildings), construction or rehabilitation costs, fees (architectural, legal, consulting, etc.), developer's and/or builder's profit, financing and carrying charges, and all other related soft costs.

SDHDA reserves the right to reject any application that it determines, in its sole discretion, to have excessive total project costs.

Applicants must take into consideration the marketability of the proposed housing units. A component of marketability is residential unit living square footage. SDHDA has established the following residential unit living minimum square footage (sq. ft.) requirements:

- Group Home – 130 sq. ft. (per bedroom)
- Single Room Occupancy (SRO) – 300 sq. ft.
- 0-bedroom (efficiency) – 400 sq. ft.
- 1-bedroom – 500 sq. ft.
- 2-bedroom – 650 sq. ft.
- 3-bedroom – 800 sq. ft.
- 4 bedroom – 950 sq. ft.

Acquisition and rehabilitation projects are not subject to the above minimum square footage requirements. SDHDA may waive the minimum square footage requirements, but only when it is justified as being reasonable based on the needs of the tenants being served.

#### 2. Financial Feasibility

Feasibility of all applications will be reviewed. For rental development, the long-term financial feasibility must be demonstrated with the submission of a pro forma, reflecting a debt service coverage ratio of not less than 1.20 for the entire affordability period or the term of the loan, whichever is longer. The debt coverage ratio is the net operating income to the total annual debt service. Furthermore, the application must reflect that rental income, any subsidies and reserve funds are sufficient to cover the property's debt and operating expenses over the period of affordability. Annually, income will be trended at two percent (2%), expenses and replacement reserves will be trended at three percent (3%), and vacancy will be projected at

seven percent (7%). A higher vacancy rate may be used for an acquisition/rehabilitation project if the project is currently sustaining higher vacancies and it is not reasonable to expect the project to achieve a seven percent vacancy rate within the first year. Balloon loan repayments will not be allowed.

### **3. Reserve Accounts**

To protect financial feasibility, the owner will be required to establish and maintain proper reserve accounts which may be held in escrow by SDHDA. If an existing property does not have established reserve accounts, the Applicant must provide notice to SDHDA at time of application in order to determine how to sustain long-term feasibility.

#### **a. Taxes and Insurance**

Escrowed at levels estimated to meet projected expenses.

#### **b. Replacement**

Minimum of \$400 per unit, per year, must be initially funded and maintained for the full term of the HOF period of affordability and extended use period or while the SDHDA HOF loan is outstanding, whichever is longer. If not all major systems are replaced or repaired in a rehabilitation project, sufficient reserves must be established to allow for replacement of such components if the normal life span would require such replacement prior to the end of the affordability period and extended use period.

#### **c. Operating**

Minimum of six months operating reserve from a non-HOF funds source to be used only to pay debt service and operating expenses to prevent an event of default. This account must be maintained for the full term of the HOF period of affordability and extended use period or while the SDHDA HOF loan is outstanding, whichever is longer. An Irrevocable Letter of Credit will also satisfy this requirement.

#### **d. Transfer of ownership**

Must be approved by SDHDA. At such time SDHDA is reviewing the request for transfer of ownership, SDHDA may negotiate with existing owner regarding the dollar amount that must be maintained in the operating reserve account, taking into consideration, but not limited to, the physical condition of the development, demand in the housing market, and experience of the proposed owner.

### **4. Determination of HOF Amount**

HOF funds are intended to be used as gap financing to make a project financially feasible and may be provided as a loan or as a forgivable loan. The difference between total project costs and total available financing resources (including owner equity requirements) is referred to as the gap. If HOF funding is in the form of a loan, the payback schedule and interest rate, which will be from zero to four percent, will be determined based on the project's feasibility. Based on this evaluation, SDHDA will estimate the amount of HOF funds to be reserved for each application. The analysis to determine the necessary amount of HOF funds will be done at the time of application, at the time a conditional commitment is approved, and at the time the project is placed in service, provided all project costs are finalized and certified. Current rents, along with any anticipated changes in operating expenses, will be utilized at each underwriting stage.

## **B. CONDITIONAL COMMITMENT STAGE**

Upon notification of a conditional commitment from the SDHDA Board, SDHDA will issue a Conditional Loan Commitment to the Applicant outlining the terms and conditions of the HOF funding. The applicants will be required to accept the Conditional Loan Commitment by returning the signed letter within 30 days of board approval. Failure to accept the Conditional Loan Commitment may result, in SDHDA's sole discretion, in a forfeiture of the HOF Award.

Applicants will be required to provide additional information and documentation as outlined in Exhibit 1. The Applicant will have six months from the date of the agreements to provide the necessary documents, close the HOF loan and begin construction or rehabilitation on the proposed project. Failure to start within this timeframe may result, in SDHDA's sole discretion, in a forfeiture of HOF funds.

Changes to Project. The award of HOF funds is based upon information provided in the application and supporting documentation. Any significant change in an application, once it has been ranked and awarded HOF funds, may result, in SDHDA's sole discretion, in a forfeiture of HOF funds. A significant change may include, but is not limited to, any reduction in the number of bedrooms per unit or square footage of the units, decrease in number of total units, change in financial feasibility, income being served, project amenities, location, services being offered or any change that, had it been in the original project, might have resulted in the project receiving a different ranking or may have influenced the conditional commitment of HOF funds. Any changes to the project must be pre- approved by SDHDA prior to implementation.

## **C. DISBURSEMENT OF HOF FUNDS**

### **1. Loan Documentation**

Loan documents may include but are not limited to a Conditional Loan Commitment, Written Agreement, Mortgage Note, Mortgage 180 Day Redemption, Security Agreement, and Fixture Filing, Assignment of Rents and Leases, Declaration of Land Use Restrictive Covenants, Personal Guarantee, Corporate Guarantee, and Sworn Construction Statement, as applicable.

### **2. Project/Construction Start**

A HOF financed project, new construction, or rehabilitation of a building(s) may begin when SDHDA has received all executed loan documentation and the applicant has received a written authorization to start from SDHDA. The project must begin, or construction must commence, no later than six months after execution of the Conditional loan commitment.

### **3. Draws**

For housing development, SDHDA will typically disburse funds at 25 percent, 50 percent, 75 percent and 100 percent of construction completion based on receipt of lien waivers from all contractors, bills and receipts for all costs outside of the construction contract, an updated Sworn Construction Statement, AIA Forms G702 Application and Certificate for Payment and G703 Continuation Sheet evidencing the percent of project completion, as applicable. SDHDA will retain 10 percent of final draw until all final project completion information is received, a portion of which will be the final payment of the Developer's fee. SDHDA will make periodic site reviews of the project throughout the construction period and at the completion of construction.



#### **4. Cost Certification**

For projects receiving more than \$250,000 of HOF funds, or projects with over \$500,000 total project cost, the owner will be required to submit a complete cost certification on SDHDA approved forms prepared by a Certified Public Accountant prior to the final disbursement of HOF funds. All cost overruns are the responsibility of the owner. SDHDA may reduce the amount of HOF funds committed to a project based on a cost certification indicating reduced total project cost, change in financing, or increase in cash flow since the time of the HOF funds commitment.

#### **5. Loan Repayment**

HOF loan repayment will begin approximately six months from the date the project is placed in service with interest accrual beginning at time of the first disbursement of loan proceeds. Loan forgiveness or loan repayment terms and conditions will be further defined in the Promissory Note.

#### **6. Recapture of HOF Funds**

Unless otherwise noted in the HOF loan documents, HOF funds provided for housing units are subject to recapture by SDHDA if HOF criteria are not met, including but not limited to meeting the affordability requirements. Any funds recaptured by Subrecipient must be returned to SDHDA. Penalties, including interest for the period of time during which the property was out of compliance, may apply.

If HOF funds are expended on a project that is terminated prior to completion, the HOF funds previously disbursed must be repaid with interest calculated based on one-year Treasury rates as of the date of cancellation.

### **V. PROJECT SCORING FOR HOUSING DEVELOPMENT**

Proposals will be reviewed initially for completeness, including all submission requirements referenced in Exhibit 1 and scored based on the following selection criteria. Housing development projects must score a minimum of 300 points to be considered for funding.

#### **A. LOCAL HOUSING NEED (MAXIMUM 100 POINTS)**

All Applicants must submit a narrative addressing and documenting the local housing need. Refer to Exhibit 2 for additional information on what is required for documenting the local housing need. The applications for communities considered to be facing the highest overall housing need will receive the highest score. All other applications will be ranked against the highest scoring Applicants. Communities with two or more low-income housing projects under construction or in the process of rent-up (less than 90 percent occupied) may receive zero points in this category. Communities demonstrating increased economic development and the immediate demand for housing will be considered as having a greater housing need.

#### **B. INCOME TARGETING (MAXIMUM 100 POINTS)**

Each of the following set-aside elections are separate and can be combined for up to 100 points and up to 100 percent of the units being restricted. An application can elect to set aside units for different AMIs, but a unit cannot be used to serve more than one set-aside election.

% of Units Restricted	AMI Target	Points Awarded
100%	30%	100
100%	50%	70
100%	80%	50
100%	115%	20

For example, a proposal that elects to set aside HOF assisted units for households not exceeding 30 percent of AMI will receive 100 points if 100 percent of the units are set aside for 30 percent AMI. If only 50 percent of the units are set aside at 30 percent AMI, the applicant would receive 50 points.

**C. EXTENDED USE COMMITMENT (MAXIMUM 10 POINTS)**

Applicants who make a commitment to extend the affordability period for 10 years beyond the required affordability period as defined in Section III. B. Period of Affordability will receive 10 points. Applicants choosing to extend the affordability period will be prohibited from applying for HOF for the same development during the extended use period.

**D. FINANCIAL SUPPORT FROM LOCAL SOURCES (MAXIMUM 25 POINTS)**

Proposals containing one of the following will receive up to 25 points:

- a. Financial support from local governmental/private incentives, including but not limited to cash, in-kind services, or tax abatements, to reduce project costs or enhance feasibility; or
- b. Other private or foundation assistance to achieve greater affordability; or
- c. Non-fee-based partnerships with other agencies which enhance the capacity of the Applicant.

**E. SERVICE ENRICHED HOUSING (MAXIMUM 20 POINTS)**

Projects providing verifiable on-site services to tenants which may include but are not limited to the following types of projects may receive up to 20 points depending upon the extent of the services. Refer to Section IX Definitions for further guidance on service enriched housing.

- a. Homeless
- b. Persons with physical disabilities
- c. Persons with mental disabilities
- d. Persons with developmental disabilities
- e. Housing for Older Persons 62 or Older
- f. Other

Note: SDHDA, the Department of Human Services (DHS), and the Department of Social Services (DSS) have entered into an agreement whereby full integration of citizens with disabilities into individualized housing settings rather than group home type housing will be promoted. All housing designed specifically for people with disabilities must receive prior

approval from DHS and/or DSS before submitting an application to SDHDA. Documentation of approval or that an application has been submitted to DHS or DSS must be submitted with the application. Applicants serving the homeless are required to participate in the Homeless Management Information System (HMIS), through SDHDA.

**F. PERCENTAGE OF SOFT COSTS USED FOR PROJECT COSTS (MAXIMUM 40 POINTS)**

Reasonable and necessary soft costs associated with the development of housing may include the following:

- a. Architectural, engineering or related professional services.
- b. Financing costs such as origination fees; credit reports, title insurance, fees for recording and filing of legal documents, building permit fees, attorney’s fees directly related to the project; appraisal fees and fees for independent cost estimates; and developer’s fee or builder’s fee.
- c. Costs for an audit or cost certification that SDHDA may require with respect to the development of the project.
- d. Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants as required by Fair Housing.
- e. Developer’s Fees may not exceed 10 percent of the total project costs. The Developer Fee includes the Consultant’s Fee and will be limited to the fee calculated at the time of Board reservation. If developers defer their Developer Fee, the amount deferred will be underwritten as a project financing source.
- f. Consultant’s Fees will be included within the Developer’s Fee limitation, but individually cannot exceed two percent of the total project costs. The Consultant will be expected to provide services through completion of the development.
- g. Builder/General Contractor’s Fees: Builder’s Profit is limited to six percent, Builder’s Overhead is limited to two percent, and General Requirements is limited to six percent of the total project hard costs for the project.

