



SOUTH DAKOTA HOUSING **OPPORTUNITY** FUND

DRAFT ALLOCATION PLAN



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Table of Contents

I. EXECUTIVE SUMMARY	1
II. POLICIES AND PROCEDURES	1
A. THE PLAN	1
1. <i>Distribution of Funds</i>	1
2. <i>Application Cycle(s)</i>	2
3. <i>Limitations</i>	2
4. <i>Eligibility</i>	2
5. <i>Disclaimers</i>	3
B. AMENDMENTS TO THE PLAN	4
1. <i>Administrative Amendments</i>	4
2. <i>Substantive Amendments</i>	4
3. <i>Deferral to State Law</i>	4
III. GENERAL REQUIREMENTS	4
A. ELIGIBLE ACTIVITIES	4
1. <i>Rental Housing</i>	4
a. <i>Occupancy Requirements</i>	5
b. <i>HOF Rents</i>	4
c. <i>Subsequent Rent Schedule, Utility Allowance and Rent Adjustments</i>	5
d. <i>Mixed Income Project</i>	5
e. <i>Mixed Use Project</i>	6
f. <i>Public Housing Notification</i>	6
g. <i>Tenant Certifications</i>	6
h. <i>Tenant Protections</i>	6
2. <i>Homeownership</i>	7
a. <i>Homebuyer Qualifications</i>	7
b. <i>Selling Price</i>	7
c. <i>Recapture Guidelines</i>	7
c. <i>Lease-Purchase</i>	8
B. ELIGIBLE PROGRAMS.....	8
1. <i>Homebuyer Assistance</i>	8
2. <i>Homeowner Rehabilitation</i>	8
3. <i>Homelessness Prevention</i>	8
4. <i>Discretionary Program</i>	9
C. PERIOD OF AFFORDABILITY	9
D. TENANT RELOCATION AND DISPLACEMENT	9
IV. FUNDING PROCESS	9
A. APPLICATION STAGE	10
1. <i>Project Cost</i>	10
2. <i>Financial Feasibility</i>	11
3. <i>Reserve Accounts</i>	11
4. <i>Determination of HOF Amount</i>	12
B. RESERVATION STAGE	12
C. COMMITMENT STAGE.....	12
D. DISBURSEMENT OF HOF FUNDS	13
1. <i>Loan Documentation</i>	13
2. <i>Construction Start</i>	13
3. <i>Draws</i>	13
4. <i>Cost Certification</i>	13
5. <i>Loan Repayment</i>	13

V. PROJECT SELECTION CRITERIA 14

A. LOCAL HOUSING NEED 144

B. INCOME TARGETING 14

C. EXTENDED USE..... 155

D. FINANCIAL SUPPORT FROM LOCAL SOURCES 15

E. SERVICE ENRICHED HOUSING 15

F. PERCENTAGE OF SOFT COSTSUSED FOR PROJECT COSTS 15

G. READINESS TO PROCEED..... 16

 1. *Plans and Specifications* 16

 2. *Site Control*..... 17

 3. *Construction Financing*..... 17

 4. *Permanent Financing* 17

 5. *Zoning*..... 17

 6. *Platting*..... 17

H. PROJECT CHARACTERISTICS 17

I. FINANCING TYPE 17

VI. GENERAL REQUIREMENTS 18

A. FAIR HOUSING AND EQUAL OPPORTUNITY 18

B. LEAD-BASED PAINT 18

C. CONFLICTS OF INTEREST 18

D. DEBARMENT AND SUSPENSION 18

E. HISTORIC PROPERTIES 199

F. FLOOD INSURANCE 19

G. REPAYMENT 19

VII. MONITORING FOR COMPLIANCE 19

VII. DEFINITIONS 19

EXHIBITS

- 1. Required Submissions**
- 2. Local Housing Need Requirements**
- 3. Project Characteristics**
- 4. Prohibited Lease Terms**
- 5. Application Checklist**
- 6. Self-Scoring Worksheet**
- 7. Construction Standards**
- 8. Homebuyer Assistance**
- 9. Homeowner Rehabilitation**
- 10. Homelessness Prevention**

SOUTH DAKOTA HOUSING OPPORTUNITY FUND ALLOCATION PLAN

I. EXECUTIVE SUMMARY

As South Dakota's economy evolves, so must the housing opportunities for the State's residents. The creation of the South Dakota Housing Opportunity Fund (HOF) will assist with increasing economic development and expanding the supply of decent, safe, sanitary and affordable housing for the residents of South Dakota and thereby strengthen our South Dakota communities.

The purpose of the Housing Opportunity Fund is to preserve and expand sustainable, affordable, and safe housing that is targeted to low and moderate income families and individuals in South Dakota.

II. POLICIES AND PROCEDURES

A. THE PLAN

South Dakota Housing Development Authority (SDHDA) and the SDHDA Board of Commissioners (Board) are responsible for the administration of the Housing Opportunity Fund in accordance with Senate Bill 235 of the 2013 South Dakota State Legislature. The Plan provides a system for allocation of HOF funds and HOF program income.

Housing opportunities financed by the HOF will serve individuals and families at or below 115 percent of the Area Median Income (AMI), as calculated by HUD, for the corresponding county. For purposes of this Plan, affordable units will mean housing units targeted for 115 percent of AMI or less.

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

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%
Other areas of the State	70%

Up to 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:

- Rental Housing
40 percent
- Homeownership
40 percent
- Programs
20 percent

(Homeowner Rehabilitation, Homelessness Prevention, Homebuyer Assistance, Security Deposit, and Discretionary Funds)

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.

2. Application Cycle(s)

Applicants may apply (using SDHDA forms) to receive a HOF allocation. Complete applications (refer to Exhibit 1) must be received at SDHDA by 5:00 p.m. Central Time on the applicable due date. Applications may be hand delivered or delivered via postal or private mailing service by that time and date. Applications via facsimile or e-mail will NOT be accepted.

SDHDA will hold one application cycle annually, with applications due the last working day of February. Due to the timing of program creation, applications for the initial application cycle (2013) are due October 1, 2013, with the next regularly scheduled application deadline being February 28, 2014.

