

South Carolina Housing Trust Fund

# Supportive Housing Manual

Administered by: South Carolina State Housing Finance and Development Authority

Effective July 1, 2016

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## General Definitions

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

**Application** - The completed forms, schedules, attachments, and any additional documentation requested in the Housing Trust Fund Application package.

**Attorney** - An individual licensed to practice before the courts of the State of South Carolina. A portion of the practice must relate to real estate matters. The Attorney will be required to provide evidence of errors and omission insurance

**Authority** - The South Carolina State Housing Finance and Development Authority.

**Board of Commissioners** - The Board of Commissioners of the South Carolina State Housing Finance and Development Authority.

**Compliance Period** - The twenty (20) year time period that program restrictions are in effect regarding housing occupancy. The compliance period begins on the date the note and mortgage are executed. If the project is sold prior to the end of the compliance period, the amount of the Housing Trust Fund award as evidenced and defined in the note becomes due and payable.

**Funding Agreement** - The written contract between the South Carolina State Housing Finance and Development Authority and the Sponsor. It contains the terms and conditions of the Housing Trust Fund award, states the award amount, the project's purpose, and the beneficiaries being served.

**Letter of Commitment** - An original letter or contract from a funding source verifying that the Sponsor has a commitment of funds for the project. This letter or contract must be dated within ninety days of the application date and should include the amount of funds, any conditions and the expiration of the commitment, whether funds will be provided as a loan or grant and the loan to value ratios, terms and interest rate for loans.

**Manual** - The Housing Trust Fund Group Home Manual.

**Nonprofit** - An organization that is exempt from income tax under section 501 (c) (3) or 501 (c) (4) of the Internal Revenue Code of 1986 as amended and registered with the South Carolina Secretary of State.

**Project** - The one or more residential buildings, the site on which the building(s) are located, and any functionally related facilities.

**Rehabilitation** - Improvements that are being made to an existing structure.

**Shelter** - A facility with the primary purpose of providing temporary or transitional housing for homeless individuals or families.

**Site-Specific** - The site on which the project to be built or repaired is located.

**Sponsor** - An approved nonprofit organization or unit of local government.

**Supportive Housing** - A successful, cost-effective affordable housing facility that includes supportive services to help people live more stable and productive lives. Eligible types of supportive housing are shelters and transitional housing facilities.

**Supportive Services** - Services provided to meet the needs of homeless persons or persons residing in transitional housing facilities. They include childcare, job training, mental health counseling, etc.

**Transitional Housing** – Temporary housing in which the goal is the successful movement of homeless individuals and families to permanent housing. Homeless individuals and families may live in transitional housing for up to twenty four (24) months.

**Very Low-Income Household** - Income that does not exceed fifty percent (50%) of the median income for the area, as determined by HUD, with adjustments for family size.

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## **Housing Trust Fund Overview**

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The South Carolina Housing Trust Fund (HTF) is a state funded program designed to provide financial assistance in the development and preservation of safe, decent, sanitary and affordable housing for low-income households within the State of South Carolina. The HTF accelerates the state’s response to the production of affordable housing through innovative financing used by the nonprofit and private sectors. It builds partnerships among government, qualified nonprofits, for profits, and those in need of affordable housing. It strives to maximize the utilization of federal, state and/or other housing assistance programs in leveraging other public and private resources.

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## **Supportive Housing Activity Overview**

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The South Carolina State Housing Finance and Development Authority (the Authority) will award funds to eligible Sponsors for the purpose of funding Supportive Housing (Shelters and/or Transitional Housing) projects. All awards are subject to the HTF statutes and regulations and all other applicable Authority requirements.

Funds are available for new construction, rehabilitation and/or acquisition with rehabilitation (which may include the demolition of an existing dwelling) of a residential building(s) that contains one or more housing units which will serve persons at or below fifty percent (50%) of the area median income. Funds may also be used to convert a non-residential building into a Supportive Housing facility.

Funds for acquisition will only be awarded if the property is currently under a purchase option or has been purchased within the last twelve (12) months and the deed or purchase option for the proposed project must be in the name of the Authority approved nonprofit at the time of application.

Only one HTF award will be awarded per project. The application must be site-specific. Scattered sites are not eligible for funding unless they are contiguous sites joined by the same property line.

Sponsors are **required** to use other funding sources in conjunction with HTF and must provide a commitment letter(s) from each funding source at the time of application submission. Sponsors must also submit commitments from outside agencies to provide at least three (3) Supportive Services such as; childcare, job training, mental health counseling.

### **Eligible Sponsors**

Units of Local Governments (cities, towns and counties) and approved nonprofits are the only eligible Sponsors for this activity. The approval process for nonprofits is contained in the Application for Designation manual. All nonprofits must be approved by the Authority prior to the submission of any HTF application. Applications submitted by nonprofits that are not approved by the Authority will be returned.