An application with soft costs that are less than 20 percent the total project costs will be awarded up to 40 points as set forth below:

<u>% Soft Costs</u>	<u>Points Awarded</u>
0.00% - 9.99%	40
10.00% - 14.99%	30
15.00% - 19.00%	20

Soft costs include, but are not limited to all items in a - g of this section and operating and rent-up reserves, origination fees, and partnership organizational fees.

**G. READINESS TO PROCEED CRITERIA**

SDHDA, at its discretion, may award up to 130 points to projects that most clearly demonstrate readiness to proceed. Such determination will include the following factors:

### **1. Plans and Specifications (Maximum 25 Points)**

Applications containing architectural plans/working drawings that are at least 50 percent complete or a physical needs assessment for rehabilitation projects will be awarded 25 points.

### **2. Site Control (Maximum 25 Points)**

Applications containing documentation that the Applicant and/or owner has a recorded warranty deed, a recorded long-term lease, or approval of Transfer of Physical Assets (TPA) from the appropriate HUD, Rural Development, or SDHDA office for existing projects in the name of the Applicant will receive 25 points.

Applications containing an option agreement will receive 10 points.

Applications containing a letter of interest will receive 5 points.

Applicants should be cautioned that a conditional commitment of HOF funds is site specific, therefore any changes to the site may require a full review of the application and reconsideration by SDHDA.

### **3. Construction Financing (Maximum 30 Points)**

Applications containing documentation of enforceable construction/interim financing commitments executed by the Applicant and Lender, as applicable for the project, will receive up to 30 points.

### **4. Permanent Financing (Maximum 30 Points)**

Applications containing documentation of enforceable permanent financing commitments executed by the Applicant and Lender, and disclosing a fixed interest rate, term of at least 15 years, and all conditions may receive 30 points. Generally, an enforceable financing commitment is a written approval of a loan or grant from a lender which is subject only to conditions of which are within the Applicant's control (other than the award of other funding). The loan commitment must contain a representation and acknowledgement from the lender that such lender has reviewed the HOF application submitted by the Applicant to SDHDA in support of the HOF for the project to which such commitment relates and that such lender acknowledges that the project will be subject specifically to rent and income restrictions and other special use restrictions agreed to by the Applicant. Commitment with fixed rate and term of less than 15 years may receive 10 points.

### **5. Zoning (Maximum 10 Points)**

Applications containing documentation that the project site is properly zoned for its proposed use will receive 10 points.

### **6. Platting (Maximum 10 Points)**

Applications containing documentation that the project site has had a final plat recorded (includes referencing plat book and number) will receive 10 points.

## **H. PROJECT CHARACTERISTICS – EXHIBIT 4 (MAXIMUM 200 POINTS)**

Points will be awarded up to 200 points based on the Exhibit 4 that has been completed (points indicated) and signed by the Applicant and architect. Characteristics indicated by the

Applicant and architect will be verified by SDHDA staff based on final architectural plans, specifications, and a physical inspection prior to final disbursement of HOF funds.

**I. FINANCING TYPE (MAXIMUM 25 POINTS)**

HOF funds may be utilized in a variety of financing options. Forgivable loans will receive zero points. Points will be awarded as follows:

<u>Financing Options</u>	<u>Points Awarded</u>
Guaranty or Regular Amortization Loan	25
Irregular Amortization Loan	15
Cash Flow/Deferred Mortgage	5

**VI. OTHER REQUIREMENTS**

**A. FAIR HOUSING AND EQUAL OPPORTUNITY**

All Applicants and owners must adhere to Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, which prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. Additional information can be found at - [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp](https://www.hud.gov/program_offices/fair_housing_equal_opp).

**B. LEAD-BASED PAINT**

Applications that involve the renovation, sale or leasing of housing units built before 1978, must address the potential of lead-based paint hazards. Before renting or selling pre-1978 housing, landlords and sellers must disclose the presence of known lead-based paint and lead-based paint hazards in the dwelling. In addition, rehabilitation, renovation, repair, and painting activities that disturb lead-based paint (like sanding, cutting, replacing windows, and more) must be done within safe work practices. For additional information regarding lead based paint and safe work practices, please visit the following websites – <https://www.epa.gov/lead> or [https://www.hud.gov/program\\_offices/healthy\\_homes/healthyhomes/lead](https://www.hud.gov/program_offices/healthy_homes/healthyhomes/lead).

**C. CONFLICTS OF INTEREST**

Applicants must disclose to SDHDA if any conflicts of interest exist. A conflict of interest is deemed to exist whenever an individual is in the position to approve or influence the policies or action of the project which involve or could ultimately harm or benefit financially: (a) the individual; (b) any member of his immediate family (spouse, parents, children, brothers or sisters, and spouses of these individuals); or (c) any organization in which he or an immediate family member is a Director, trustee, officer, member, partner or more than 10% shareholder. Service on the board of another nonprofit corporation does not constitute a conflict of interest.

**D. DEBARMENT AND SUSPENSION**

Owners and contractors are prohibited from employing, awarding contracts, or funding any contractors or subcontractors that have been debarred, suspended, proposed for debarment or placed on ineligibility status by the federal government. In addition, any owners who are debarred, suspended, or proposed for debarment will be prohibited from participating in the

HOF program. Those excluded from participating are listed on the Excluded Parties List System found at <https://www.sam.gov/SAM/>.

## **E. HISTORIC PROPERTIES**

Applicants proposing rehabilitation of a structure which is over 50 years old should contact the local and State Historical Preservation Offices to determine if the proposed rehabilitation will have any effect on the historical significance of the structure or if adherence to the National Historic Preservation Act (16 U.S.C. 470) is required.

## **F. FLOOD INSURANCE**

SDHDA will not allow HOF funds to be used for rehabilitation of housing units that are located in FEMA designated special flood hazard areas, unless flood insurance has been purchased for the property or the property is located in an area of low risk and the proposed rehabilitation was not caused by flooding, drainage, or other ground water issues.

## **VII. MONITORING FOR COMPLIANCE**

HOF program compliance will be assessed through annual reporting, certifications, and on-site reviews conducted by SDHDA staff. SDHDA will provide a HOF program compliance guide detailing required responsibilities and provide compliance training for Applicants. SDHDA will require the owner or management company to attend Fair Housing compliance training prior to final disbursement of funds and at a minimum of once every three years from the date of final disbursement of funds.

SDHDA may impose financial penalties for non-compliance. All HOF program, rent, and occupancy requirements, along with other special use restrictions imposed under the Plan, will be made part of the Subrecipient Agreement.

## **VIII. DEFINITIONS**

**Affordability:** Affordability refers to the requirements of the HOF program that relate to the cost of housing both at initial occupancy and over established timeframes. Affordability requirements vary depending on the nature of the HOF assisted activity (i.e., homeownership or rental housing) and the amount invested.

**Affordable Housing:** Housing that is affordable if the total housing costs, which includes rent, utilities, mortgage, and related expenses, represents no more than thirty percent of gross household income for the AMI being served.

**Affordable Units:** Housing units targeted for 115 percent of AMI or less.

**Annual Income:** For rental housing, SDHDA uses the annual income definition as defined in 24 CFR Part 5.609 (Part 5 Annual Income). For homebuyer activities, SDHDA uses the adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual federal annual income tax purposes.

**Applicant:** Applicant refers to the owners, developers, and sponsors involved with the project.

**Area Median Income (AMI):** The income determined by HUD on which HOF income limits and rent limits are based.

**Builder's Profit:** Compensation to the builder for completing the construction contract.

**Builder's Overhead:** Builder's business expenses (e.g., rent, insurance, heating, etc.) not chargeable to a particular part of the work or product to build the project.

**Commitment:** The written, legally binding agreement between SDHDA and the project owner providing HOF funds to a project.

**HUD:** U.S. Department of Housing and Urban Development.

**HUD Housing Quality Standards (HQS):** The performance standards for housing as established in 24 CFR Part 882 and amended by the Lead Paint Regulations in 24 CFR Part 35.

**Service Enriched Housing:** Projects providing affordable rental housing (permanent or transitional) that include services and assistance that are available to residents upon request. The services must be unique to the property, verifiable, on-site, long-term, and provided on a daily or continuous basis. The services may be provided by the owner, the management company, or a third-party organization but must be tailored to individual residents and managed by the property. There must be a definable increase in project development costs and or operating cost to the owner to be able to provide the services. The application must include a letter of intent from the service provider detailing the services to be provided, the tenants that will receive the services, the method of delivering the services, and the staffing for the services which may include but is not limited to the following:

- a. Homeless
- b. Persons with physical disabilities
- c. Persons with mental disabilities
- d. Persons with developmental disabilities
- e. Housing for Older Persons 62 or older (Assisted Living or Congregate Care Facilities as defined under Definitions)
- f. Assisted Living or Congregate Care Facilities as defined under Definitions
- g. Other

Services and assistance are not a requirement for tenancy but there must be a mechanism for immediate support and assistance when requested by any resident.

**Single-Family Project:** A project consisting of individual single-family dwellings or a project with one or more buildings containing four or less units per building.

## **EXHIBIT 1 REQUIRED SUBMISSIONS FOR COMPLETE APPLICATION**

- A. Applications must be submitted using the appropriate SDHDA HOF Application Form. There are four separate application forms – Rental Development, Homeownership Development, Housing Infrastructure, and Programs. SDHDA may reject applications with incomplete or incorrect information. For an application to be considered as complete, the application form must be completed and signed and the application must include the following items.

**Applications submitted for Rental or Homeownership Development must include the following:**

1. Completed and signed application form.
2. Documentation of Local Housing Need (Section V.A. and Exhibit 2).
3. Project narrative outlining the project and program characteristics (services provided, tenants served, amenities provided, financing proposed, etc.).
4. At least two letters of local support for the proposed housing units. The letters must be from local organizations such as the city office, economic development corporation, public housing authority, employers, commercial lenders, etc.
5. Information regarding the Applicant/owner, including staff and years of experience in housing or related field or service area. i.e. resume's
6. Copy of utility allowance calculation and supporting documentation from the local Public Housing Authority or utility provider – required for rental projects only.
7. Pro Forma for the entire affordability period, extended use, or the term of the HOF loan, whichever is greater (Section IV.A.2.) – required for rental projects only.
8. Supporting documentation for all annual operating expenses evidencing how the Applicant arrived at the proposed amounts (e.g., calculation of real estate taxes from county assessor). If the proposed project involves rental acquisition and/or rehabilitation, this requirement may be met with the submission of three years of historical financial information – required for rental projects only.
9. Documentation of site control. i.e. recorded deed, signed purchase agreement
10. Architectural plans containing a site plan showing the general build-up of the site including the location of all proposed building, streets, parking areas, service areas, playgrounds, etc., and typical floor plan, providing dimensional plan for each typical living unit (Section V.G.1.).
11. Documentation of how the project site is zoned at the time of application and documentation that reflects the current status of a project's plat (Section V.G.5 and 6). i.e. zoning letter from the City or County



12. Letter of notification to the applicable local housing authority – required for rental projects only.
13. Completed Exhibit 4 signed by the Applicant and Architect indicating the features included in the project (Section V.H. and Exhibit 4).
14. If applicable, letter of intent from the service provider detailing the services, the tenants who will receive the services, the method of delivering the services that will be provided, and the staffing for the services (Section V.E.) – required for rental projects only.
15. Letter of intent evidencing the preliminary arrangements for construction, interim, and permanent financing, including the amount of the loan, the interest rate, and the term (Section V.G.3. and 4).
  - a. NOTE: Interim financing (bridge loan) fees will not be allowable project costs if financing is provided by an entity or individual having a financial, business, or family relationship with the developer, builder, syndicator, or Applicant. Only interest costs at or below market rate will be allowed.
16. If applicable, documentation of support from local sources (Section V.D.).
17. For projects involving acquisition and/or rehabilitation:
  - a. Relocation plan and budget;
  - b. List of tenants occupying the property currently and for the four months previous to application submission.
  - c. Three years of historical financial information.
  - d. Detailed description of the rehabilitation to be completed for the exterior, interior and by apartment unit and the corresponding cost. To obtain points under Section V.G.1. (Readiness to Proceed Criteria) Applicant must submit a physical needs assessment.
18. Documentation of utility availability (i.e. water, sewer, electric, natural gas) or proposed dates as to when all utilities will be available at the project location. i.e. letters from all applicable utility providers stating availability
19. If applicable, copy of Consultant Agreement.
20. If applicable, copy of Lease Purchase Management Plan.
21. Any other information requested by SDHDA

#### B. Conditional Commitment

All requirements in this section must be provided, within 120 days from the date of the Conditional Loan Commitment or the Subrecipient Written Agreement and before closing and funding of the HOF financing.