3. Limitations

HOF funds may be used to provide a grant, loan, loan guarantee, loan subsidy, or other financial assistance to an eligible applicant. Interest rate charged on the loan can be zero to four percent interest dependent upon the feasibility of the development.

The HOF funds will be used as gap financing and as a leveraging tool.

Taking into consideration the Distribution of Funds per Section II.A.1., 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 can be financed by HOF. For calculation of the developer/sponsor/owner limitation, all of the developer/sponsor/owner's funded applications, regardless of type of activity or project will be combined for the calculation.

4. Eligibility

Eligible Projects. HOF funds may be used for new construction or the purchase of rental or home ownership housing, substantial or moderate rehabilitation of rental or home ownership housing, housing preservation, including home repair grants and grants to make homes more accessible to individual with disabilities, homelessness prevention activities, as well as a community land trust.

Housing developments assisted with HOF will not be considered as an eligible project until such time the initial HOF affordability period or the HOF extended use period has been met.

Eligible Applicants. Any for-profit entity, nonprofit entity, tribal government, housing authority, a political subdivision of this state or its agencies, or any agency of this state is eligible to apply for funding. No individuals may apply for funding directly.

Eligible Households. The South Dakota HOF 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) based on the U.S. Department of Housing and Urban Development (HUD) criteria.

5. Disclaimers

SDHDA reserves the right to reserve and allocate HOF funds to any project. Further, SDHDA reserves the right to deny HOF funds for any project, regardless of ranking under the project selection criteria, if it determines, in its sole discretion, the project is unacceptable based on, but not limited to, the following:

- a. comments of or lack of support from local community;
- b. information indicating that a particular market is saturated with affordable housing projects;
- c. likelihood that the project may not comply with HOF program requirements in a timely manner;
- d. applicant's (including any related party's) lack of or unacceptable prior experience and performance related to project reservations, construction, and compliance with housing assistance or other government-sponsored programs, regardless of type and location; or
- e. desirability of site based on SDHDA inspection.

If SDHDA determines not to reserve HOF funds on such basis, it will set forth the reasons for such determination.

All funding decisions made under this Plan will be made solely at the discretion of SDHDA. SDHDA in no way represents or warrants to any applicant, investor, lender, or any other party that the project is, in fact, feasible or viable.

SDHDA reserves the right to place special conditions on reservations and to reserve HOF funds for lower ranking projects if the amount of HOF funds available is insufficient to fund higher ranking projects.

SDHDA reserves the right to modify or waive, on a case-by-case basis for good cause, any condition of this Plan.

SDHDA may request additional information and perform additional project evaluation as deemed necessary and appropriate to verify project costs, feasibility, and need. 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.

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

No executive, employee or agent of SDHDA or any other official of the State of South Dakota will be personally liable concerning any matters arising out of, or in relation to, the allocation of HOF funds or the approval or administration of this Plan.

B. AMENDMENTS TO THE PLAN

1. Administrative Amendments

This Plan may be amended by the Board for any one or more of the following purposes, at any time or from time to time, and such amendments will be fully effective and incorporated herein upon the Board's adoption of such amendments:

- a. To reflect any changes, additions, deletions, interpretations, or other matters necessary to comply with state laws or regulations promulgated thereunder;
- b. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Plan;
- c. To insert such provisions clarifying matters or questions arising under this Plan as are necessary or desirable;
- d. To modify identified housing needs and selection criteria reflecting those needs, based upon SDHDA's continuing assessment of such needs, provided that no such amendment will retroactively affect a reservation of funds previously made under this Plan; and
- e. To facilitate the award of HOF funds that would not otherwise be awarded.

2. Substantive Amendments

This Plan may be amended for substantive issues at any time following public notice and public hearing. Any substantive amendments will require approval of the Board.

3. Deferral to State Law

To the extent that anything contained in the Plan does not meet the minimum requirements of state law or regulation, such law or regulation will take precedence over this Plan.

III. GENERAL REQUIREMENTS

A. ELIGIBLE ACTIVITIES

At the discretion of SDHDA, activities allowed under HOF may include:

1. Rental Housing

New construction, acquisition, rehabilitation, or conversion of a building for rental housing (permanent or transitional) is an eligible activity.

Eligible costs include land and/or building acquisition, 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 exceed the appraised market value of the property.

Additional requirements for new construction and rehabilitation/conversion activities can be found within Exhibit 7.

a. Occupancy Requirements

During the affordability period the project must set-aside the HOF assisted rental housing units to households at or below 115 percent Area Median Income (AMI). The 115 percent 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.

b. HOF Rents

Every HOF assisted rental unit is subject to rent limitations designed to ensure that rents are affordable to the respective tenants being served. These maximum rents are referred to herein as HOF Rents.

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. Owners are allowed to annually increase rents on HOF assisted units by two percent. Rent increases above two percent are required to have SDHDA approval prior to implementation.

d. Mixed Income Project

All HOF funds used in conjunction with a mixed-income project must be used solely for the benefit of the affordable units in the project. Each building in a project must contain housing that meets these requirements.

For purposes of meeting affordable housing requirements for a project, the dwelling units specified as affordable housing may be changed over the affordability period, so long as the total number of affordable housing 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 affordable housing units.

Common area costs will be prorated based upon the number of affordable units and 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, rehabilitated for rental use, are eligible for funding under the HOF Program. Adequate off-street parking must be provided.

f. Public Housing Notification

All proposed properties must notify local public housing agencies of the impending project.

g. Tenant Certifications

Tenant eligibility must be determined by the owner at the time of initial occupancy. Annual re-certifications of existing tenants will not be required; however, new HOF tenants will require certification to ensure occupancy requirements are being maintained.

h. Tenant Protections

i. Lease. 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.

ii. Prohibited Lease Terms. A list of prohibited lease terms is attached as Exhibit 4.

iii. Termination of Tenancy. An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOF funds except for serious or repeated violation of the terms of the lease; for violation of applicable federal, state or local law; or for other good cause. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy, unless otherwise provided for in state law.

iv. Maintenance and Replacement. An owner must maintain the total project in compliance with all applicable Uniform Physical Condition Standards (UPCS) and local code requirements.

v. Tenant Selection. The owner must adopt written tenant selection policies and criteria. The resident selection plan must include, at a minimum, the following criteria: citizenship and social security number requirements; procedures for taking applications and selecting from the waiting list; and screening suitability. A listing of recommended resident selection criteria is available from SDHDA.

