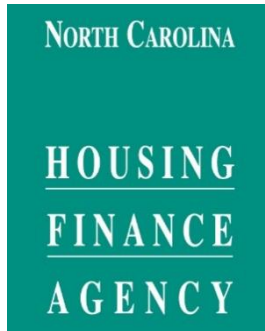


North Carolina Housing Finance Agency



*Supportive Housing Development Program (SHDP)
Application Guidelines & Instructions
2024 Program Cycle*

Date Issued: September 27, 2023

Project Description & Site Request Form Deadline: November 6, 2023

Applications Deadline: March 4, 2024 5:00pm EST

For information, please contact SHD Staff at SHDevelopment@nchfa.com

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Introduction

The North Carolina Housing Partnership and the North Carolina Housing Finance Agency announce the availability of funding for the Supportive Housing Development Program ("SHDP").

The objectives of the SHDP are:

1. To increase the supply of permanent supportive housing in the most integrated setting appropriate to meet the needs of the proposed populations;
2. To serve adults and children with special needs earning less than 50% of area median income (AMI); with a preference for those at or below 30% AMI, depending on the type of project;
3. To provide affordable and accessible housing, including transitional and emergency shelters with links to appropriate services and supports for persons with special needs;
4. To provide funds to leverage other public and private resources;
5. To improve the quality, safety and accessibility of housing for the homeless; and

In the process of administering this program, NCHFA will make decisions and interpretations regarding project applications. Unless otherwise stated, NCHFA is entitled to the full discretion allowed by law in making all such decisions and interpretations. NCHFA reserves the right to amend, modify, or withdraw provisions contained in this application that are inconsistent or in conflict with state or federal laws or regulations. All applications for Program funding become the property of NCHFA.

Section 1. SHDP Requirements

The SHDP Requirements are outlined below and must be met to be considered for SHDP funding.

1.1 Eligible & Ineligible Uses of SHDP Funding

1.1a Eligible uses of SHDP funds include:

1. New Construction with or without site acquisition
2. Acquisition of Housing or Facility without Rehabilitation
3. Acquisition of Housing or Facility with Rehabilitation
4. Rehabilitation of Housing or an Existing Facility

Clarification of Eligible Uses:

1. **New construction** includes:
 - a. New Construction of facilities or housing on empty land or a cleared lot
 - b. Adaptive Reuse or Gut Rehabilitation of an existing building or shell or components of a building where the facility or housing will receive a new certificate of occupancy for attaining current building code
2. **Rehabilitation** includes:
 - a. Moderate rehabilitation of housing or an existing facility. The goal of rehabilitation is to be fully functioning by addressing all **critical building components*** (see below) that are likely to need replacement or substantial repair within 10 years of project approval, as well as **health and safety needs**** (see below).
 - b. Substantial rehabilitation of a facility or housing to be fully functioning by addressing all

critical building components* (see below) that are likely to need replacement or substantial repair within 20 years of project approval and in many cases scope of work may significantly redesign layout to better serve applicant's clients. as well as **health and safety needs**** (see below).

***Critical building components include:**

1. Exterior Finishes (siding, masonry, etc.)
2. Doors and Windows
3. Roofing
4. Electrical System (supply, branch wiring, GFCI's, panel box, controls)
5. Plumbing System (main valve, supply lines, drain lines, fixtures, water heater)
6. Heating and Cooling System (HVAC, Furnace, Controls)
7. Foundation and Structural Supports
8. Bathrooms
9. Bedrooms
10. Kitchens (food refrigeration, food heating, sanitary storage, separation of chemicals and waste from food prep areas)
11. Walkways
12. Fair Housing and ADA compliant access to facilities and office on property and within housing units and common areas, if applicable

****Health and Safety Needs** in rehabilitation requires applicants to address all deficiencies that could directly impact the ability to safely occupy the facility or housing or use it for its intended purpose. Actions must be taken to identify, evaluate, and adequately address issues related to occupancy, including:

1. Ingress/egress (doors, windows, emergency exits, emergency lighting),
2. Known imminent threats to safety (holes in roof, storm/fire damage),
3. Hazards (trip, shock, fall, puncture, cut, drowning, asphyxiation, fire safety, etc.),
4. Air quality or inadequate ventilation (noxious fumes, harmful mold, carbon monoxide, consistent elevated moisture levels)
5. Toxic substances including lead-based paint and friable asbestos,
6. Presence of vermin or pests,
7. Disease prevention through equipment and redesign of space (appropriate spacing of clients, automation of high touch fixtures, filtration, UV treatment, etc.)
8. Structural failure,
9. Non-function items (building features that are present must work appropriately and as an occupant would expect)
10. Harmful levels of noise from traffic, trains, or other sources,
11. Issues related to accessibility deficiencies and incorporation of universal design features, when applicable.