Applicants for housing development must submit the following:

1. Information on the ownership entity, including an executed copy of the partnership agreement or articles of incorporation, or articles of organization; a copy of the certificate

of registration from the Secretary of State in the State of South Dakota; and a copy of federal taxpayer identification number.

2. An affidavit executed by the owner, general partner, or an officer or a director stating that under penalties of perjury all facts and statements contained in all documents and exhibits submitted in conjunction with the application for HOF funds are true and accurate to the best of his or her knowledge.
3. Signed commitments for all funding sources (conventional lender, foundations, local financing, etc.) associated with the project including the amount, conditions, rate and term.
4. Any additional information SDHDA may deem necessary.

In addition to the above, applicants for new construction and rehabilitation of housing units for both rental and homeownership must submit the following:

1. Signed commitments for all funding sources (conventional lender, foundations, local financing, etc.) associated with the project including the amount, rate and term.
2. Site ownership documented by a recorded contract for deed, warranty deed, or long-term lease (lease must be for longer than the minimum affordability requirement or through the extended use period). All ownership by contract for deed must include an amendment to the contract which states the deed holder is knowledgeable of and agrees to comply with all requirements of the HOF Program regulations for the period of affordability and/or any extended use pledged in the application.
3. Final itemization of the project costs including both hard cost and soft costs (including a copy of the contractor's contract).
4. Final architectural plans and specifications. Architectural plans for new construction of rental units must be stamped by the project Architect and Engineer.
5. Copy of the proposed management plan, management agreement, resident selection policy, Section 504 reasonable accommodation policy, and the intended lease to be utilized for the project – required for rental projects only.
6. Projects involving acquisition of an existing property must submit a "Market Value As Is" appraisal. Projects involving rehabilitation or new construction must submit a "Market Value As If Completed" appraisal. Such appraisals must meet the Uniform Standards of Professional Appraisal Practice (USPAP) and completed by an independent, State Department of Revenue and Regulation certified appraiser. ([https://dlr.sd.gov/appraisers/appraiser\\_roster.aspx](https://dlr.sd.gov/appraisers/appraiser_roster.aspx)). Applicant will pay for all costs of the appraisal, which costs may be included in the HOF financing.
7. Rehabilitation of housing developments consisting of 20 units or more will be required to submit a physical needs assessment. The physical needs inspector must be approved by SDHDA. The Applicant must pay for all costs of the physical needs assessment which costs may be included in the HOF financing.
8. Projects involving acquisition and/or rehabilitation of a pre-1978 property must provide information on how they will comply with lead-based paint requirements.

## **EXHIBIT 2 LOCAL HOUSING NEED REQUIREMENTS**

All Applicants must submit documentation evidencing the need for the proposed housing.

Projects involving rehabilitation of existing housing units may provide three year's occupancy records to demonstrate the housing need. However, if the proposed project will dramatically alter the units and tenancy and the development consists of 20 or more units, then a third-party market analysis must be submitted.

Applicants proposing construction of fewer than 10 new housing units may provide their own analysis of housing demand, and will not be required to contract with a third-party analyst.

Applicants proposing to construct 10 or more new housing units must submit a third-party market analysis. The analyst completing the study must be unaffiliated with the developer and have housing knowledge and experience. A South Dakota licensed appraiser who is MAI certified and meeting the criteria listed may also complete the market study.

The analysis of housing demand must have been completed within the last six months from the application date.

The documentation of housing need and the third-party market study must address the following:

1. Review of proposed site including color photos of the site and adjoining property; description of site characteristics including the size, shape and general topography; and evaluation of the accessibility and visibility of the site;
2. Review of the proposed project including the number of units by number of bedrooms and bathrooms, income levels to be served, rent to be charged, calculating utility allowances and amenities to be provided;
3. Review of existing community services and their proximity to the proposed project including a site map identifying such services;
4. Review and listing of existing multifamily projects in the market area for both affordable housing (Section 8, HOME and Rural Development) units and market- rate units listing the type of housing, location, number of bedrooms, number of bathrooms, size of units, condition of buildings, vacancy rates, waiting lists, amenities, utility allowances (whether included in rent or not), and rental rates;
5. Review of projected new housing projects (BOTH affordable and market rate, rental and homeownership) including number and type of building permits issued in the past three years;
6. Review of current population characteristics, such as total population, income levels, age breakdown, migration trends, and five-year projection of future changes to the population and its characteristics;
7. Review of the type of employment opportunities and entry-level wages including economic changes proposed that could potentially affect the number of jobs or wages;

8. Review of existing housing conditions and projected rental housing demands, including the breakdown of the number, size and rent level of units necessary to fill the demands of the community;
9. Review of meeting/correspondence with local planners, housing and community development officials, employers, and market participants to evaluate the local perception of the need for additional housing; and
10. Executive Summary with a precise statement of the conclusions reached by the analyst. The statement must include the analyst's opinion of (i) market feasibility, (ii) the prospect of long-term performance of the property given housing and demographic trends and economic factors, (iii) recommended modifications to the proposed project, (iv) market related strengths and weaknesses, (v) positive and negative attributes and issues that will affect the property's lease-up and performance, and (vi) the impact the subject property will have on the existing multifamily projects.

The following issues must be considered for each potential market before the development of additional units is pursued:

1. Whether the community experienced growth in recent years and is projected to continue to grow.
2. Whether there has been any significant changes in the economic arena for the area, such as major employers leaving or moving into the area or are expected to leave or move in. Note that the definition of "major" will vary by community.
3. A determination as to whether vacancies that may have existed prior to the population growth have been absorbed, or whether there are vacancies in the market area now. If there are the vacant units, they need to be evaluated to determine if they are obsolete, have deferred maintenance, have deep rental subsidies, or qualify for Section 8 Vouchers (if available).
4. Determine if the need is for housing for families, young professionals, retirees, or the elderly, and what the most suitable housing would be for the identified population; such as whether there is a need for single family homes, townhouse or condominium type housing units with lower maintenance requirements, independent apartments, congregate housing, or assisted living units. Also, determine if there are existing vacant units or structures in the community or region that could be rehabilitated or moved in to address the demand for housing in a more affordable manner than new construction.
5. A determination must be made as to whether there is a need for market rate housing or housing targeted to lower income households.

# EXHIBIT 3 HOF RENTAL OR HOMEOWNERSHIP DEVELOPMENT APPLICATION CHECKLIST

The following items must be submitted with the Application form to ensure a complete application is received by SDHDA. Please refer to the HOF Plan and application for clarification of any submission items.

Submission Item	Enclosed	Meet SDHDA Requirements
<b>All Applications:</b>		
1. Completed/Signed Application Form	_____	_____
2. Local Housing Need/Program Demand	_____	_____
3. Project Narrative	_____	_____
4. Letters of Local Support	_____	_____
5. Applicant/Owner Information	_____	_____
<b>Applications for Development of Housing Units</b>		
6. Utility Allowance Calculation	_____	_____
7. Pro Forma	_____	_____
8. Documentation of Operating Expenses	_____	_____
9. Site Control	_____	_____
10. Architectural Plans	_____	_____
11. Zoning Letter and Project Plat	_____	_____
12. PHA Notification	_____	_____
13. Executed Project Characteristics (Ex. 4)	_____	_____
14. Documentation of Financing	_____	_____
15. Availability of Utility Service	_____	_____

The following items may not be applicable to every project but Applicant must carefully review the following and submit what is pertinent to their application for documenting points or meeting submission requirements.

1. Documentation of Local Financial Support	_____	_____
2. Service Provider Letters	_____	_____
3. Acquisition/Rehabilitation Projects:		
a. Relocation Plan	_____	_____
b. Rehabilitation Listing	_____	_____
c. Three Years Historical Financials	_____	_____
d. Tenant Rent Roll	_____	_____
4. Lease Purchase Management Plan	_____	_____
5. Copy of Consultant Agreement	_____	_____
6. Copy of Partnership Agreements	_____	_____

## EXHIBIT 4 MULTIFAMILY PROJECT CHARACTERISTICS

Applicant only eligible to receive up to 200 points.

Indicate if the project will include each characteristic by placing an X in the box to the left of each applicable line item. NOTE: No points are allowed for characteristics associated with previous phases.

Minimum standards apply to all new construction projects; however, rehabilitation or Reconstruction projects should also strive to meet these minimum standards.

<b>Site Exterior</b>		
<b>Parking:</b>		
	<b>Minimum Standards</b>	At a minimum, the parking lot will be engineered asphalt, having concrete curb and gutter where required. For multifamily developments, each efficiency, 1 and 2-bedroom units must have 1-1/2 parking spaces and each 3 and 4-bedroom units must have 2 parking spaces. The number of handicap designated spaces must equal the amount of handicap units. In the event that local jurisdiction codes exceed this total then the local code supersedes these requirements. Garage counts as parking space(s).
	<b>10 points</b>	Multi-family projects that includes carports capable of parking at least 1 vehicle per unit or a garage for at least 50% of the units. At a minimum the carports are to be constructed of weather resistant steel, attached to footings or a thickened concrete slab, contain a concrete slab and meet minimum code design requirements.
	<b>15 points</b>	Multi-family projects with off-street concrete parking lot that meets above requirements.
	<b>25 points</b>	Multi-family projects that includes a garage capable of parking at least 1 vehicle for all units.
<b>Sidewalks:</b>		
	<b>Minimum Standards</b>	A concrete sidewalk will be provided from the primary entrance door and any accessible entry door to a public right of way.
<b>Exterior Landscaping:</b>		
	<b>Minimum Standards</b>	New Construction should have a minimum of a live landscaped area of no less than 5% of the hard-surfaced area of the project site. Hard surface includes building pad as well as all sidewalks, parking lots and other hard finish areas.
	<b>Minimum Standards</b>	Multifamily rental project of 16-47 units must have at least one Section 504 compliant playground area. Projects of 48 or more units, must have at least two Section 504 compliant playground areas. A basketball court, skate park or other like area approved by SDHDA would also qualify as a second playground. Three play components are required per playground area with a minimum of one ground level play component on an accessible route. If additional types of ground level play components are incorporated each type must be on an accessible route.

	<b>Minimum Standards</b>	A minimum of a 4-foot downspout extension or 3 foot concrete splash block that positively discharges water away from the foundation at all downspout locations.
	<b>5 points</b>	Use of drought resistant live plants or Xeriscaping design principals or use of rain sensor irrigation for landscaped areas.
	<b>10 points</b>	Downspouts that are attached to a storm sewer system.
<b>Signage:</b>		
	<b>Minimum Standards</b>	The project must have permanent signage installed with Equal Housing Opportunity and ADA logos and the identification of the developer and South Dakota Housing Development Authority.
<b>Building(s) Exterior</b>		
<b>Exterior Siding/Finish:</b>		
	<b>Minimum Standards</b>	Minimum of 15-year pre-finish warranty 30-year substrate warranty solid cementitious or composite prefinished siding. If vinyl siding is used, it must be a minimum of 0.44 mil thick and have a lifetime warranty. Prefinished soffits, fascia, gutters and downspouts are required.
	<b>10 points</b>	At least 25% of building exterior finished in brick, stone, EIFS or stucco.
	<b>25 points</b>	At least 80% of building exterior finished in brick, stone, EFIS or stucco.
<b>Roofing:</b>		
	<b>Minimum Standards</b>	Minimum of 30-year warranty asphalt or composite shingle, 29ga metal roofing with a 40-year film and 30-year chalk/fade warranty or a rubberized roof system with a 30-year warranty for flat roofs.
	<b>15 points</b>	Use of UL 2218 Class 4 impact resistant shingles or 26ga UL 2218 Class 4 impact resistant metal roofing.
<b>Windows/Doors:</b>		
	<b>Minimum Standards</b>	Energy Star certified exterior prefinished windows constructed of vinyl, wood, composite or fiberglass. Windows must be Energy Star certified for the Northern climate zone.
	<b>10 points</b>	Windows scored with a .27 U-Factor or better (lower is better) by the National Fenestration Rating Council.
	<b>Minimum Standards</b>	Exterior doors shall be insulated steel or composite in a metal clad or composite frame/brickmould. Unit entry doors without windows shall have a peephole installed with 180-degree view. Two peepholes are required on accessible units, one at 43" and one at standard height. All unit entry doors must be equipped with a deadbolt with 1- inch throw and strike plate installed with 2-1/2" or longer screws.
	<b>Minimum Standards</b>	Main entrances for projects containing interior accessed units must be equipped with an ADA/ABA compliant automatic door opener.
	<b>20 points</b>	Main entrances for projects containing interior accessed units designed with a foyer and equipped with a security access system.
	<b>20 points</b>	Townhome that have exterior entrances at ground level for all units.
<b>Construction and Energy Efficient Design Features</b>		
<b>Wall/Roof Assembly:</b>		
	<b>Minimum Standards</b>	Slab on grade construction to have a minimum R-10 vertical foundation and horizontal perimeter under slab insulation per 2012 IECC. A minimum 6 mil or greater vapor barrier to be required under slab.