Owners are encouraged to lease HOF assisted units to households with a rental housing vouchers.

2. Homeownership

Funds may be used for new construction, acquisition, or rehabilitation of single family housing units, or the development of affordable lots in housing subdivisions only if construction of single family housing units will begin within 12 months of land purchase. The applicant will have six months from the time of the HOF Commitment Letter to begin construction on the proposed project. Land banking is prohibited.

Eligible costs include land and/or building acquisition, 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.

Additional requirements for construction standards and requirements can be found within Exhibit 7.

a. Homebuyer Qualifications

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

To ensure the suitability of families receiving assistance under HOF homeownership programs, all purchasers must participate in homebuyer education, and if warranted, homebuyer counseling and credit counseling.

b. Selling Price

The selling purchase price of the home shall not exceed the appraised value. For homebuyer activities involving acquisition and rehabilitation, the estimated value after 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. Recapture Guidelines

Homebuyers assisted under the HOF programs or activities will be required to adhere to the following recapture guidelines.

If the initial household sells the HOF financed home prior to the end of the affordability period as defined in Section III.C., 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 conditional grant can be forgiven monthly for each month the household owns and maintains the property as their primary residence based on no less than a 60 month term. The monthly conditional forgiveness will begin one month after the Promissory Note date.

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 homebuyer must qualify as HOF eligible household 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 three years while preparing for homeownership. A portion of the rent is set aside to assist with down payment and closing costs. The set aside must equal a minimum of five percent of the structure's predetermined purchase price. If the homebuyer violates the purchase contract for any reason, the homebuyer forfeits the down payment set aside. The owners may then select another HOF qualified homebuyer to continue the lease. The new homebuyer will receive any down payment set aside remaining after necessary repairs are made.

B. ELIGIBLE PROGRAMS

1. Homebuyer Assistance

Providing assistance to qualifying homebuyers in purchasing a home, including those related to gap financing, lease-purchase, and self-help type programs is an eligible program. Additional requirements for Homebuyer Assistance can be found within Exhibit 8.

2. Homeowner Rehabilitation

HOF funds can be used to rehabilitate single family, owner-occupied properties. Additional requirement for Homeowner Rehabilitation can be found within Exhibit 9.

3. Homelessness Prevention

HOF may be requested for homelessness prevention activities that could 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. Additional information regarding Homelessness Prevention Activities can be found in Exhibit 10.

4. Discretionary Program

SDHDA may utilize up to \$100,000 annually for special projects that meet the intent of HOF. Applications for discretionary HOF may be accepted ongoing by SDHDA and are not subject to the Application Cycle requirements outlined in Section II.A.2. of this Plan. Any HOF funds in the Discretionary Program that remain unallocated at the end of the calendar year will become available HOF funding for distribution per Section II.A.1 of this plan.

C. 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
New Construction of Rental Housing with HOF funds invested per HOF unit as follows:				
Under \$50,000		X		
\$50,000 to \$100,000			X	
Over \$100,000				X
Rental Housing (Rehabilitation or Acquisition of existing housing) with HOF funds invested per HOF unit as follows:				
Under \$50,000	X			
\$50,000 to \$100,000		X		
Over \$100,000			X	
Homebuyer Assistance	X			

D. 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, they are encouraged to contact SDHDA early on to discuss the situation.

IV. FUNDING PROCESS

Applicants are to use this Plan as a guide to request funding for qualified projects. SDHDA will not process any application that SDHDA determines is not:

1. Consistent with the purposes and goals of this Plan;
2. Proposing an eligible activity; or
3. Financially feasible.

This determination may be made at initial review or at any time during processing of the application.

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

A. APPLICATION STAGE

The applicant will submit a complete application and all documentation referenced in Exhibit 1. Applications will be evaluated according to the following standards. SDHDA may reject any applications that are deemed incomplete or do not meet SDHDA underwriting standards.

1. Project Cost

To ensure efficient use of HOF, 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 and risk conclusions, financing and carrying charges, and all other related soft costs.

SDHDA has created Project Cost Limits that SDHDA determines to be sufficient for development of affordable housing projects. Project Cost Limits will be determined for each project by multiplying the number of corresponding units by the respective per unit cost limit and summing the products. SDHDA may reject applications with project costs exceeding the following limits:

Unit Type	Cost Limit
Group Home	\$ 67,000 (per bedroom)
SRO Unit	\$ 80,400
0 bedroom	\$ 94,600
1 bedroom	\$108,400
2 bedrooms	\$131,800
3 bedrooms	\$152,900
4+ bedrooms	\$167,700

Applicants must take into consideration the marketability of the proposed housing units. A component of marketability is residential unit living square footage. SDHDA considers the

following residential unit living square footage (sq. ft.) as targets. SDHDA may reject applications that substantially deviate from the following :

Group Home – 130 sq. ft. (per bedroom)
Single Room Occupancy (SRO) – 300 sq. ft.
0-bedroom (efficiency) – 500 sq. ft.
1-bedroom – 600 sq. ft.
2-bedroom – 750 sq. ft.
3-bedroom – 900 sq. ft.
4 bedroom – 1050 sq. ft.

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

2. Financial Feasibility

Long term financial feasibility must be demonstrated with the submission of a pro forma for the entire affordability period or the term of the loan, whichever is longer. The pro forma submitted must reflect a debt service coverage ratio of not less than 1.15 for the entire affordability period. 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, expenses and replacement reserves will be trended at three percent, and vacancy will be projected at seven percent. 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 only loan repayments will not be allowed.

SDHDA will not process or approve any application that is not financially feasible.