1.1b Ineligible uses of SHDP funds include:

Program funds may not be used for:

1. Crisis stabilization centers
2. Hospice programs
3. Rehabilitation without a minimum of four units. Exceptions to this are allowed for:

- a. affordable supportive housing where the renovation will bring the development into compliance with state and local building codes, DHHS licensure, or SHDP standards.
 - b. re-configuration of emergency or transitional housing to permanent supportive housing
- 4. New Construction of licensed Adult Family Care Homes (2-6 beds) and New Construction of licensed Adult Care Homes (7+ beds)
- 5. Projects that have received or intend to receive Low-Income Housing Tax Credits
- 6. Supportive services expenses, operating costs, or administrative costs
- 7. Construction or rehabilitation of office space or space for supportive services not in conjunction with housing units
- 8. Refinancing existing mortgages
- 9. Relocation costs
- 10. Rental assistance

1.2 Eligible Populations to Serve in Project

All SHDP awarded projects must exclusively serve adults or children with one of the following special needs as defined below:

- 1. persons with mental health, physical, or developmental disabilities;
- 2. persons experiencing homelessness or imminently at risk of homelessness;
- 3. persons with substance use disorders;
- 4. children and youth in foster care, youth aging out of foster care;
- 5. survivors of domestic violence;
- 6. adults reentering the community after being released from correctional facilities;
- 7. other special needs populations as approved by NCHFA.

For Olmstead Compliant Projects: the number of *population* restricted units cannot exceed 20% of total units.

1.3 Eligible Project Types – Emergency, Transitional, Permanent

A project must have a minimum of four units to utilize SHDP funds.

Eligible Project Types must be within the geographic boundaries of North Carolina and must demonstrate a need for SHDP funds based on a project budget detailing sources and uses of funds and projected cash flow include:

1.3a Emergency Housing

- 1. New construction, acquisition with or without rehabilitation, or rehabilitation only of an emergency homeless shelter. The shelter must be owned by the applicant or leased from a unit of local government.
 - a. Emergency homeless shelters must operate or participate in a program that facilitates transitioning into permanent housing. The emergency homeless shelter must receive local, state, or federal funding targeting homelessness (such as ESG).
 - b. Domestic Violence shelters must receive funding from The Governor’s Crime Commission or The Council for Women/Domestic Violence Commission.
- 2. Acquisition with or without rehabilitation, and rehabilitation only of emergency shelter *into* permanent supportive housing* is exempt from the four (4) unit minimum.

1.3b Transitional Housing

1. New construction, acquisition with or without rehabilitation, or rehabilitation only of transitional housing.
 - a. Rehabilitation only of existing transitional housing within partner portfolio to bring the development into compliance with state and local building codes is exempt from the four (4) unit minimum.
 - b. Acquisition with or without rehabilitation and rehabilitation only of transitional housing into permanent supportive housing* is exempt from the four (4) unit minimum.

1.3c Permanent Supportive Rental Housing*

1. New construction, or acquisition with or without rehabilitation or rehabilitation only.
 - a. Rehabilitation only of existing affordable permanent rental housing* within partner portfolio to bring the development into compliance with state and local building codes is exempt from the four (4) unit minimum.

Additional Permanent Supportive Rental Housing* Requirements:

- New construction of non-licensed permanent rental housing* must include 25% one-bedroom or smaller units as approved by NCHFA.
- Olmstead Compliant Projects create permanent, integrated, supportive housing rental units, and must have a maximum of 20% of the units restricted to persons with disabilities. The property cannot be designated for elderly only occupancy.

Properties where residents receive Medicaid Home and Community Based Services

The checklist below should be used to ensure the property and neighborhood characteristics meet HCBS standards.

<http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Long-Term-Services-and-Supports/Home-and-Community-Based-Services/Downloads/Exploratory-questions-re-settings-characteristics.pdf>

*** Permanent Supportive Housing Projects (non-licensed) must meet the following standards:**

- sites cannot be on or immediately adjacent to land containing a state psychiatric facility (veterans' programs are exempt from this requirement),
- units for individuals with disabilities must be scattered throughout the property as much as feasible, to prevent over-concentration
- the building cannot contain a skilled nursing facility, institution for mental disease, intermediate care facility or any inpatient institutional treatment, and
- participation in services cannot be a requirement for residency and tenants have a choice in the support services they receive.