	<b>Minimum Standards</b>	2x6 exterior wall assemblies insulated to a minimum of R-19. Roof assembly to have minimum 12" energy heel trusses and insulated to a minimum of R-49. Rim/band joists to be insulated to the same R-value as the exterior walls. All assemblies must be constructed to the higher of the SDHDA minimum, local adopted code or the current state adopted IRC/IBC if no local code exists.
	<b>10 points</b>	All party walls and common walls containing at least 3.5" of sound attenuation insulation.
	<b>10 points</b>	Light weight concrete or Gypcrete surfacing on floors.
<b>Special and Accessible Design Features:</b>		
	<b>Minimum Standards</b>	All projects containing more than 4 units must be compliant with Section 504 under the Rehabilitation Act of 1973. All other housing must meet the requirements of the Fair Housing Act. Rehabilitation of multifamily housing containing 15 or more units and costing at least 75% of replacement cost must also meet Section 504. If the rehabilitation involves fewer than 15 units or the cost is less than 75% of the replacement cost of the completed facility and the recipient has not made 5% of its units in the development accessible to and usable by individuals with disabilities, then the requirements of 24 C.F.R. 8.23(b) – Other Alterations apply. Under this section, alterations to dwelling units shall, to the maximum extent feasible, be made readily accessible to and usable by individuals with disabilities. If alterations to single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, the entire unit shall be made accessible. Alteration of an entire unit is considered to be when at least all of the following individual elements are replaced: renovation of whole kitchens, or at least replacement of kitchen cabinets; and renovation of the bathroom, it at least bathtub or shower is replaced or added, or a toilet and flooring is replaced; and replacement of entrance door jambs.
	<b>5 points</b>	Up to 15 points will be awarded for projects that create additional accessible units for individuals with mobility and/or sensory impairments. Mobility units must be added at a 2:1 ratio to the sensory units. A minimum of one additional unit must be added above the federal minimum requirements. Accessible units shall to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout projects and sites and shall be available in a sufficient range of sizes and amenities so that a qualified individual with handicaps' choice of living arrangements is, as a whole, comparable to that of other persons eligible for housing assistance under the same program. This shall not be construed to require provision of an elevator in any multifamily housing project solely for the purpose of permitting location of accessible units above or below the accessible grade level.
	<b>10 points</b>	
	<b>15 points</b>	Total Percent of Accessible Units 5 points – Above minimum requirements to 10.00% 10 points - 10.01% to 15.00% 15 points - 15.01% to 20.00%
	<b>15 points</b>	Incorporation of the 7 Universal Design Principles in at least 25% of all units, not including Section 504 units. Universal design is the design



		of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design. Minimum universal design principals can be found on SDHDA website.
	<b>35 Points</b>	Multi-family projects that have either a stand-alone Community Building or a Community Room, the room shall be 15 square feet per occupant, assuming 1-1/2 occupants per unit. The room shall include a fully functioning kitchen and minimum of one unisex ADA compliant restroom. For calculation of the square footage of the space, only areas usable by occupants are to be included. The square footage of the kitchen, restroom, hallways, offices or storage cannot be used to meet minimum square footage requirement. At the discretion of SDHDA, partial points may be awarded for existing community buildings which meet the capacity requirements of the existing units served, plus the new proposed units in the application.
<b>Energy Efficient Design Features:</b>		
	<b>20 points</b>	HERS: Project scoring a HERS index of 60 or better as verified by a RESnet certified Rater. Lower is better.
	<b>35 points</b>	Energy Star: Whole project certification to the latest version of Energy Star for New Homes or Energy Star for Multifamily High Rise as verified by a 3rd party Energy Star certified rater. Project cannot take points for both HERS and Energy Star certifications.
	<b>10 points</b>	Installation of LED lights throughout interior and exterior of project.
<b>Building Interior</b>		
<b>Unit Entry Doors:</b>		
	<b>Minimum Standards</b>	The unit entry doors must meet the code requirement of the wall assembly containing it. It must include a peephole with 180-degree viewer or have a window and also a deadbolt with a 1" throw into a reinforced jamb. Two peepholes are required on accessible units, one at 43" and one at standard height.
<b>Unit Interior Doors:</b>		
	<b>10 points</b>	Installation of solid core interior doors throughout units.
	<b>5 points</b>	Installation of metal jambs for interior doors throughout units. This option is only available if points are taken for solid core doors.
<b>Floor Covering:</b>		
	<b>Minimum Standards</b>	Roll carpet must meet the standards of HUD use of material bulletin 44D. VCT, Vinyl Plank, LVT, sheet vinyl, carpet squares, and other floor coverings must meet or exceed the ASTM standards for Resilient Floor Covering and carry a minimum of a 10-year Manufacturer Warranty. An aluminum or vinyl "J" trim must be installed at the tub/shower transition when sheet vinyl flooring is installed and sealed with a silicone sealant.
<b>Laundry:</b>		
	<b>Minimum Standards</b>	A common laundry room must be located in each building of a project and contain a window within or near the door. Laundry room must also include a continuous or humidistat-controlled ventilation system. Projects with townhomes or apartments without common laundry space must provide washer and dryer hook-ups within each unit.

	<b>5 points</b>	A common laundry room for each building floor and must meet above minimum standards.
	<b>15 Points</b>	A washer and dryer provided for each unit. Washer and dryers must meet Energy Star qualifications.
<b>Unit Bathrooms:</b>		
	<b>Minimum Standards</b>	Minimum of one-half bath per floor for multi-story townhomes 2 or more bedrooms.
	<b>Minimum Standards</b>	Primary bath light and bathroom ventilation fan must be switched together.
	<b>5 points</b>	Installation of Energy Star qualified bathroom ventilation fan equipped with a humidistat. Humidistat must be incorporated within the fan and not at a wall switch.
	<b>15 points</b>	Installation of HVI certified HRV or ERV.
	<b>Minimum Standards</b>	For new construction projects that must comply with Section 504 of the Rehabilitation Act of 1973, a UFAS compliant curbless roll-in shower must be provided in at least 50% of the Section 504 mobility impaired accessible units or at least one.
<b>Appliances and Fixtures:</b>		
	<b>Minimum Standards</b>	A minimum of a 14 cu. Ft. frost free refrigerator/freezer for all 0 or 1-bedroom units. A minimum of 18 cu. Ft. refrigerator/freezer for all 2 or more bedroom units. Dishwashers to be a minimum of 24" in width.
	<b>Minimum Standards</b>	Water Sense qualified faucets, toilets/urinals, showerheads. Kitchen faucets are required to meet the same Water Sense GPM standards as bathroom faucets.
	<b>5 points</b>	Range hood vented to the exterior of the building.
<b>Window Coverings:</b>		
	<b>Minimum Standards</b>	Window coverings or blinds shall be provided and installed.
<b>Mechanical</b>		
<b>Heating and Cooling:</b>		
	<b>Minimum Standards</b>	At a minimum high efficiency cove heat. Electric baseboard heat and PTAC's are NOT allowed for new construction. 92% AFUE minimum gas furnace, Heat Pumps rated at HSPF of 8 or greater with a 13.0 SEER rating or higher (packaged or split). Programmable thermostats are required.
	<b>Minimum Standards</b>	All units must have Energy Star qualified through the wall air conditioning or central air conditioning rated at 13 SEER or better sized to properly cool the unit.
	<b>5 Points</b>	Energy Star qualified central air conditioning or verified AHRI certificate with matching coil and condenser 16 SEER or better. Split systems must be Energy Star matched.
	<b>20 points</b>	Forced air furnace 96% or greater AFUE or Energy Star qualified Air-source or Ground Source heat pump capable of providing heat to -15 F. Split systems must be Energy Star matched.
<b>Note: Proposed heat pump systems used for primary heat must be submitted for approval.</b>		
<b>Water Heating:</b>		

	<b>Minimum Standards</b>	A minimum of a 0.92 UEF electric water heater in each unit. Atmospheric vented gas water heaters will not be allowed. Any central hot water systems must be submitted for approval.
	<b>10 points</b>	A gas condensing (close combustion, two-vent pipe system) or electric heat pump water heater provided for each unit.
<b>Healthy Homes</b>		
	<b>Minimum Standards</b>	<ol style="list-style-type: none"> <li>1. Low VOC paints, stains, adhesives and sealants.</li> <li>2. Formaldehyde free insulation.</li> <li>3. Formaldehyde free or sealed particle board products such as shelving, cabinets and countertops.</li> <li>4. Lead detection and abatement. Only applies to rehabilitation projects.</li> <li>5. Install a passive radon system. Test for radon near completion and if 4pCi/L or higher the system must be made active and re-tested until results are below 4pCi/L.</li> </ol>
<b>Electrical Standards</b>		
	<b>Minimum Standards</b>	<ol style="list-style-type: none"> <li>1. Hardwired CO sensors required with installation of gas appliances.</li> <li>2. The use of incandescent light bulbs is not allowed.</li> <li>3. New construction or substantial rehabilitation of rental housing with more than four (4) units must incorporate the installation of broadband infrastructure.</li> </ol>

I certify that the above indicated characteristics will be incorporated into the final working drawings and that they must be provided prior to occupancy of the project.

I certify that the housing will meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR Part 100.201, must also meet the design and construction requirements at 24 CFR Part 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619).

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Applicant Date

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Architect Date

## EXHIBIT 4 SINGLE FAMILY PROJECT CHARACTERISTICS

Applicant only eligible to receive up to 200 points.

Indicate if the project will include each characteristic by placing an X in the box to the left of each applicable line item. NOTE: No points are allowed for characteristics associated with previous phases.

Minimum standards apply to all new construction projects; however, rehabilitation or reconstruction projects should also strive to meet these minimum standards.