3. Reserve Accounts

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

- a. Taxes and Insurance: Escrowed at levels estimated to meet projected expenses.
- b. Replacement: Minimum of \$350 per unit, per year, must be initially funded and maintained for the full affordability period. 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.

- c. Operating: Six months operating reserve to be used only to pay debt service and operating expenses to prevent an event of default. This account may be closed three years from the placed in service date. A three year Irrevocable Letter of Credit will also satisfy this requirement.

4. Determination of HOF Amount

HOF funds are intended to be used as gap financing, provided as a loan or as a grant. The difference between total project costs and total available financing resources (including owner equity requirements) is referred to as the gap. The payback schedule and interest rate (zero to four percent) for the HOF loan 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 reservation is approved, at the time a 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. RESERVATION STAGE

Upon notification from SDHDA of a reservation, the applicant will have approximately 120 days in which to provide SDHDA with all necessary documentation needed to complete the evaluation required to provide a commitment for the proposed project. This information must be received 30 days prior to a scheduled Board meeting to be considered at the Board meeting. Failure to provide the required information within this time period may result in SDHDA's cancellation of the reservation. In the reservation stage, the applicant must provide the details of the proposed project, including a detailed analysis of the financial feasibility; final architectural plans; owner's organizational documents; binding financial commitments; site control; construction contract; etc. (refer to Exhibit 1). SDHDA will evaluate the proposal based on the additional information required for the commitment stage and again determine the amount of HOF funds necessary to make the project feasible.

C. COMMITMENT STAGE

Upon a commitment from the SDHDA Board of Commissioners, SDHDA will issue a Commitment Letter to the applicant outlining the terms and conditions of the HOF funding. The applicant will have six months from the time the Commitment Letter to begin construction or rehabilitation on the proposed project. Failure to start within this timeframe may result in loss of the Commitment of HOF funds.

Changes to Project. The award of HOF funds is based upon information provided in the application and the preliminary plans submitted with the application. Any significant change in a project, once it has been ranked and awarded HOF funds could jeopardize an award of funds and the Board may require the HOF funds to be returned. A significant change may mean, 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, increase in overall density, a change in the number of units, income being served or project amenities, change in location. 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 reservation or commitment of HOF funds. SDHDA reserves the right to determine, at its sole discretion, if change(s) warrant a significant change to the project. Any changes to the project must be pre-approved by SDHDA prior to implementation.

D. DISBURSEMENT OF HOF FUNDS

1. Loan Documentation

Loan documents will include an executed Mortgage Note, Mortgage 180 Day Redemption, Security Agreement, and Fixture Filing, Assignment of Rents and Leases, Declaration of Land Use Restrictive Covenants, Regulatory Agreement, Personal Guarantee, Corporate Guarantee, Building Loan Agreement and Sworn Construction Statement, as applicable.

2. Construction Start

The new construction or rehabilitation of the building may begin when SDHDA has received all executed loan documentation and the owner has received a written construction/rehabilitation start order from SDHDA. Construction must commence no later than six months after execution of the loan commitment.

3. Draws

SDHDA will make periodic site reviews of the project throughout the construction period and at the completion of construction. With respect to the construction of projects, SDHDA assumes no responsibility to make inspections during construction and assumes no liability for construction quality or code compliance. The local building official will be required to approve both the proposed project and completed work.

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 ten 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.

4. Cost Certification

For projects involving more than \$500,000 of HOF, 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 placed in service date with interest accrual beginning at time of first disbursement of loan proceeds. Grant forgiveness or loan repayment terms and conditions will be further defined in the Promissory Note.

V. PROJECT SELECTION CRITERIA

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

A. Local Housing Need (Maximum 100 points)

All applicants must submit a narrative addressing and documenting the local housing needs. 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. Each applicant will receive from zero to 100 points. When determining the need, SDHDA may take into consideration including but not limited to the need for additional housing units in the community, the physical condition of the proposed project, the need of SDHDA funding sources to retain the proposed project, and the degree of rehabilitation necessary. 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.

B. Income Targeting (Maximum 100 points)

Each of the following 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. Rents charged for the HOF units must be set at 30 percent or less of the adjusted annual incomes for the corresponding AMI being served.

A proposal that elects to set aside HOF assisted units for households not exceeding 30 percent of AMI will receive 10 points for every 10 percent of the units set aside for 30 percent AMI.

A proposal that elects to set aside HOF assisted units for households not exceeding 50 percent of AMI will receive 7 points for every 10 percent of the units set aside for 50 percent AMI.

A proposal that elects to set aside HOF assisted units for households not exceeding 80 percent of AMI will receive 5 points for every 10 percent of the units set aside for 80 percent AMI.

A proposal that elects to set aside HOF assisted units for households not exceeding 115 percent of AMI will receive 2 points for every 10 percent of the units set aside for 115 percent AMI.

% of Units Restricted	AMI Target	Points Awarded
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10%	30%	10
10%	50%	7
10%	80%	5
10%	115%	2

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.C. Project 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. 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.

E. Service Enriched Housing (Maximum 10 points)

Projects providing verifiable on-site services to the tenants of the following types of projects may receive up to 25 points depending upon the extent of the services. The services must be provided long-term and on a continuous basis; may be provided by the owner, the management company, or a third party entity. The application must include letter of intent from the service provider detailing the services, the tenants who will receive the services, the method of delivering the services, and the staffing for the service.

- 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. Families with children

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. 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 recordation 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 which may not exceed 10 percent of the total project costs. For purposes of the foregoing limitations, "total project costs" do not include any costs that exceed the Project Cost Limits. 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 the percentage of soft costs compared to the total project costs as follows will be awarded up to 40 points. 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.

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

G. Readiness to Proceed Criteria

SDHDA, at its discretion, may award up to 150 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 submission of a physical needs assessment for rehabilitation projects.

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.

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 made by the applicant. Commitment with fixed rate and term of less than 15 years will 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 (Maximum 200 points)

Points will be awarded based on the Exhibit 3 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. A maximum of 200 points may be obtained.