1.4 Eligible Applicants

The Applicant **must**:

1. Demonstrate sound business practices
2. Demonstrate successful previous experience that includes the following:
 - a. Must have no unresolved audit or monitoring finding and must be in good standing with NCHFA Asset Management, as well as other lenders on existing projects;
 - b. Must disclose all prior projects attempted or completed:

- i. List the lenders including local city, county, state, and federal lenders and whether your organization is currently in compliance with the terms of the loans and if has ever been out of compliance.
 - ii. Disclose all unresolved audit or monitoring findings;
 - iii. Disclose all cases in which the applicant (or principal if a for-profit applicant) entered into a workout or deferment, the reasons, provide a description of the plan for resolution, and compliance with deferment plan;
 - iv. Disclose all cases where the applicant entered into a foreclosure. For each case provide the property name, the date of the foreclosure, the final disposition, and a description of the circumstances that lead to the foreclosure.
3. Demonstrate team capacity to develop the project scope, project plan, financing plan, construction budget, manage the construction phase, obtain permanent financing, bring the project into service, manage the on-going operations of the project, and ensure the ongoing compliance of the project (this is addressed in Section 1.5)
4. Submit the most recent financial statement audit which includes an opinion from a certified public accounting firm, and is within 12 months of the end of the Applicant's fiscal year. If the Applicant's fiscal year does not align with the above statement, the applicable fiscal year is at the Agency's discretion.
5. Submit the applicant's organizational operating budget for the current year
6. Show adequate and consistent levels of operating income from a variety of sources.

When considered as a whole, all the financial and organizational information about the applicant (including reference checks by NCHFA) shall demonstrate that the applicant has a strong financial and organizational capacity. NCHFA will consider financial and organizational information from numerous sources to assess the stability of applicant for the length of the 20- or 30-year loan.

1.4a Eligible Applicants Include:

1. **Applicants that have existing project(s) funded with any NCHFA supportive housing program are eligible.**
However, may be ineligible if have any of the following:
 - Have not been issued a Final Commitment Letter for a prior Supportive Housing Award.
 - Have not started construction (defined as having a valid Building Permit and having issued a Notice to Proceed to the General Contractor) before a recommendation for funding a subsequent project is made to the NCHFA Board of Directors, unless special circumstances apply (as determined by NCHFA);
 - Have unresolved audit or monitoring findings with NCHFA Asset Management, and will not have resolved them by SHDP application deadline.
 - Applying for SH-Rehab for the same project in the same funding cycle.
2. **Nonprofit Organizations or Nonprofit Developers with:**
 - 501(c) (3) designation for at least 3 years;
 - Submit the most recent financial statement audit which includes an opinion from a certified public accounting firm, and is within 12 months of the end of the Applicant's fiscal year. If the Applicant's fiscal year does not align with the above statement, the applicable fiscal year is at the Agency's discretion;

- Affordable multi-family housing development experience within the previous 7 years as determined by NCHFA. If the nonprofit has not completed an affordable rental multi-family housing development project within this time frame, they must hire a Housing Development Consultant (HDC). NCHFA strongly encourages nonprofit organizations without development experience to engage the HDC early in the application process. The HDC must be approved by NCHFA.
- A minimum of three years' experience providing supportive housing or providing supportive housing services for the population in the intended project.
 - Note: if the applicant does not have experience serving the special needs population in the proposed project, they must partner with an appropriate services provider.

A church or primarily religious organization cannot own projects assisted with SHDP funds. However, an organization with a 501(c) (3) which is sponsored by a church or religious organization is eligible to apply and own.

If a nonprofit creates a single asset entity to own the project, the single asset entity must be wholly owned by the nonprofit applicant.

3. For-profit Developers:

- Are only allowed to apply for a SHDP loan for a project which creates Olmstead compliant permanent, integrated, supportive rental housing units.
- Must have successfully owned and operated multifamily rental housing for a minimum of three years with no uncorrected compliance issues and be in good standing with the governing regulatory agency,
- The project must have no more than 20% of the units set-aside for persons with disabilities and the Owner, and the Owner's designated Property Management Company, will accept and give preference to applicants referred by DHHS or their designee.
- In addition, the Owner will notify DHHS or their designee of vacancies in the set-aside units through the Vacancy & Referral (V&R) system and give preference to those applicants. The units must be held vacant for 90 days at initial rent-up and 30 days on unit turn-over for a referral unless DHHS or their designee releases the unit earlier.