<b>General Project Scope</b>		
	<b>Minimum Standards</b>	Single Family Project must include individual exterior storage units at a minimum of 8'x12' or a garage.
	<b>10 points</b>	Single Family project that includes a carport capable of parking at least 1 vehicle. At a minimum a carport is to be constructed of weather resistant steel, attached to footings or a thickened concrete slab, contain a concrete slab and meet minimum code design requirements. An 8' x 12' shed is still required.
	<b>25 points</b>	Single Family Project that includes an attached or detached garage capable of parking at least 1 vehicle.
<b>Site Exterior</b>		
<b>Parking:</b>		
	<b>Minimum Standards</b>	Single family home developments must contain concrete off-street parking for two vehicles. Garage counts as parking space(s).
<b>Sidewalks:</b>		
	<b>Minimum Standards</b>	A concrete sidewalk will be provided from the primary entrance door and any accessible entry door to a public right of way.
<b>Exterior Landscaping:</b>		
	<b>Minimum Standards</b>	New construction should have a minimum of a live landscaped area of no less than 5% of the hard-surfaced area of the project site. Hard surface includes building pad as well as all sidewalks, parking lots and other hard finish areas.
	<b>Minimum Standards</b>	A minimum of a 4-foot downspout extension or a 3-foot concrete splash block that positively discharges water away from the foundation at all downspout locations.
	<b>5 points</b>	Use of drought resistant live plants or Xeriscaping design principals or use of rain sensor irrigation for landscaped areas.
<b>Building(s) Exterior</b>		
<b>Exterior Siding/Finish:</b>		
	<b>Minimum Standards</b>	Minimum of 15-year pre-finish warranty 30-year substrate warranty solid cementitious or composite prefinished siding. If vinyl siding is used, it must be a minimum of 0.44 mil thick and have a lifetime warranty. Prefinished soffits, fascia, gutters and downspouts are required.
	<b>10 points</b>	At least 25% of building exterior finished in brick, stone, EIFS or stucco.
	<b>25 points</b>	At least 80% of building exterior finished in brick, stone, EFIS or stucco.
<b>Roofing:</b>		

	<b>Minimum Standards</b>	Minimum of 30-year warranty asphalt or composite shingle, 29ga metal roofing with a 40-year film and 30-year chalk/fade warranty or a rubberized roof system with a 30-year warranty for flat roofs.
	<b>15 points</b>	Use of UL 2218 Class 4 impact resistant shingles or 26ga UL 2218 Class 4 impact resistant metal roofing.
<b>Windows/Doors:</b>		
	<b>Minimum Standards</b>	Energy Star certified exterior prefinished windows constructed of vinyl, wood, composite or fiberglass. Windows must be Energy Star certified for the Northern climate zone.
	<b>10 points</b>	Windows scored with a .27 U-Factor or better (lower is better) by the National Fenestration Rating Council.
	<b>Minimum Standards</b>	Exterior doors shall be insulated steel or composite in a metal clad or composite frame/brickmould. Unit entry doors without windows shall have a peephole installed with 180-degree view. Two peepholes are required on accessible units, one at 43" and one at standard height. All unit entry doors must be equipped with a deadbolt with 1"-inch throw and strike plate installed with 2-1/2" or longer screws.
	<b>5 points</b>	Installation of storm doors with a minimum 10-year structural warranty at all exterior entry doors. Not required at entry doors between garage and home with attached garages.
<b>Entry:</b>		
	<b>Minimum Standards</b>	Exterior entry landings to be a minimum 5'-0" x 5'-0" with stairs and railing constructed out of an exterior grade wood.
	<b>10 points</b>	Exterior entry landings and stairs with composite decking and railing with a minimum 25-year warranty that meets the above size requirements.
	<b>15 points</b>	Minimum of an 80 square foot deck with stairs and railing constructed out of an exterior grade wood at one exterior entry. Additional entries to meet the minimum standards in size and construction.
	<b>20 points</b>	Minimum of an 80 square foot deck with composite decking and railing with a minimum 25-year warranty at one exterior entry. Additional entries to meet the minimum standards in size above and have composite decking and railing.
<b>Construction and Energy Efficient Design Features</b>		
<b>Wall/Roof Assembly:</b>		
	<b>Minimum Standards</b>	Slab on grade construction to have a minimum R-10 vertical foundation and horizontal perimeter under slab insulation per 2012 IECC. Crawl spaces are to be sealed, insulated (min R-10) and conditioned.
	<b>Minimum Standards</b>	A minimum of a 6 mil or greater vapor barrier to be required under slab on grade, basement slab or crawlspace floor.
	<b>Minimum Standards</b>	Foam plastics when used under any condition listed under Section R316 Foam Plastics of the 2015 IRC shall comply with the pertaining code subsection.
	<b>Minimum Standards</b>	2x6 exterior wall assemblies insulated to a minimum of R-19. Roof assembly to have minimum 12' energy heel trusses and insulated to a minimum of R-49. Rim/band joists to be insulated to the same R-value as the exterior walls above. All assemblies must be constructed to the higher of the SDHDA minimum, local adopted code or the current state adopted IRC/IBC if no local code exists.

	<b>15 points</b>	2x6 exterior wall assemblies insulated to a minimum of R-20 cavity insulation and an R-5 continuous insulation or a 2x4 exterior wall assembly insulated to a minimum of R-13 cavity insulation and an R- 10 continuous insulation.
<b>Special and Accessible Design Features</b>		
	<b>Minimum Standards</b>	All projects containing more than 4 units must be compliant with Section 504 under the Rehabilitation Act of 1973. All other housing must meet the requirements of the Fair Housing Act. Rehabilitation of housing containing more than 15 units and costing at least 75% of replacement cost or that is vacant must also meet Section 504.
	<b>5 points</b>	Up to 15 points will be awarded for projects that create additional accessible units for individuals with mobility and/or sensory impairments. Mobility units must be added at a 2:1 ratio to the sensory units. A minimum of one additional mobility unit must be added above the federal minimum requirements. Accessible units shall to the maximum extent feasible and subject to reasonable health and safety requirements, be distributed throughout projects and sites and shall be available in a sufficient range of sizes and amenities so that a qualified individual with handicaps' choice of living arrangements is, as a whole, comparable to that of other persons eligible for housing assistance under the same program.
	<b>10 points</b>	<p>Total Percent of Accessible Units</p> <p>5 points – Above minimum requirements to 10.00%</p> <p>10 points - 10.01% to 15.00%</p> <p>15 points - 15.01% to 20.00%</p>
	<b>15 points</b>	
	<b>15 points</b>	Incorporation of the 7 Universal Design Principles in at least 25% of all units or single-family developments with accessible routes into and through the home including zero step entry, not including Section 504 units. Universal design is the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design. Minimum universal design principals can be found on SDHDA website.
	<b>35 points</b>	Projects that have a stand-alone Community Building, the room shall be 15 square feet per occupant, assuming 1-1/2 occupants per unit. The room shall include a fully functioning kitchen and minimum of one unisex ADA compliant restroom. For calculation of the square footage of the space, only areas usable by occupants are to be included. The square footage of the kitchen, restroom, hallways, offices or storage cannot be used to meet minimum square footage requirement.
<b>Energy Efficient Design Features:</b>		
	<b>20 points</b>	HERS: Project scoring a HERS index of 60 or better as verified by a RESnet certified Rater. Lower is better.
	<b>35 points</b>	Energy Star: Whole project certification to the latest version of Energy Star for New Homes as verified by a 3rd party Energy Star certified rater. Project cannot take points for both HERS and Energy Star certifications.
	<b>10 points</b>	Installation of LED lights throughout interior and exterior of project.
<b>Building Interior</b>		
<b>Unit Interior Doors:</b>		
	<b>10 points</b>	Installation of solid core interior doors throughout units.

	<b>5 points</b>	Installation of metal jambs for interior doors throughout units. This option is only available if points are taken for solid core doors.
<b>Flooring Covering:</b>		
	<b>Minimum Standards</b>	Roll carpet must meet the standards of HUD use of material bulletin 44D. VCT, Vinyl Plank, LVT, sheet vinyl, carpet squares and other floor coverings must meet or exceed the ASTM standards for Resilient Floor Covering and carry a minimum of a 10-year Manufacturer Warranty. An aluminum or vinyl "J" trim must be installed at the tub/shower transition when sheet vinyl flooring is installed and sealed with a silicone sealant.
<b>Laundry:</b>		
	<b>Minimum Standards</b>	Laundry space/room must be provided with washer and dryer hook-ups and dryer venting to the exterior.
	<b>15 points</b>	A washer and dryer provided for each unit.
<b>Unit Bathrooms:</b>		
	<b>Minimum Standards</b>	Minimum of one-half bath per floor for single family dwellings containing 2 or more bedrooms.
	<b>Minimum Standards</b>	Primary bath light and bathroom ventilation fan must be switched together. Bath fan cannot be used to meet mechanical ventilation code for local jurisdictions that have adopted 2012 IECC or other codes that require mechanical ventilation.
	<b>5 points</b>	Installation of Energy Star qualified bathroom ventilation fan equipped with a humidistat and timer. Humidistat must be incorporated within the fan and not at a wall switch.
	<b>15 points</b>	Installation of HVI certified HRV or ERV.
	<b>Minimum Standards</b>	For new construction projects that must comply with Section 504 of the Rehabilitation Act of 1973, a UFAS compliant curbless roll-in shower must be provided in at least 50% of the Section 504 mobility impaired accessible units or at least one.
<b>Appliances and Fixtures:</b>		
	<b>Minimum Standards</b>	A minimum of a 14 cu. Ft. frost free refrigerator/freezer for all 0 or 1 bedroom units. A minimum of 18 cu. Ft. refrigerator/freezer for all 2 or more bedroom units. Dishwashers to be a minimum of 24" in width.
	<b>Minimum Standards</b>	Water Sense qualified faucets, toilets/urinals, showerheads. Kitchen faucets are required to meet the same Water Sense GPM standards as bathroom faucets.
	<b>5 points</b>	Range hood vented to the exterior.
<b>Window Coverings:</b>		
	<b>Minimum Standards</b>	Window coverings or blinds shall be provided and installed.
<b>Mechanical</b>		
<b>Heating and Cooling:</b>		
	<b>Minimum Standards</b>	At a minimum high efficiency cove heat. Electric baseboard heat and PTAC's are NOT allowed for new construction. 92% AFUE minimum gas furnace, Heat Pumps rated at HSPF of 8 or greater with a 13.0 SEER rating or higher (packaged or split). Programmable thermostats are required.
	<b>Minimum Standards</b>	All units must have Energy Star qualified through the wall air conditioning or central air conditioning rated at 13 SEER or better sized to properly cool the unit.

	<b>5 points</b>	Energy Star qualified central air conditioning or verified AHRI certificate with matching coil and condenser 16 SEER or better. Split systems must be Energy Star matched.
	<b>20 points</b>	Forced air furnace 96% or greater AFUE or Energy Star qualified Air-source or Ground Source heat pump capable of providing heat to -15F. Split systems must be Energy Star matched.
<b>Note: Proposed heat pump systems used for primary heat must be submitted for approval.</b>		
<b>Water Heating:</b>		
	<b>Minimum Standards</b>	A minimum of a 0.92 UEF electric water heater in each unit. Atmospheric vented gas water heaters will not be allowed.
	<b>10 points</b>	A gas condensing (close combustion, two-vent pipe system) or electric heat pump water heater provided for each unit.
<b>Healthy Homes</b>		
	<b>Minimum Standards</b>	<ol style="list-style-type: none"> <li>1. Low VOC paints, stains, adhesives and sealants.</li> <li>2. Formaldehyde free insulation.</li> <li>3. Formaldehyde free or sealed particle board products such as shelving, cabinets and countertops.</li> <li>4. Lead detection and abatement. Only applies to rehabilitation projects.</li> <li>5. Install a passive radon system. Test for radon near completion and if 4pCi/L or higher the system must be made active and re-tested until results are below 4pCi/L.</li> </ol>
<b>Electrical Standards</b>		
	<b>Minimum Standards</b>	<ol style="list-style-type: none"> <li>1. Hardwired CO sensors required with installation of gas appliances.</li> <li>2. The use of incandescent light bulbs is not allowed.</li> <li>3. New construction or substantial rehabilitation of rental housing with more than four (4) units must incorporate the installation of broadband infrastructure.</li> </ol>

I certify that the above indicated characteristics will be incorporated into the final working drawings and that they must be provided prior to occupancy of the project.

I certify that the housing will meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR Part 100.201, must also meet the design and construction requirements at 24 CFR Part 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619).

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Applicant

\_\_\_\_\_  
Date



**EXHIBIT 5  
HOF RENTAL OR HOMEOWNERSHIP DEVELOPMENT SELF SCORING  
WORKSHEET**

RENTAL AND HOMEOWNERSHIP APPLICATIONS	Sub Points	Points Available	Points Awarded	Comments
<b>A. Local Housing Need</b>		<b>100</b>		
<b>B. Income Targeting</b>		<b>100</b>		
1. 30% AMI Units (100 pts for 100% of the units)				
2. 50% AMI Units (70 pts for 100% of the units)				
3. 80% AMI Units (50 pts for 100% of the units)				
4. 115% AMI Units (20 pts for 100% of the units)				
<b>C. Extended Use Commitment</b>		<b>10</b>		
<b>D. Financial Support from Local Sources</b>		<b>25</b>		
<b>E. Service Enriched Housing</b>		<b>20</b>		
<b>F. Percentage of Soft Costs Used for Project Costs</b>		<b>40</b>		
<b>G. Readiness to Proceed Criteria</b>		<b>130</b>		
1. Plans and Specifications	25			
2. Site Control	25			
3. Construction Financing	30			
4. Permanent Financing	30			
5. Zoning	10			
6. Platting	10			
<b>H. Project Characteristics (Exhibit 4)</b>		<b>200</b>		
<b>I. Financing Type</b>		<b>25</b>		
1. Guaranty or Regular Amortization	25			
2. Irregular Amortization	15			
3. Cash Flow Mortgage	5			
<b>TOTAL</b>		<b>650</b>		

## **EXHIBIT 6 CONSTRUCTION STANDARDS**

Housing that is newly constructed or rehabilitated with HOF funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time a building permit is obtained from the locality and then verified once the building has been placed in service. The design standard for any new construction or rehabilitation, within the boundaries of any local unit of government that has not adopted an ordinance prescribing standards for new construction or rehabilitation, pursuant to International Building Code as published by the § 11-10-5 shall be based on the most current edition of the International Code Council, Incorporated.