Eligible Sponsors **must** have documented successful experience with Supportive Housing developments. Third party letters documenting such experience must be submitted with the application.

## **Threshold Criteria**

**Experience:** Sponsors must demonstrate the ability to implement affordable Supportive Housing projects by providing documentation as to the development of similar projects utilizing federal grant programs or other public funds within the past seven (7) years. A list of staff members coordinating the project along with their resumes must be included behind TAB 5. The Sponsor must also submit a listing of completed projects including the project address, target population, number of units, services provided, funding sources and the amount of funding awarded from each source.

**Financial:** Sponsor must provide documentation of at least one year of operating subsidy for the project. Rental income may not account for more than fifty percent (50%) of the operating subsidy. The remaining operating subsidy, if from a third party, must already be committed to the project. If donations are to be used, then the bank statements showing funds on hand must be provided.

1. **Replacement Reserves :** Developments are required to establish and make annual contributions to replacement reserves, as follows:
  - Two hundred fifty dollars (\$250) per unit, per year until account reaches \$2,500 per unit.
2. **Operating Reserves:** Operating reserves are funded initially from development costs and replenished, when used, from operating cash flow. Operating reserves must be maintained at the required level throughout the restrictive covenant period.
  - Operating reserve must be established in the amount equal to three months of projected Operating Expenses.

## **Terms of Financial Assistance**

<b>Maximum Subsidy per Project:</b>	The <b>LESSER</b> of \$300,000 or 75% of the Total Development Costs
<b>Commitment(s) from other sources at time of application</b>	Minimum of 25% of the Requested HTF Award
<b>Maximum Developer Fee:</b>	Not more than 15% of the HTF Award

Approved nonprofits may access the funds in the form of a deferred forgivable loan. The loan is forgiven if the project is used for the authorized purpose during the compliance period.

Units of Local Government may access the funds in the form of a one percent (1%) loan with a twenty (20) year term and amortization period.

## **Submitting Applications**

Applications for HTF Supportive Housing are accepted during the **four (4) designated funding cycles**. For a list of application deadlines, please visit our website at [www.schousing.com](http://www.schousing.com).

In order to be considered, complete applications must be received in our office prior to close of business on the submission deadline date. Applications may be delivered by mail, other shipping service, or by hand delivery as follows:

South Carolina State Housing Finance and Development Authority  
ATTN: HOUSING DEVELOPMENT  
HTF Supportive Housing Application  
300-C Outlet Pointe Blvd.  
Columbia, SC 29210

- Facsimile transmissions will **NOT** be accepted.
- Items postmarked before the deadline, but received in our office after the deadline will **NOT** be accepted.
- Incomplete applications will **NOT** be eligible for consideration.

Applications may be obtained on the Authority's website: [www.schousing.com](http://www.schousing.com)

Sponsors must submit one (1) original and one (1) copy of the application, including all pages of the application and all required exhibits and tabs. A Supportive Housing Application Checklist has been provided to identify the required documentation and its placement in the application package. Incomplete applications will not be accepted. **All applications must be self-contained. The Authority will not rely on any previously submitted information, written or verbal, to evaluate the applications in any given quarterly funding cycle.**

## **Application Review Process**

1. Authority Staff will review applications for completeness.
2. Applications will be reviewed by underwriting staff to ensure project feasibility and longevity.
3. The inspections department will perform a preliminary review of the proposed site plans/work write up and may schedule a site visit. Sponsors must submit the HTF Inspection Request form (HTF-2A).
4. Applications which are complete and meet the general guidelines and eligibility requirements of the program will be recommended to the Board of Commissioners for approval.
5. If approved, a Funding Agreement is mailed to the Sponsor for execution.
6. Once the executed Funding Agreement is returned to the Authority, progress should begin for the completion of the Award. The Sponsor must provide required closing attorney information to the Authority who will prepare the loan documents to be sent to the closing attorney.
7. Construction/rehabilitation may not begin until the loan closing has occurred and any Authority required documents have been executed, filed with the county as required, and delivered to the Authority. Interim inspections at 30% and 60% are required (with or without a draw).
8. Once the work is completed, the Sponsor must request a final inspection using the Inspection Request (HTF-2A), Certification of Work Completed (HTF-2D) and the Draw Request (HTF-4B).

## **Forms**

All necessary forms for applications, change orders, draws, inspections, etc. can be downloaded from our website at [www.schousing.com](http://www.schousing.com).