I. Financing Type (Maximum 25 points)

HOF can be utilized in a variety of financing options from a guaranty to grant funding. Points will be awarded as follows:

- | | | |
|----|---------------------------------------|-----------|
| a. | Guaranty or Regular Amortization Loan | 25 Points |
| b. | Irregular Amortization Loan | 15 Points |
| c. | Cash Flow/Deferred Mortgage | 5 Points |

VI. GENERAL 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 - http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp.

B. LEAD-BASED PAINT

Housing built before 1978 may contain lead-based paint. Lead from paint, paint chips and dust can pose health hazards if not taken care of properly. Lead exposure is especially harmful to young children and pregnant women. 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 – <http://www.epa.gov/lead> or http://portal.hud.gov/hudportal/HUD?src=/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>.

E. HISTORIC PROPERTIES

Applicants proposing rehabilitation in 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

HOF funds may NOT be used in connection with a project located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards, unless the locality in which the site is located is participating in the National Flood Insurance Program or less than a year has passed since FEMA notification regarding such hazards, and flood insurance is obtained as a condition of approval of the commitment. A flood certification will be obtained by SDHDA.

G. REPAYMENT

Any housing assisted with HOF which is not completed or does not meet the affordability requirements for the specific period of time per the loan documents, must repay all HOF proceeds extended to the project. Penalties, including interest for the period of time for which the property was out of compliance, may apply.

VII. MONITORING FOR COMPLIANCE

SDHDA will monitor each project for compliance with HOF program requirements during the affordability and extended use periods. HOF program compliance will be assessed through annual 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 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 Declaration of Land use Restrictive Covenants.

VIII. DEFINITIONS

Affirmative Marketing: Consists of actions to provide information and attract eligible persons from all racial, ethnic, and gender groups in the housing market area, to the available housing.

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.

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/or sponsors involved with the project.

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

Assisted Living Facility: Living arrangement that offers tenants assistance with activities of daily living, including eating, bathing, dressing, and personal hygiene; three meals per day every day of the week; supervision of self-administration of medication; laundry services; housekeeping; 24 hour staffing and activities. Transportation to and from doctor's appointments and personal errands, counseling services, and companion services are optional. Note: Projects in which continual or frequent nursing, medical, or psychiatric services are provided do not qualify as residential rental property.

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 the South Dakota Housing Development Authority (or other entity) and the project owner providing HOF funds to a project.

Congregate Care Facility: Housing units which provide a semi-independent living environment which offers residential accommodations, central dining facilities (where at least one meal a day is provided seven days a week), related facilities, and supporting staff and services to persons of at least 62 years of age or with disabilities. The cost of the meals and other services must be covered in an agreement separate from the lease. A practical alternative must exist for tenants to obtain meals other than from the dining facility.

Developer's Fee: Compensation to the developer for time and risk involved to develop the project.

Disinvestment: Withdrawal of capital that otherwise could have been utilized to sustain the viability of a project.

General Requirements: An allowance for the contractor's project-related expenses, such as building permits, fencing around the site, temporary storage for materials, and the cost of a performance and payment bond, etc.

Group Home: A congregate residential facility, other than a supervised apartment, for individuals with developmental disabilities which is certified by the State Department of Human Services according to ARSD 46:11 to provide residential services, training in skills needed for independent living, recreational activities, and basic supervision for individuals with developmental disabilities.

HOF: Housing Opportunity Fund.

HOF Assisted Units: Units within a HOF project where HOF funds are used and rent, occupancy, or resale restrictions apply.

Housing for Older Persons: Housing intended and operated for, and solely occupied by, persons 62 years of age or older as per 24 CFR Part 100.303 OR housing intended and operated for persons 55 years of age or older as per 24 CFR Part 100.304.

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.

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

Identity of Interest: An identity of interest means any relationship, including any financial, business, or family relationship, that the applicant or any member of the development team has with others involved in the project.

Land Banking: The practice of acquiring land and holding it for future use.

Low-Income Family: Family whose annual income does not exceed 80 percent of the area median income for that area (adjusted for family size). HUD may establish, on an exception basis, income ceilings higher or lower than 80 percent of median income for an area.

Manufactured Home: A structure transportable in one or more sections, which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained therein (24 CFR Part 3280). In addition a manufactured home must meet the SDHDA First-time Homebuyer requirements regarding the home being permanently affixed to the land by a foundation and taxed as real property.

Moderate-Income Family: Family whose annual income does not exceed 115 percent of the area median income for that area (adjusted for family size). HUD may establish, on an exception basis, income ceilings higher or lower than 115% of median income for an area.

New Construction: Any project involving adding units outside the existing walls of the structure, the construction of new residential units, and the acquisition of land or the demolition of an existing structure for the purpose of constructing a new structure.

Reconstruction Project: A project that replaces an existing building's floor plan with an overall new floor plan for residential living units or that replaces an existing building's residential unit plans with new residential unit living plans.

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 and assistance can be provided directly by the project or through collaboration with service organizations but must be tailored to individual residents and managed by the property. 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 Home: Any home built to the International Residential Code (IRC) or the United States Department of Housing and Urban Development (HUD) Building Code as of January 1, 2013, and located on a suitable site that is zoned property for a IRC or HUD single family residence.

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.

Single Room Occupancy (SRO): Housing (consisting of single room dwelling units) that is the primary residence of its occupant or occupants. The unit must contain either food preparation or sanitary facilities (and may contain both) if the project consists of new construction, conversion of non-residential space, or Reconstruction. For acquisition or rehabilitation of an existing residential structure or hotel, neither food preparation nor sanitary facilities are required to be in the unit. If the units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by tenants.

Townhouse Project: A multifamily housing project where each unit has no more than two common walls.

Transitional Housing: A housing project that is designed to provide housing and appropriate supportive services to persons including, but not limited to, deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children, and that has as its purpose facilitating the movement of individuals and families to independent living within a two-year time period.

Very Low-Income Family: Family whose annual income does not exceed 50 percent of the area median income for that area (adjusted for family size). HUD may establish, on an

exception basis, income ceilings higher or lower than 50 percent of median income for an area.