Pursuant to § 11-10-7, new construction housing must meet the most current edition International Energy Conservation Code as written by the International Code Council as amended by local jurisdiction and all applicable local building code requirements.

For multifamily housing of 5 or more units, the housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) -([https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opportunity/disability\\_main](https://www.hud.gov/program_offices/fair_housing_equal_opportunity/disability_main) ).

Developments consisting of 1 – 4 units should consider incorporating Universal Design concepts <https://www.sdhda.org/images/docu/housing-development/SDHDA%20UD%20Guidelines%20Final%20Posted.pdf>.

Covered multifamily dwellings, as defined at 24 CFR Part 100.201, must also meet the design and construction requirements at 24 CFR Part 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619) <http://www.fairhousingfirst.org>.

The proposed site must be suitable for the proposed project. If the site includes any detrimental characteristic, the Applicant must provide a remediation plan and budget to make the site suitable for the project. If any detrimental site characteristic exists on, or adjacent to the site, SDHDA may reject the application. Detrimental characteristics may include but are not limited to: location within 1/2 mile of pipelines, storage areas for hazardous or noxious materials, sewage treatment plant, sanitary landfill; location within 500 feet of an airport runway clear zone, 1000 feet of a railroad, commercial property or military operations; physical barriers; unsuitable slope or terrain; location within 1000 feet of registered historic property; or location in flood hazard area.

Proposed projects are encouraged to incorporate the features of brick, energy efficiency systems, additional handicap-adapted units, second bathrooms (for three and four bedroom units), community rooms, townhouse style units with an accessible bathroom on the main floor, creative design features, and other amenities where appropriate.

Rehabilitation costs must include essential improvements including energy-related repairs or improvements, modifications necessary to permit use by persons with disabilities, abatement of lead-based paint hazards, and repair or replacement of major housing systems in danger of failure. The application must describe in detail the level of rehabilitation and the cost necessary for the exterior and for the interior by apartment unit, if applicable. If the description is not detailed, the application may be rejected. Upon completion of rehabilitation, if applicable, all major systems (roof, windows, heating, etc.) of the property must be in like new or new condition. If these systems are not in need of repair at the time of application, sufficient reserves must be established to allow

for replacement of such components if the normal life span would require replacement prior to the end of the affordability period.

Developments consisting of 20 units or more will be required to submit a physical needs assessment before commitment of funds. The assessment must be completed by an independent inspector. SDHDA will approve the inspector and the Applicant will pay for all costs for this service, which may be included in the HOF financing.

Consideration will be given to functional obsolescence of the property. If it is not cost effective to overcome structural problems, the property may not be eligible for financing. Modifications to allow a higher level of care to elderly residents of a property are eligible if there is an identified need for such level of care and the property is financially feasible upon completion.

The use of HOF funds for rehabilitation must maintain current affordable units or create additional affordable units. The cost in terms of assistance to acquire and rehabilitate an existing property may not exceed the amount of assistance to construct a new property of like quality.

Under no circumstances will the term of the HOF loan exceed the expected remaining useful life of the property.

Depending on the size of the development, SDHDA may not require contractors to be bonded, however, all contractors and subcontractors must carry sufficient insurance coverage.

# HOF PROGRAMS

## I. POLICIES AND PROCEDURES

### 1. Distribution of Funds

SDHDA will distribute HOF funds geographically throughout the State taking into consideration the following HOF distribution formula:

Municipalities with a population of 50,000 or more	30 percent
Other areas of the State	70 percent

Ten percent of the HOF funds may be utilized for administrative expenses incurred by SDHDA and eligible Applicants applying for HOF for programs as outlined in Section III.B. The remaining funds will be distributed per the eligible activity as follows:

Housing Development	75 percent
Programs	25 percent

If the approved applications for any area or activity are less than the percentages above, the remaining amount may be made available for qualified applications from the other geographical area or activity. If less than one million dollars is appropriated for any single HOF Application Cycle, the Housing Development and Program set asides will be eliminated and SDHDA may in its discretion limit the eligible activities for which applications will be accepted.

### 2. Application Cycle(s) and Deadlines

Applications for Programs will be accepted annually, with 2022 applications due by 5:00 PM CST on August 31st, 2022 and by 5:00 PM CST on August 31st, 2023. Applications received will be scored in accordance with Section V of this plan to ensure feasible and desirable projects are awarded funds. Program applications must score a minimum of 100 points to be considered for funding.

However, if after the July application cycles, HOF funds remain unallocated or additional HOF funds become available, SDHDA may hold another application cycle or accept eligible applications on a first-come, first-serve basis. If SDHDA holds another application cycle (instead of accepting applications on a first-come, first-serve basis), SDHDA will provide an announcement of the additional cycle. Please refer to SDHDA's website at [www.sdhda.org](http://www.sdhda.org) for availability of funds.

Applicants are encouraged to submit the online application that can be found on the SDHDA website. Completed applications (refer to Exhibit 1) must be electronically submitted or delivered (via U.S. Postal Service, private mailing service, or hand delivered) to SDHDA by 5:00 p.m. Central Standard Time on the applicable due date. Applications via facsimile will NOT be accepted.

### **3. Limitations**

Taking into consideration the eligible activities for HOF, those being housing development and programs, no more than 25 percent of the annual available HOF funds may be awarded to any one developer/sponsor/owner and no more than 50 percent of a development's total program budget can be financed by HOF, unless a waiver is granted by SDHDA Board of Commissioners. For calculation of the developer/sponsor/owner limitation, all of the developer/sponsor/owner's applications, regardless of type of activity or project, will be combined for the calculation.

### **4. Types of Financing**

HOF funds may be requested as a loan, deferred loan, or as a forgivable loan. If applicants are requesting HOF funds as a forgivable loan, the applicant must demonstrate the need for the forgiveness and provide program parameters that will be used to determine if program recipients will be receiving a forgivable loan. Consideration must be given to the AMI being served.

### **5. Term of Financing**

HOF funds must be expended and disbursed within two years of the date of the Subrecipient Written Agreement. Any HOF funds not disbursed by the due date may be de-obligated by SDHDA and returned to the available HOF allocation for the next application cycle.

### **6. Leveraging/Match Requirement**

HOF funds can be used to finance up to 50 percent of the program costs, with the remaining 50 percent being leveraged funds (or match). The leveraging of funds can be satisfied in a variety of ways such as funds provided as a loan or grant, donations (monetary or in-kind), administrative costs paid for by other funding sources for staff carrying out the program activities, etc. Funds used for leverage must be for like-kind of services and must be necessary for the administration of the program or development of the project. For example, an agency may use the staff expense (paid for from sources other than HOF) for qualifying homebuyers' eligibility and providing homebuyer counseling, as leveraging for a down-payment assistance program since the qualification process and homebuyer counseling are necessary for administration of a down-payment assistance program. An agency however, may not use staff expense for homebuyer counseling as leveraging for a homeowner rehabilitation program.

Sources of leverage must be identified within the application and documentation of such will be required prior to closing of the loan and disbursement of HOF funds.

If applicants are unable to meet the requirement of 50 percent leveraged funds (match), applicants may request a waiver from the SDHDA Board of Commissioners. Thorough documentation of the reason for the waiver will be required at time of application.

If HOF is utilized with another funding source or program offered by a city, the state, a federal, or SDHDA program, applicant will be required to follow the most restrictive requirements.

### **7. Eligibility**

Eligible Programs: HOF funds may be used for down-payment assistance, security deposit assistance, homeowner rehabilitation, and homelessness prevention activities. Housing developments receiving HOF funds will not be considered as an eligible project until such time the initial affordability period or the extended use period has been met.

**Eligible Applicants:** Any for-profit entity, nonprofit entity, tribal government, housing authority, political subdivision of this state or agency of such subdivision, or agency of this state is eligible to apply for funding. No individuals may apply for funding directly unless authorized by SDHDA.

**Eligible Households:** HOF funds shall be targeted to serve low to moderate income households with a maximum income at or below one hundred fifteen percent (115%) of the county area median income (AMI) or state area median income (AMI), whichever is higher, based on the U.S. Department of Housing and Urban Development (HUD) criteria.

## **8. Disclaimers**

Regardless of ranking under the program selection criteria, SDHDA reserves the right to allocate HOF funds to any application if SDHDA determines in its sole discretion that such allocation furthers the HOF objectives. SDHDA reserves the right to deny HOF funds for any application that SDHDA determines in its sole discretion does not further the HOF objectives. SDHDA reserves the right to exchange information with other city, state and federal agencies and with other parties as deemed appropriate. By submitting an application for HOF funds, the Applicant is acknowledging and agreeing to this exchange of information.

## **A. AMENDMENTS TO THE PLAN**

This Plan may be amended for substantive changes by SDHDA at any time following public notice and public meeting. This Plan may be amended by SDHDA for non-substantive changes, including to comply with state law, clarify matters, or cure ambiguities, at any time, and such amendments will be fully effective and incorporated herein upon the SDHDA Board's adoption of such amendments, without public notice and comment.

# **II. GENERAL REQUIREMENTS**

## **A. ELIGIBLE PROGRAMS**

### **1. Homebuyer Assistance**

Eligible programs include assisting qualifying homebuyers with expenses related to the purchase of a home, including those related to gap financing, lease-purchase, and self-help type programs. Additional requirements for Homebuyer Assistance can be found in Exhibit 4.

### **2. Homeowner Rehabilitation**

HOF funds can be used to rehabilitate the primary residence of single family, owner-occupied properties. Additional requirements for Homeowner Rehabilitation can be found in Exhibit 5.

### **3. Homelessness Prevention**

HOF may be requested for homelessness prevention activities that include tenant based rental assistance, project based rental assistance, payment of security deposits, or other homelessness prevention activities for qualified individuals and families in qualified housing units. HOF funds may be used for acquisition, new construction, or rehabilitation of a building that is or will be used to provide homelessness prevention activities and can be considered as an eligible activity under housing development. Costs to operate the facility are also eligible

for HOF financing. Additional information regarding Homelessness Prevention Activities can be found in Exhibit 6.

## **B. PERIOD OF AFFORDABILITY**

In consideration of providing HOF for affordable housing, the housing must be kept in compliance and restricted by HOF guidelines for the minimum affordability period of five (5) years or for the term of the HOF financing, whichever is longer. If a homeowner receives HOF funding for one activity, the affordability period must be met before receiving HOF funds for another activity. For example, the affordability period must be met after receiving downpayment assistance before the homeowner can apply for HOF funding for homeowner rehab. Additional information regarding SDHDA's monitoring for compliance can be found in Section VIII of this Plan.

## **III. FUNDING PROCESS**

Requests for HOF funds are considered in a two-step process: Application and Conditional Commitment. No program operations may begin until a start order has been issued by SDHDA.

SDHDA reserves the right to not process any application that SDHDA determines is not: (1) complete; (2) consistent with the purposes and goals of this Plan; (3) proposing an eligible activity; or (4) financially feasible.

### **A. APPLICATION STAGE**

The Applicant must submit a complete application and all documentation referenced in Exhibit 1.

### **B. CONDITIONAL COMMITMENT STAGE**

Upon notification of a conditional commitment from the SDHDA Board, SDHDA will issue a Subrecipient Written Agreement to the Applicant outlining the terms and conditions of the HOF funding. The applicants will be required to accept the Subrecipient Written Agreement by returning the signed letter within 30 days of the Written Agreement. Failure to accept the Subrecipient Written Agreement may result, in SDHDA's sole discretion, in a forfeiture of the HOF Award.