## **Applications Management Staff:**

<b>STAFF</b>	<b>PHONE #</b>	<b>FAX #</b>	<b>EMAIL ADDRESS</b>
<b>Laura Nicholson</b> Development Director	(803) 896- 9190	(803) 551- 4925	<a href="mailto:laura.nicholson@schousing.com">laura.nicholson@schousing.com</a>
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Richard Clark <i>Inspector</i>	(803) 315- 3126	(803) 551- 4873	<a href="mailto:Richard.clark@schousing.com">Richard.clark@schousing.com</a>
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## **Guidelines for Supportive Housing Activity**

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### **General Guidelines**

1. Sponsors must operate within their defined service areas as defined in their Application for Designation and as evidenced in their Charter, Articles of Incorporation or By-Laws.
2. Sponsors must complete each Supportive Housing project within the twelve (12) month completion deadline specified in the Funding Agreement or the Authority may not disburse funds and may revoke remaining funds awarded.

3. Sponsors may be required to attend an implementation workshop. The purpose of this workshop is to prepare Sponsors to fulfill program, construction and financial requirements.
4. HTF Sponsors are required to submit a quarterly performance Project Report (HTF-2E) on the project through completion.
5. The project must serve very low-income households, at or below fifty percent (50%) of the area median income.
6. HTF awards may be terminated at any time prior to the award expiration date due to documented evidence of unsatisfactory productivity.
7. Manufactured Housing/Mobile Homes are **not** eligible properties under the Supportive Housing activity.
8. **Rental housing only properties are not eligible properties under the Supportive Housing activity.**

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## **Eligibility Requirements for Beneficiaries**

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### **Certification and Verification of Income**

The project's beneficiaries must be very low-income with gross annual incomes that do not exceed fifty percent (50%) of the area median income as determined by the US Department of Housing and Urban Development's income limits. **Current income limits are available at [www.schousing.com](http://www.schousing.com).**

Third party income verification documentation must be available on site for all anticipated annual income for each resident, and must not be older than six (6) months from the date of the resident occupying the unit. Income tax returns will be accepted but only in situations where no other income information is available. Additionally, the tax returns must have all pertinent information correctly identified and all schedules included and may not be more than one (1) year old.

### **Computing Income**

Annual Income is determined by taking the total anticipated gross income from all sources for the twelve-month period preceding the date of certification of income.

Annual income includes, but is not limited to:

- gross income, the full amount before any payroll deductions, of wages and salaries;
- overtime pay;
- commissions;
- fees;
- tips;
- bonuses, and other compensation for personal services;
- the net income from the operation of a business or profession;
- interest, dividends, and other net income of any kind from real or personal property;
- the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts. This includes a lump-sum payment for the delayed start of a periodic payment other than Supplemental Security Income;



- payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay; welfare assistance;
- periodic and determinable allowances, such as alimony and child support payments;
- regular contributions or gifts received from persons not residing in the dwelling;
- all regular pay, special pay and allowances of a member of the Armed Forces (other than pay for hazardous duty).

### **Zero Income**

Beneficiaries who report zero income must certify such on the Certification of Zero Income (HTF-3C) form. Any household member that is eighteen (18) years of age or older and reports zero income for the twelve (12) months preceding the date of application submission, must certify to such on the Certification of Zero Income form.

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## **Construction Guidelines**

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Prior to beginning any work, Sponsors are required to submit itemized work write-ups for rehabilitation projects or plans and specifications (including all detailed costs) for new construction projects. Detailed, itemized information must be submitted and should include material and labor costs identified separately by line item. The Sponsor must use the Authority's Work Write-Up (HTF-2B) form.

The Authority will perform a "cost reasonableness" evaluation of the proposed work and may adjust the amount of funds awarded based on a review and an inspection of the property. The Authority will review the work write-up or the plans/specifications submitted and conduct an on-site inspection. If the Authority concludes that the costs presented are not reasonable, the application will either be returned for corrections or rejected depending upon the circumstances. Sponsors are strongly encouraged to ensure applications submitted are cost reasonable to prevent such adjustments or a rejection of the application.

Sponsors must adhere to any written standards developed by the Authority and to all federal, state, and local standards. The Authority's standards include the following:

- The Sponsor will perform a physical on-site repair assessment and will ensure a physical on-site repair assessment is done by a licensed general contractor, residential builder, or certified home inspector prior to the submission of an application.
- The Sponsor will ensure that an itemized work write-up (HTF-2B) is completed by a licensed general contractor, residential builder, or certified home inspector and submitted as part of the application.
- The Sponsor must contract with a **licensed general contractor or residential builder** meeting the Authority's standards to perform the rehabilitation work. The Sponsor must contract directly with the licensed general contractor or residential builder.
- **The contractor must contact the building code enforcement agency within the locality in which the proposed construction is to be undertaken and obtain any required permits. The locality's building inspector must review the work write-ups or plans and specifications PRIOR to submission of the application to the Authority to ensure local requirements are met.**
- **All permits must be posted on-site and easily visible. If any construction work is done on a HTF project PRIOR to permits being pulled, the Sponsor and contractor will be debarred from the HTF program for a minimum of three (3) months.**
- All work must be in compliance with the 2012 International Residential Code (IRC), and all state and local revisions.