EXHIBIT 1

REQUIRED SUBMISSIONS FOR COMPLETE APPLICATION

A. Applications must be submitted using the SDHDA HOF Application Form. SDHDA may reject applications with incomplete or incorrect information. To be considered a complete application, the application form must be completed, signed by at least one of the general partners, and include the following items.

1. Local housing needs assessment/documentation as further defined in Exhibit 2. Information provided in the needs documentation will be utilized to award points under Section V.A.
2. Project narrative outlining the project characteristics (tenants being served, amenities provided, financing in place, etc.).
3. Evidence of local support – Applications must contain at least two letters of support from local organizations such as the city office, economic development corporation, public housing authority, employers, commercial lenders, etc.
4. Copy of utility allowance calculation and supporting documentation from the local Public Housing Authority or utility provider – required for rental projects only.
5. Pro Forma meeting the requirements of Section IV.A.2. for the entire affordability period, extended use, or the term of the HOF loan, whichever is greater – required for rental projects only.
6. Applicants must submit supporting documentation of 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.
7. Documentation that applicant has site control of the proposed project location. To obtain points refer to Section V.G.2. for the documentation required.

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

8. 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. To obtain points refer to Section V.G.1. for the documentation required.
9. 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. To obtain points

refer to Section V.G.5 and 6, for what documentation is required. These items may not be necessary for acquisition and/or rehabilitation applications.

10. Letter of notification to the applicable local housing authority.
11. Applicant/owner information – description of who the applicant/owner is along with years of experience in housing or related field, service area, and past experience.
12. To obtain points under Section V.H. (Project Characteristics), a completed Exhibit 3 signed by the Applicant and Architect indicating the features included in the project must be submitted.
13. To obtain points under Section V.D. (Financial Support from Local Sources), documentation of such support must be provided.
14. To obtain points under Section V.E. (Service Enriched Housing), a letter of intent from the service provider detailing what will be available must be provided. Homebuyer counseling services for a lease-purchase project will not be considered for points under this category.
15. Letter of intent evidencing the preliminary arrangements for construction, interim, and permanent financing. The amount of the loan, the rate and the term must be included in the letter. To obtain points under Section V.G.3. and 4 (Readiness To Proceed Criteria) the letters must meet specified requirements.

NOTE: Interim financing (bridge loan) fees will not be allowable project costs if financing is provided by an entity having an identity of interest with the developer, builder, syndicator, or applicant. Only interest costs at or below market rate will be allowed.

16. For projects involving acquisition and/or rehabilitation, applicant must provide the following:
 - Relocation plan and budget;
 - List of tenants occupying the property currently and for the four months previous to application submission.
 - Three years of historical financial information. SDHDA reserves the right to request additional financial information as deemed necessary.
 - 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.
17. 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.
18. Copy of Consultant Agreement if applicable.

19. Copy of Lease Purchase Management Plan, if applicable.
20. Any other information requested by SDHDA.

B. Reservation Stage

All requirements in this section must be provided, within the 120 day time frame allowed, before an actual commitment of HOF funds will be made.

1. Signed commitments for all funding sources (conventional lender, foundations, local financing, etc.) associated with the project including the amount, rate and term.
2. Information on the ownership entity, including an executed copy of the partnership agreement or articles of incorporation, a copy of the certificate of registration from the Secretary of State in the State of South Dakota, and a copy of federal tax payer identification number.
3. An affidavit executed by the owner, general partner, an officer, a director or corporate officer 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.
4. 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.
5. Final itemization of the project costs including both hard cost and soft costs.
6. Final architectural plans and specifications stamped by the project Architect and Engineer.
7. 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, which may not include any prohibited lease terms as detailed in Exhibit 4. Applicants are encouraged to contact SDHDA with any questions regarding these items.
8. Projects involving acquisition of an existing property must submit a "Market Value As Is" appraisal and projects involving rehabilitation or new construction must submit a "Market Value As if Completed" appraisal meeting the Uniform Standards of Professional Appraisal Practice (USPAP) and completed by an independent, State Department of Revenue and Regulation certified appraiser (http://dlr.sd.gov/bdcomm/appraiser/supervisory_log.aspx). SDHDA will approve the appraiser and the applicant will pay for all costs for this service, which may be included in the HOF financing.

11. 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 for these services, but such costs may be included in the HOF financing.
12. Projects involving acquisition and/or rehabilitation of a pre-1978 property must comply with lead-based requirements.
13. Any other information deemed necessary by SDHDA to evaluate this request for HOF funds.

EXHIBIT 2

LOCAL HOUSING NEED REQUIREMENTS

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

Applicants proposing to construct 20 or more new housing units or constructing housing units that equate to .15 percent or more of the community's population must submit a third party market analysis. The analysis must be completed by a market analyst who is unaffiliated with the developer and who has experience with multifamily rental housing. A South Dakota licensed appraiser who is MAI certified and meeting the criteria listed may also complete the market study. The market study must have been completed within the last six months from the application date.

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 or equates to .15 percent or more of the community's population, then a third party market analysis must be submitted.

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 PROJECT CHARACTERISTICS

Applicants are 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: Points only applicable for the proposed project; 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.