Applicants will be required to provide additional information and documentation as outlined in Exhibit 1 Section B. The Applicant will have six months from the date of the agreements to provide the necessary documents, close the HOF loan and begin program services. Failure to start within this timeframe may result, in SDHDA's sole discretion, in a forfeiture of HOF funds.

**Changes to Program:** The award of HOF funds is based upon information provided in the application and supporting documentation. Any significant change in an application, once it has been ranked and awarded HOF funds, may result, in SDHDA's sole discretion, in a forfeiture of HOF funds. A significant change includes, but is not limited to, income being served, location, services being offered or any change that, had it been in the original HOF program application, might have resulted in the program receiving a different ranking or may have influenced the conditional commitment of HOF funds. Any changes to the program must be pre- approved by SDHDA prior to implementation.

## **C. DISBURSEMENT OF FUNDS**

### **1. Loan Documentation**

Loan documents may include but are not limited to a Subrecipient Written Agreement, Promissory Note, Mortgage 180 Day Redemption, Security Agreement, Declaration of Land Use Restrictive Covenants, Mortgagor's Affidavit, as applicable.

### **2. Program Start**

A HOF financed program may begin when SDHDA has received all executed loan documentation and the applicant has received a written authorization to start from SDHDA. The program must begin no later than six months after execution of the Subrecipient Agreement.

### **3. Draws**

For HOF funded programs, draws will typically be on a reimbursement basis with applicant requesting HOF funds no more than twice per month. SDHDA may allow pre-funding of programs in an amount not to exceed 10 percent of the HOF award amount. Administrative fees may only be requested after services have been provided and will be reimbursed for documented expenses or 10 percent of the HOF award, whichever is less.

### **4. Loan Repayment**

Loan forgiveness or loan repayment terms and conditions will be further defined in the Promissory Note.

### **5. Recapture of HOF Funds**

Unless otherwise noted in the HOF loan documents, HOF funds provided for programs are subject to recapture by SDHDA if HOF criteria are not met, including but not limited to meeting the affordability requirements or program eligibility. Any funds recaptured by Subrecipient must be returned to SDHDA. Penalties, including interest for the period of time during which the property was out of compliance, may apply.

## **IV. SCORING CRITERIA FOR HOF PROGRAMS**

Proposals will be reviewed initially for completeness, including all submission requirements referenced in Exhibit 1 and scored based on the following selection criteria.



**A. PROGRAM DEMAND (MAXIMUM 100 POINTS)**

All Applicants must submit a narrative addressing and documenting the need for the proposed demand, via a waiting list, etc. If the services are a continuation of an existing program, provide explanation of why the HOF funds are necessary, whether the HOF funds are expanding the services, replacement of other funds, etc. If HOF funds are being requested for a new program, applicant must document how the need for additional services was determined and whether other service agencies provide similar services in that geographic area.

**B. INCOME TARGETING (MAXIMUM 100 POINTS)**

Each of the following set-aside elections are separate and can be combined for up to 100 points and up to 100 percent of the units being restricted. An application can elect to set aside units for different AMIs, but a unit cannot be used to serve more than one set-aside election.

% of Units Restricted	AMI Target	Points Awarded
100%	30%	100
100%	50%	70
100%	80%	50
100%	115%	20

Proposals for homelessness prevention activities will be scored as serving 100 percent at 50 Percent AMI, unless otherwise documented in the application.

**C. SUPPORT FROM LOCAL SOURCES (MAXIMUM 25 POINTS)**

Proposals containing one of the following will receive up to 25 points:

1. Letters of support from local businesses, organizations, or local government entities; or
2. Non fee-based partnerships with other agencies which enhance the capacity of the Applicant.

**D. PROGRAM POLICY AND PROCEDURE MANUAL (MAXIMUM 30 POINTS)**

Applicants who submit a written policy and procedure manual for their proposed program are eligible to receive up to 30 points. The manual, at a minimum, must outline the process for receiving applications, approving recipients, verifying income eligibility, and implementing the program. In order to receive full points, the manual must also include the forms to be utilized by the Applicant in administering the program.

**E. MATCHING FUNDS (MAXIMUM 30 POINTS)**

Applications containing written documentation of committed funds to be utilized in the program as match or leveraging for like activities, will receive up to 30 points. Points will not be awarded for additional funding provided by SDHDA as the match.

**F. FINANCING TYPE (MAXIMUM 25 POINTS)**

HOF funds may be utilized in a variety of financing options. Points will be awarded as follows:

<u>Financing Options</u>	<u>Points Awarded</u>
Guaranty or Regular Amortization Loan	25

Irregular Amortization Loan	15
Cash Flow/Deferred Mortgage	5

**G. PARTNERING WITH OTHER AGENCIES (MAXIMUM 30 POINTS)**

HOF applicants who can document via written agreements, partnering with other agencies to provide a continuum of services, without duplicating services, will be awarded up to 30 points. The services being coordinated must be related services that enhance the success of the program recipients. An example would be the homelessness prevention provider partnering with a job service provider to find employment opportunities for the clients. Points will not be awarded for services that SDHDA already requires.

**V. OTHER REQUIREMENTS**

**A. FAIR HOUSING AND EQUAL OPPORTUNITY**

All Applicants and owners must adhere to Title VIII of the Civil Rights Act of 1968 (Fair Housing Act), as amended, which prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and disability. Additional information can be found at - [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp](https://www.hud.gov/program_offices/fair_housing_equal_opp).

**B. LEAD-BASED PAINT**

Applications that involve the renovation, sale or leasing of housing units built before 1978, must address the potential of lead-based paint hazards. Before renting or selling pre-1978 housing, landlords and sellers must disclose the presence of known lead-based paint and lead-based paint hazards in the dwelling. In addition, rehabilitation, renovation, repair, and painting activities that disturb lead-based paint (like sanding, cutting, replacing windows, and more) must be done within safe work practices. For additional information regarding lead based paint and safe work practices, please visit the following websites – <https://www.epa.gov/lead> or - [https://www.hud.gov/program\\_offices/healthy\\_homes/healthyhomes/lead](https://www.hud.gov/program_offices/healthy_homes/healthyhomes/lead).

**C. CONFLICTS OF INTEREST**

Applicants must disclose to SDHDA if any conflicts of interest exist. A conflict of interest is deemed to exist whenever an individual is in the position to approve or influence the policies or action of the project which involve or could ultimately harm or benefit financially: (a) the individual; (b) any member of his immediate family (spouse, parents, children, brothers or sisters, and spouses of these individuals); or (c) any organization in which he or an immediate family member is a Director, trustee, officer, member, partner or more than 10% shareholder. Service on the board of another nonprofit corporation does not constitute a conflict of interest.

**D. DEBARMENT AND SUSPENSION**

Owners and contractors are prohibited from employing, awarding contracts, or funding any contractors or subcontractors that have been debarred, suspended, proposed for debarment or placed on ineligibility status by the federal government. In addition, any owners who are debarred, suspended, or proposed for debarment will be prohibited from participating in the

HOF program. Those excluded from participating are listed on the Excluded Parties List System found at <https://www.sam.gov/SAM/>.

## E. HISTORIC PROPERTIES

Applicants proposing rehabilitation of a structure which is over 50 years old should contact the local and State Historical Preservation Offices to determine if the proposed rehabilitation will have any effect on the historical significance of the structure or if adherence to the National Historic Preservation Act (16 U.S.C. 470) is required.

## F. FLOOD INSURANCE

SDHDA will not allow HOF funds to be used for rehabilitation of housing units that are located in FEMA designated special flood hazard areas, unless flood insurance has been purchased for the property or the property is located in an area of low risk and the proposed rehabilitation was not caused by flooding, drainage, or other ground water issues.

## VI. MONITORING FOR COMPLIANCE

HOF program compliance will be assessed through annual reporting, certifications, and on-site reviews conducted by SDHDA staff. SDHDA will provide a HOF program compliance guide detailing required responsibilities and provide compliance training for Applicants. SDHDA will require the owner or management company to attend Fair Housing compliance training prior to final disbursement of funds and at a minimum of once every three years from the date of final disbursement of funds.

SDHDA may impose financial penalties for non-compliance. All HOF program, rent, and occupancy requirements, along with other special use restrictions imposed under the Plan, will be made part of the Subrecipient Agreement.

## VII. DEFINITIONS

**Affordability:** Affordability refers to the requirements of the HOF program that relate to the cost of housing both at initial occupancy and over established timeframes. Affordability requirements vary depending on the nature of the HOF assisted activity (i.e., homeownership or rental housing) and the amount invested.

**Affordable Housing:** Housing that is affordable if the total housing costs, which includes rent, utilities, mortgage, and related expenses, represents no more than thirty percent of gross household income for the AMI being served.

**Affordable Units:** Housing units targeted for 115 percent of AMI or less.

**Annual Income:** For rental housing, SDHDA uses the annual income definition as defined in 24 CFR Part 5.609 (Part 5 Annual Income). For homebuyer activities, SDHDA uses the adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual federal annual income tax purposes.

**Applicant:** Applicant refers to the owners, developers, and sponsors involved with the project.

**Area Median Income (AMI):** The income determined by HUD on which HOF income limits and rent limits are based.

**Builder's Profit:** Compensation to the builder for completing the construction contract.

**Builder's Overhead:** Builder's business expenses (e.g., rent, insurance, heating, etc.) not chargeable to a particular part of the work or product to build the project.

**Commitment:** The written, legally binding agreement between SDHDA and the project owner providing HOF funds to a project.

**HUD:** U.S. Department of Housing and Urban Development.

**HUD Housing Quality Standards (HQS):** The performance standards for housing as established in 24 CFR Part 882 and amended by the Lead Paint Regulations in 24 CFR Part 35.

**Service Enriched Housing:** Projects providing affordable rental housing (permanent or transitional) that include services and assistance that are available to residents upon request. The services must be unique to the property, verifiable, on-site, long-term, and provided on a daily or continuous basis. The services may be provided by the owner, the management company, or a third-party organization but must be tailored to individual residents and managed by the property.

There must be a definable increase in project development costs and or operating cost to the owner to be able to provide the services. The application must include a letter of intent from the service provider detailing the services to be provided, the tenants that will receive the services, the method of delivering the services, and the staffing for the services which may include but is not limited to the following:

- A. Homeless
- B. Persons with physical disabilities
- C. Persons with mental disabilities
- D. Persons with developmental disabilities
- E. Housing for Older Persons 62 or older (Assisted Living or Congregate Care Facilities as defined under Definitions)
- F. Assisted Living or Congregate Care Facilities as defined under Definitions
- G. Other

Services and assistance are not a requirement for tenancy but there must be a mechanism for immediate support and assistance when requested by any resident.

**Single-Family Project:** A project consisting of individual single-family dwellings or a project with one or more buildings containing four or less units per building.

## **EXHIBIT 1**

### **REQUIRED SUBMISSIONS FOR COMPLETE PROGRAM APPLICATION**

Applications must be submitted using the appropriate SDHDA HOF Application Form. For an application to be considered as complete, the application form must be completed and signed and the application must include the following items.

**Applications submitted for Programs must include the following:**

1. Completed and signed application form.
2. Documentation of Program Demand (Section IV.A.).
3. Project narrative outlining the program characteristics (services provided, clients served, partner agencies, other funding sources, etc.).
4. At least two letters of local support for the proposed program. The letters must be from local organizations such as the city office, economic development corporation, public housing authority, employers, commercial lenders, etc. (Section IV.C.).
5. Program policy and procedure manual (Section IV.D.).
6. Information regarding the Applicant/owner, including staff and years of experience in housing or related field or service area. i.e. resume's
7. Documentation of other program funds being provided as match funding (Section IV.E.).
8. If applicable, written agreements with partnering service agencies (Section V.G.).
9. Any other information requested by SDHDA.

In addition to the above, program applicants must submit a copy of the program policies and procedures outlining how the program will be administered including copies of the template forms and documents.

## EXHIBIT 2 HOF PROGRAM APPLICATION CHECKLIST

The following items must be submitted with the Application form to ensure a complete application is received by SDHDA. Please refer to the HOF Plan and application for clarification of any submission items.