- All work shall be performed and completed in a manner supported by the manufacturer's specifications, standard construction practices, and/or recognized building codes.
- All work performed shall be "finished" work. For example, if a door unit is specified for a bedroom then that unit shall be finished to match an existing unit whether it is stained/finished or painted. The unit shall have a lockset installed.
- All materials used shall be new, in good condition and of standard grade.
- All work regarding handicapped accessibility must meet the requirements of Section 504. Please refer to CABO/ANSI Section A117.1 for compliance requirements.

## **Allowable Construction Costs**

**Development hard costs** – These costs include the *actual construction costs* such as the following:

- Costs to meet Authority and local construction standards
- Essential improvements
- Electrical, plumbing, structural-related improvements
- Repair or replacement of range hoods
- Improvements for handicapped persons
- Repair or replacement of major housing systems that have failed
- General property improvements that are non-luxury improvements

**Related soft costs** – These costs are the *reasonable and necessary costs* related to the development hard costs, such as the following:

- Building Permit Fees & inspection fees, porta-jons and/or dumpsters; Sponsor must provide adequate documentation from the City/County issuing the permit and the businesses providing the porta-jons and/or trash dumpster at submission of the final inspection.

## **Prohibited Costs**

- HTF funds cannot be used for operations of the facility. Committed, ongoing, long-term funding to cover facility operations must be submitted with the application.
- With the exception of its Developer Fee, the Sponsor may not pay any of its administrative costs with HTF funds.
- Relocation expenses of residents
- Costs associated with record keeping
- Storage Fees
- Tools and Equipment
- Mold assessment, mold sampling, mold treatments, mold prevention, mold abatement, mold remediation, mold removal, etc.

## **Changes to a Project after an Award**

Any changes to a project after notice of award approval must be submitted to the Authority in writing and must be approved by the Authority. The Authority may revoke a portion or the entire award if a Sponsor makes changes to the project without prior approval.

If it is determined during the course of the rehabilitation work that the scope of work or costs associated with the work needs to be changed, the Sponsor must submit a completed, signed Change Order Request (HTF-2C) form. The Authority's inspector will review and either approve or deny the request. The Authority will communicate its decision to the Sponsor in writing.

## **Payments**

All payment requests must be submitted on the Authority's Request for Payment (HTF-4A) form. Payments will **not** be disbursed until the construction progress has been inspected and approved by the Authority. The Sponsor will be contacted upon receipt of the Request for Payment and Inspection forms to schedule an inspection.

The following items must accompany the payment request:

1. (HTF-2A) Request for Final Inspection form
2. (HTF-4B) Request for Payment form
3. (HTF-2D) Certification of Work Completed form
4. Include all adequate documentation for payment of hard and soft costs
5. Construction progress report or AIA documents

Once the inspection has been conducted and the work progress has been approved, the Program Coordinator will request the funds. Payment requests are typically processed within fourteen (14) days.

## **Acquisition**

If all or any portion of the HTF loan is to be used to pay for the acquisition of a property, the Sponsor must provide the Authority with the items listed below **three (3) weeks** prior to closing:

1. Date of the closing
2. The name, address, and telephone number of the closing attorney
3. The amount of funds that will be requested at closing

## **Certification of Payment**

Once the Sponsor receives a final payment for a completed project, the Sponsor has fourteen (14) days to deliver payment and obtain the signature of the contractor using the Final Payment Certification (HTF-4C) form. The signed form must then be returned to the Authority or the Sponsor will risk debarment for a six (6) month period from all HTF activities. Upon return of the executed form to the Authority, the PC will request the check for payment of the developer fee to be paid to the Sponsor.

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## **Compliance Period**

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Sponsors must re-certify tenant's household income annually. Rent and income limits are adjusted annually. Sponsors may obtain updated information from the Authority's web site at [www.schousing.com](http://www.schousing.com)

Sponsors are also responsible for maintaining the property in compliance with Uniform Physical Condition Standards and should routinely inspect the units to ensure that tenants are maintaining the unit and that all needed repairs have been reported.

The Authority will inspect the property, review property and tenant records and management policies and procedures annually to determine compliance with rent and income restrictions and to verify that the property is being maintained in accordance with Uniform Physical Condition Standards and any other requirements of the HTF program.

The Housing Trust Fund program is designed to increase the supply of permanent affordable housing. The compliance period is **twenty (20) years** and enforcement of this will be accomplished using a mortgage and promissory note.