Parking:		
X	Minimum Standards	At a minimum the parking lot will be engineered asphalt, having concrete curb and gutter where the wheels come to a stop when parked. All parking will be located on site, having a minimum of one and one-half parking space for each one or two bedroom units and a minimum of two parking spaces for each three or more bedroom unit. In the event the city requirement is more, that requirement must be followed. The number of handicap designated parking spaces must meet city code. A garage may count as a parking space.
	25 points	Off-street concrete surfaced parking lots. All off-street surface area where vehicles drive or park must be concrete.
Sidewalks:		
X	Minimum Standards	A concrete sidewalk will be provided from each entrance and exit door to a public way. Where possible combine sidewalks. In the event that the city requires additional sidewalks, that requirement must be followed.
Exterior Construction (Maximum 30 points):		
	30 points	Entire exterior of the building is constructed of brick and/or stucco.
	15 points	Exterior of the building covered with permanent low maintenance siding, excluding vinyl.
	10 points	At least 25% of the exterior of the building is constructed of brick and/or stucco.
Insulation:		
X	Minimum Standards	Exterior wall construction will be a minimum of 2" x 6" with R-19 fiberglass insulation, and the ceiling of not less than R-36 fiberglass insulation.
Windows:		
	15 points	Window constructed with a permanent exterior finish and Low-E insulated glass. Aluminum or steel framed windows will receive no points.
Roofing:		
	15 points	A shingled roof constructed with a minimum of a 235 lb. shingle or a single ply 60 mil rubber roof system for flat roofs or a metal roof with a minimum 26 gauge steel thickness with 70% fluoropolymer coating. Shingles less than 235 lb. and built-up roof systems will receive no points.

Floor Covering:		
X	Minimum Standards	Floor covering will consist of carpeting tile and/or sheet vinyl. Carpeting will have a minimum face weight of 28 oz. Vinyl Composition Tile shall be commercial grade, 12" x 12", 1/8" thick and only be allowed on concrete floors, while sheet vinyl will have a wear surface of 15 mils or greater and have a 10 year manufacturer's warranty.
Exterior Entrance Doors:		
X	Minimum Standards	All exterior doors will be insulated metal with glass or a 180-degree peephole and will include a separate dead bolt with one-inch throw. Service Enriched Housing or Housing for Older Persons (62 years of age or older) must be equipped with an automatic door.
	20 points	Ground level units with front entrance doors accessible directly from the outside.
	20 points	All entrance areas equipped with a secure access system allowing access to common areas. (Not available to a Single Family Project)
Interior Entrance Doors:		
X	Minimum Standards	The unit entrance door will be designed as required by the IBC. The door will be equipped with dead bolt with one-inch throw and 180-degree peephole.
Unit Interior Doors:		
	10 points	Solid core doors with metal door jambs (i.e. bedroom, bathroom and closet).
Community Room:		
	35 points	Projects that have a community room (minimum of 15 sq. ft. per occupant, assuming one and one-half person occupancy per unit, in addition to the square footage necessary for the kitchen area) including a fully functional kitchen (must have a range, oven, microwave, refrigerator, dual sink).

Laundry (Maximum 10 points):		
X	Minimum Standards	A common laundry room must be located within each building of a project and contain a fire window within or near the door. Projects with single family dwellings, townhouses, or apartments in buildings without common laundry space must provide washer and dryer hook-ups for each unit. All clothes washers must be ENERGY STAR qualified.
	5 points	A common laundry room per each building floor.
	10 points	A washer and dryer provided in each unit.
Window Covering:		
X	Minimum Standards	Window coverings must be provided.
Appliances:		
X	Minimum Standards	A minimum of 14 cu. ft. frost free refrigerator for a 0 or 1 bedroom unit. A minimum of 18 cu. ft. frost free refrigerator for a 2 bedroom or larger unit.
X	Minimum Standards	All appliances including refrigerators, freezers, clothes washers, dishwashers, ceiling fans, computers, and exit signs provided for by the project must be ENERGY STAR qualified. Please refer to www.energystar.gov for available products.

Special Features:		
X	Minimum Standards	For multifamily rental projects, one playground area for 16 – 47 units and two playground areas for 48 or more units. The playground area must be equipped with playground equipment and bench.
X	Minimum Standards	For projects with 30 or more units that must comply with Section 504 of the Rehabilitation Act of 1973, a roll-in shower with a seat must be installed in at least 50% of the units accessible to individuals with mobility impairments (but at a minimum, in at least one unit).
	5 points	A building designed with a drain tile system.
	20 points	Single Family Project that includes individual exterior storage units (garage or minimum of an 8' foot x 12' storage unit).
Green Features:		
	20 points	Mark incorporated features: <input type="checkbox"/> Low VOC paints, stains, finishes (3 points) <input type="checkbox"/> Low VOC adhesives, sealants (2 points) <input type="checkbox"/> Formaldehyde-free or sealed shelves, cabinets, countertops (3 points) <input type="checkbox"/> Formaldehyde-free insulation (2 points) <input type="checkbox"/> Low VOC carpet (3 points) <input type="checkbox"/> Low flow faucets, showerheads, toilets/urinals (5 points) <input type="checkbox"/> Automatic rain sensor lawn sprinkler system (2 points)
Energy Star Certified units:		
	25 points	Each residential unit must be Energy Star certified; with supporting documentation provided.
Unit Features:		
X	Minimum Standards	Minimum one-half bath per floor for multi-story townhouse units with 2 or more bedrooms.
X	Minimum Standards	Bathroom ventilation fans must be on the same switch as the bath light.
Heating		
	NOTE	No electric baseboard heat systems allowed for new construction projects.
X	Minimum Standards	Electric wall mount/cove heat.
	20 points	Forced air (minimum 90% efficient) or hot water system.
Air Conditioning:		
X	Minimum Standards	All units must have Energy STAR through wall air conditioning or non-Energy STAR qualified central air conditioning.
	15 points	Projects with Energy STAR qualified central air conditioning.
Signage:		
X	Minimum Standards	The project must have permanent signage installed with the Equal Housing Opportunity logo and identification of the developer and South Dakota Housing Development Authority. This requirement may be waived by SDHDA for Single Family Projects.
		Total Points

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 _____

Architect _____ Date _____

EXHIBIT 4

PROHIBITED LEASE TERMS

The lease may NOT contain any of the following provisions per 24 CFR Part 92.253 b.:

1. Agreement to be sued. Agreement by the tenant to be sued, to admit guilt or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;
2. Treatment of property. Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law;
3. Excusing owner from responsibility. Agreement by the tenant not to hold the owner or owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
4. Waiver of notice. Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;
5. Waiver of Legal Proceedings. Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
6. Waiver of a jury trial. Agreement by the tenant to waive any right to a trial by jury;
7. Waiver of right to appeal court decision. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
8. Tenant chargeable with cost of legal actions regardless of outcome. Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