Submission Item	Enclosed	Meet SDHDA Requirements
All Applications:		
1. Completed/Signed Application Form	_____	_____
2. Local Housing Need/Program Demand	_____	_____
3. Project Narrative	_____	_____
4. Letters of Local Support	_____	_____
5. Applicant/Owner Information	_____	_____
6. Documentation of Match	_____	_____
7. Program Policy & Procedure Manual	_____	_____
8. Self-Scoring Worksheet	_____	_____

**EXHIBIT 3  
HOF PROGRAM SELF-SCORING WORKSHEET**

PROGRAM APPLICATIONS	Sub Points	Points Available	Points Awarded	Comments
<b>A. Program Demand</b>		<b>100</b>		
<b>B. Income Targeting</b>		<b>100</b>		
1. 30% AMI Units (100 pts for 100% of the units)				
2. 50% AMI Units (70 pts for 100% of the units)				
3. 80% AMI Units (50 pts for 100% of the units)				
4. 115% AMI Units (20 pts for 100% of the units)				
<b>C. Support from Local Sources</b>		<b>25</b>		
<b>D. Program Policy &amp; Procedure Manual</b>		<b>30</b>		
<b>E. Matching Funds</b>		<b>30</b>		
<b>F. Financing Type</b>		<b>25</b>		
1. Guaranty or Regular Amortization	25			
2. Irregular Amortization	15			
3. Cash Flow Mortgage	5			
<b>G. Partnering with Other Agencies</b>		<b>30</b>		
<b>TOTAL</b>		<b>350</b>		

## **EXHIBIT 4 HOMEBUYER ASSISTANCE**

Homebuyer assistance can be structured in any number of ways to encourage the acquisition of affordable homes. Applicants can help eligible homebuyers purchase affordable homes by providing down payment or closing cost assistance, low-cost loans, or loan guarantees. Applicants must have operating procedures or an administrative plan outlining the type of assistance being provided, selection of homeowners, and overall program administration. Applicants are eligible to receive an administrative fee for documented expenses or up to 10 percent of the HOF award, whichever is less.

**Principal residence:** Purchasers must occupy the property as their principal residence.

**Homebuyer Education:** All mortgagors receiving Homebuyer Assistance must participate in homebuyer education, and if warranted, homebuyer counseling and credit counseling.

**Eligible Property Types:**

- a. A single-family property (one unit);
- b. A condominium unit;
- c. A cooperative unit or a unit in a mutual housing project (if recognized as homeownership by state law); or
- d. A manufactured home - At the time of project completion, the manufactured home must be (1) permanently affixed to the land by a foundation and taxed as real property; (2) connected to permanent utility hookups; and (3) located on land that is owned by the manufactured homeowner, or on land for which the manufactured housing unit owner has a long-term lease for a period at least equal to the HOF financing or first mortgage, whichever is longer.

**Property Standards:** All homebuyer properties must meet certain property standards.

- a. Acquisition: If no rehabilitation or construction is planned, the housing acquired must meet State and local housing quality standards and code requirements. If no such standards or codes apply, the property must meet HUD Housing Quality Standards.
- b. Rehabilitation and new construction: Housing that is being constructed or rehabilitated must meet all applicable state or local codes, rehabilitation standards and ordinances, and zoning ordinances as further described in Exhibit 6.

**Purchase price** of the home shall not exceed the appraised value.

**Recapture Guidelines:** Homebuyers receiving HOF funds will be required to adhere to the recapture guidelines per Section III.A.2.c. of this Plan. Recapture guidelines will be incorporated into a deed restriction or covenant running with the land.

In determining the forms of assistance, the Applicant should consider the particular needs of the program's target participants. Various alternatives are discussed below.

**Downpayment / closing-cost:** For homebuyers who have a steady income to make monthly payments but don't have the means to save for the upfront costs of purchasing a home.

**Gap financing:** For homebuyers who have a steady income that is insufficient to cover the total monthly payment, HOF funds can be used to reduce monthly carrying costs by providing gap financing and reduce the principal amount borrowed. Agency may also consider an "interest down" (providing funds directly to the lender to reduce the interest rate on the borrower's loan.)



The gap financing, if provided as a loan, can be paid in small monthly installments (for a below-market-rate loan) or at the sale of the property (if a deferred-payment loan).

**Other guidelines:** For purposes of ensuring feasible financing opportunities for homeowners, homebuyer assistance programs utilizing HOF will adhere to the following requirements.

- a. Maximum amount of HOF assistance is \$20,000.
- b. For homebuyers above 80% AMI, the homebuyer’s first mortgage must be a minimum of 80% of the acquisition cost, for homebuyers below 80% AMI, the homebuyer’s first mortgage must be a minimum of 70% of the acquisition cost.

<b>ADVANTAGES AND DISADVANTAGES OF VARIOUS FORMS OF ASSISTANCE</b>		
<b>SUBSIDY</b>	<b>PROS</b>	<b>CONS</b>
<b>Forgivable Loans</b>	<ul style="list-style-type: none"> <li>• Simple to administer</li> <li>• Easy to explain</li> <li>• Often necessary to reach very-low-income</li> </ul>	<ul style="list-style-type: none"> <li>• Expensive</li> <li>• No repayment possible</li> <li>• May be hard to “sell” politically</li> <li>• May create expectation of future free assistance</li> </ul>
<b>Deferred Payment Loans (DPL)</b>	<ul style="list-style-type: none"> <li>• Simple to administer and explain</li> <li>• No monthly payment required</li> <li>• Allows for repayment</li> <li>• Prevents windfall gain to borrower if property values increase significantly</li> </ul>	<ul style="list-style-type: none"> <li>• No payment received on a monthly basis</li> <li>• Might never be repaid if property has low value or future appreciation is limited</li> </ul>
<b>Below-Market Rate Loans</b>	<ul style="list-style-type: none"> <li>• Provides immediate repayment</li> <li>• Allows agency to act as “banker”</li> </ul>	<ul style="list-style-type: none"> <li>• Time-consuming and staff-intensive</li> <li>• Requires underwriting expertise</li> <li>• Requires loan servicing</li> <li>• Inefficient leverage as compared to DPLs and forgivable loans</li> </ul>
<b>Loan Guarantees</b>	<ul style="list-style-type: none"> <li>• Simple to administer (if no defaults or if lender handles property disposition upon default)</li> <li>• High leverage</li> <li>• Improves loan-to-value and income-to-debt ratios for other lenders</li> </ul>	<ul style="list-style-type: none"> <li>• Do little to subsidize the cost to the homebuyer</li> <li>• Shifts underwriting and default risk from the lender</li> <li>• No repayments to the program</li> <li>• Can tie up funds for long periods of time</li> </ul>

**Lease-purchase** is another method of assisting with homeownership. Ownership of the property transfers within 36 months of the homeowner signing the lease-purchase agreement, unless the household occupying the lease-purchase unit is not eligible or able to purchase the unit at that time. The developer then has an additional six months to identify an eligible homebuyer to purchase the unit.

## **EXHIBIT 5 HOMEOWNER REHABILITATION**

Applicants can apply for Housing Opportunity Funds to provide a homeowner rehabilitation program. Applicants must have operating procedures or an administrative plan outlining the type of assistance being provided, process for selection of homeowners, and overall program administration. Applicants are eligible to receive an administrative fee for documented expenses or up to 10 percent of the HOF award, whichever is less.

Applicants must have established standard accounting practices including internal controls and fiscal accounting procedures to track agency and program budgets by revenue sources and expenses. Applicants must also have available cash flow to effectively operate their programs since HOF funding is a reimbursement program.

Although the total cost of the rehabilitation work to the home is not limited by SDHDA, the amount of HOF homeowner rehabilitation funding assistance provided to each homeowner may not exceed \$15,000 without approval from SDHDA. HOF homeowner rehabilitation funds may be combined with HOME homeowner rehabilitation funds, however, total funding per homeowner may not exceed \$40,000.

Households must own and occupy a home, as their principle residence. Subsequent to the completion of HOF funded rehabilitation activities, continued ownership is required and is subject to recapture provisions that will be incorporated into loan documents.

HOF funding can be provided to the homeowners in the form of an amortizing loan, conditionally-forgivable loan (no more than 1/60th of loan forgiveness for each month the person owns and maintains the property as their primary residence) or as a deferred loan.

Homeowners receiving HOF homeowner rehabilitation assistance must execute a Promissory Note and Mortgage and Security Agreement securing the property as collateral for the financing during the affordability period. Homeowners must also sign an agreement with the Applicant detailing applicable program processing procedures and requirements.

In the event that the homeowner sells the assisted property during the affordability period, the portion of assistance that was not repaid or forgiven at the time of sale or transfer of the property will be repaid to SDHDA.

Rehabilitation work must primarily be to bring the home into compliance with property standards, improve energy efficiency, and/or make the home more accessible.

The Applicant must conduct an assessment of the proposed property to be rehabilitated and coordinate appropriate work to be completed. Applicant must make the determination that all the work is necessary and can be completed with the funds committed and ensure that the homeowner is qualified based on eligibility criteria. The Applicant must coordinate the rehabilitation activity, facilitate the execution of all required documents, ensure that work is performed in accordance with all required property standards, and submit required project documentation to SDHDA for reimbursement of expenses. Applicants may use contractors, their own work crews (force account labor), or self-help program to perform the rehabilitation work. Rehabilitation work may not begin without SDHDA's review and approval of the project.

## **EXHIBIT 6 HOMELESSNESS PREVENTION**

Applicants can apply for Housing Opportunity Funds to provide homelessness prevention activities assisting people to quickly regain stability in permanent housing. Applicants must have operating procedures or an administrative plan outlining the type of assistance being provided, selection of participants, and overall program administration. Applicants are eligible to receive an administrative fee for documented expenses or up to 10 percent (10%) of the HOF award, whichever is less, except for HOF funds requested for acquisition, new construction, or rehabilitation costs.

Applicant's operating policies and procedures must include:

- Evaluating individual and household eligibility for assistance, defining who qualifies as at-risk of becoming homeless;
- Assessing, prioritizing, and reassessing individuals' and households' needs for assistance, taking into consideration other available resources and support networks;
- Coordinating among other service providers;
- Determining and prioritizing which individuals and households receive homelessness prevention assistance;
- Determining what percentage or amount of rent and utilities each program participant must pay while receiving assistance;
- Determining how long a program participant will be provided assistance and whether that assistance should be adjusted over time; and
- Determining the type, amount, and duration of assistance that may be provided to a program participant, which could include maximum amount of assistance, maximum number of months, or maximum number of times the program participant may receive assistance;

Applicants must have established standard accounting practices including internal controls and fiscal accounting procedures to track agency and program budgets by revenue sources and expenses. Applicants must also have available cash flow to effectively operate their programs since HOF funding is a reimbursement program.

Eligible Applicants must have (1) prior experience serving individuals and households at-risk of or experiencing homelessness, and (2) staff with expertise in case management skills.

Applicants will be required to utilize the Homeless Management Information System (HMIS) operated by SDHDA.

HOF will be awarded to Applicants based upon the following:

1. Need for the funding to provide the corresponding services and assistance;
2. Plan for distribution of the funds in an effective and efficient manner;
3. Collaboration efforts with other agencies, and
4. Applicants' prior experience with this type of program.

HOF may be utilized for the following activities:

- Costs for new construction or rehabilitation of a building that will be used to provide homelessness prevention services

- Payment of operating expenses of the agency providing the homelessness prevention services
- Payment of rental arrears.
- Temporary rent or utility assistance
- Rental application fees.
- Security deposits equal to no more than two month's rent.
- First and last months' rent.
- Standard utility deposits.
- Utility payment.
- Moving costs - truck rental or hiring a moving company. Assistance may also include payment of temporary storage fees.
- Service costs - Housing search and placement, housing stability case management, mediation activities, legal services necessary to resolve housing issues, costs necessary to obtain legal identification documents, and credit repair/counseling services.

The costs of homelessness prevention are only eligible to the extent necessary to help the program participant regain stability in their current permanent housing or move into other permanent housing and achieve stability.

Applicants must ensure that assistance is only provided for housing units that meet rent reasonableness for their market area.

Each program participant receiving rental assistance must have a legally binding written lease for the rental unit.