EXHIBIT 5 APPLICATION CHECKLIST

The following items must be submitted with the completed 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
1. Completed/signed application form	_____	_____
2. Local Housing Need / Market Study	_____	_____
3. Project Narrative	_____	_____
4. Letters of Local Support	_____	_____
5. Utility Allowance Calculation	_____	_____
6. Pro forma	_____	_____
7. Documentation of Operating Expenses	_____	_____
8. Site Control	_____	_____
9. Architectural plans	_____	_____
10. Zoning letter and project plat	_____	_____
11. PHA Notification	_____	_____
12. Applicant/Owner Information	_____	_____
13. Executed Project Characteristics (Exhibit 3)	_____	_____
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	_____	_____

EXHIBIT 6 SELF SCORING WORKSHEET

		Sub Points	Points Available	Awarded	Points Comments
A	Local Housing Need		150		
B	Income Targeting		100		
	1. 30% AMI Units				
	2. 50% AMI Units				
	3. 80% AMI Units				
	4. 115% AMI Units				
C	Extended Use Commitment		10		
D	Financial Support from Local Sources		25		
E	Service Enriched Housing		10		
F	Percentage of Soft Costs Used for Project Costs		40		
G	Readiness to Proceed Criteria		140		
1	Plans and Specifications	25			
2	Site Control	25			
3	Construction Financing	30			
4	Permanent Financing	30			
5	Zoning	15			
6	Platting	15			
H	PROJECT CHARACTERISTICS		200		
I	Financing Type		25		
	1. Guaranty or Regular Amortization	25			
	2. Irregular Amortization	15			
	3. Cash Flow Mortgage	5			
	TOTAL		700		

EXHIBIT 7

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 commenced after July 1, 2012, within the boundaries of any local unit of government that has not adopted an ordinance prescribing standards for new construction or rehabilitation, pursuant to § 11-10-5 shall be based on the 2012 edition of the International Building Code as published by the International Code Council, Incorporated - (<http://publiccodes.cyberregs.com/icod/ibc/2012/index.htm>).

Pursuant to § 11-10-7, new construction housing must meet the International Energy Conservation Code 2009 (<http://publiccodes.cyberregs.com/icod/iecc/2009/index.htm>) as written by the International Code Council and all applicable local building code requirements.

For multi-family 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) - (http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504).

Developments consisting of 1 – 4 units should consider incorporating Universal Design concepts (<http://universaldesign.ie/exploreampdiscover>).

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

EXHIBIT 7

CONSTRUCTION STANDARDS

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.

Using HOF 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.

EXHIBIT 8

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, loan guarantees or by providing mortgages for home purchase. 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 up to ten percent (10%) administrative fee based on HOF financing.

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

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

Eligible Property Types:

- A single-family property (one unit);
- A condominium unit;
- A cooperative unit or a unit in a mutual housing project (if recognized as homeownership by state law); or
- A manufactured home - At the time of project completion, the manufactured housing must be connected to permanent utility hookups; located on land that is owned by the manufactured housing unit owner, 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.

- 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.
- Rehabilitation and new construction: Housing that is being constructed or rehabilitated with HOF funds must meet all applicable state or local codes, rehabilitation standards and ordinances, and zoning ordinances as further defined in Exhibit 7.

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

Recapture Guidelines: Homebuyers assisted under the HOF program 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.

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. 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; the developer has an additional six months to identify an eligible homebuyer to purchase the unit.

EXHIBIT 8

HOMEBUYER ASSISTANCE

In determining the forms of assistance, the applicant should consider the particular needs of the program's target participants. The following discusses alternative designs for homebuyer programs and the appropriate forms of assistance.

Down payment / 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 buy 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).

ADVANTAGES AND DISADVANTAGES OF VARIOUS FORMS OF ASSISTANCE

SUBSIDY	PROS	CONS
Grants	<ul style="list-style-type: none"> • Simple to administer • Easy to explain • Often necessary, especially to reach very-low-income 	<ul style="list-style-type: none"> • Expensive • No repayment possible • May be hard to "sell" politically • May create expectations of additional free assistance in the future
Deferred-Payment Loans (DPL)	<ul style="list-style-type: none"> • Simple to administer/easy to explain • Helpful, since no monthly payment required • Flexible, allows for repayment • Helps prevent windfall gain to borrower if property values increase significantly 	<ul style="list-style-type: none"> • No payment received on a monthly basis • Might never be repaid if property has low value or future appreciation likely to be limited
Below-Market Rate Loans	<ul style="list-style-type: none"> • Provides immediate repayment • Allows agency to act as "banker" 	<ul style="list-style-type: none"> • Time-consuming and staff-intensive • Requires underwriting expertise • Loans must be serviced after origination • Inefficient form of leverage, compared to DPLs and grants
Loan Guarantees	<ul style="list-style-type: none"> • Simple to administer if no defaults, or if lender responsible for disposition of property if default occurs • Result in high leverage • May induce lenders to make loans by softening loan-to-value and income-to-debt ratios 	<ul style="list-style-type: none"> • Do little to subsidize the cost to the homebuyer • Shift some or all underwriting and default risk from the lender • No repayments to the program • Can tie up funds for long periods of time

EXHIBIT 9

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 up to ten percent (10%) administrative fee based on HOF financing.

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 \$10,000 without approval from SDHDA.

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 10

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 up to ten percent (10%) administrative fee based on HOF financing.

Applicant's operating policies and procedures must include:

- Evaluation procedures for determining 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, other available resources or 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 homelessness prevention assistance;
- Determining how long a program participant will be provided assistance and whether or not that assistance may be adjusted over time; and
- Determining the type, amount, and duration of housing assistance 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 be able to demonstrate prior experience serving individuals and households at-risk of or experiencing homelessness. Also, applicants must have staff with demonstrated 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:

- Payment of rental arrears.
- Temporary rent or utility assistance
- Rental application fees.

EXHIBIT 10

HOMELESSNESS PREVENTION

- Security deposits equal to no more than 2 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, 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.