4. Units of local government in North Carolina (i.e. City, County, Public Housing Authority, Community Development Corporation, Council of Government) with:

- Submit the most recent financial statement audit which includes an opinion from a certified public accounting firm, and is within 12 months of the end of the Applicant's fiscal year. If the Applicant's fiscal year does not align with the above statement, the applicable fiscal year is at the Agency's discretion;
- Affordable multi-family housing development experience within the previous 7 years as determined by NCHFA. If the unit of local government has not completed an affordable rental multi-family housing development project within this time frame, they must hire a Housing Development Consultant (HDC). NCHFA strongly encourages units of local government without development experience to engage the HDC early in the application process. The HDC must be approved by NCHFA;

- A minimum of three years' experience providing supportive housing or providing supportive housing services for the population in the intended project.
Note: if the applicant does not have experience serving the special needs population in the proposed project, they must partner with an appropriate services provider.

1.5 Project Development Team Capacity

The Application must demonstrate the capacity of the Project Team to successfully develop and operate the proposed project. The Applicant or the Housing Development Consultant must have housing development experience in North Carolina or partner with a developer with the applicable experience. If the applicant wishes to apply under the Supportive Housing Development Program, the organizational capacity will be further reviewed and recommendations for award for each program will be made at the discretion of NCHFA. Housing development experience is defined as the Applicant and/or Housing Development Consultant having played a key role on affordable multi-family housing development team.

1.5a Project Team Experience

The Project Team must have experience with the following roles and responsibilities in the past 7 years to develop and operate the project:

1. If the applicant, does not have affordable multi-family rental housing development experience, they must include on the Project Team a Housing Development Consultant (HDC) who does have experience. NCHFA strongly encourages nonprofit organizations without the affordable multi-family rental housing development experience to engage a HDC early in the application process. The HDC must be approved by NCHFA.
2. The HDC may be an individual, nonprofit or for-profit organization, but must have successfully developed on or been a HDC for publicly financed affordable rental housing in the past seven years.
3. The HDC is eligible to work with more than one SHDP applicant during a funding cycle, if the other parties are notified and in agreement.
4. The project must have an executed contract to provide consultant services through final cost certification.
5. The applicant is required to work with a HDC through approval of the cost certification by NCHFA, but can change HDCs, if necessary with approval by NCHFA. Failure to comply with the contracted scope of services and take the advice of the HDC may result in the applicant being ineligible to apply for SHDP funding for a period of five years, unless the SHDP team has been contacted to arbitrate the issue.
6. Final determination on whether an organization is required to work with a HDC will be made by Supportive Housing Development Program staff. The HDC must be approved by NCHFA.
7. If the HDC intends to apply as an applicant for the same SHDP cycle of funding, they are ineligible to provide housing development consultation services for another project.

1.5b Supportive Services

Supportive Services Partner or linkages to Supportive Services to the proposed population -

All Applicants must have a well-defined services plan, as reflected in the Supportive Services Access Plan (SSAP), which is part of the application.

1.5c Financials

Financial Capacity of Applicant Organization to provide any equity required to cover start-up expenses, operating deficits, and unanticipated costs and to successfully operate the project.

1.5d Property Management

Property Management Experience -

- For rental housing projects, experience in managing subsidized rental housing with HUD, HFA, FHLB or USDA or an equivalent program, as approved by NCHFA, within the last 7 years is required.
- For all projects, prior to the issuance of the Final Commitment Letter the management experience must be reviewed and approved by NCHFA prior to issuance of the Final Commitment Letter.
- Any subsequent change after initial approval, must be approved by NCHFA.

1.6 Community/Market Need for the Project

The applicant must demonstrate a clear understanding of who the project will assist and show solid data (i.e. Public Housing Authority waitlist, Homeless Point in Time Count, City/County housing needs data, gaps in housing type) to support the need for the number of units/beds proposed.

1.7 Supportive Services

All projects must show access to supportive services appropriate to the intended population. All applicants will need to complete a Supportive Services Access Plan (SSAP) that describes linkages to support services and partners for the project. The SSAP is included in Part 1 of the application. Involvement in support services cannot be a requirement for tenancy. Participation in supportive services by the tenant must be voluntary.

Emergency shelter projects must also provide a letter of consistency from and describe their collaboration with their local Continuum of Care (CoC). Additionally, the Emergency Shelter Applicants must show how they apply rapid re-housing principles, and their utilization of ESG funds (if applicable).

1.8 Income Restrictions

It is the preference of the Program that 100% of the units are affordable at 30% AMI, and each project financed will have income restricted units. The number of SHDP income restricted units is calculated by the percentage of NCHFA's loan amount to the total development budget of the project (rounded up to the next whole number). Regardless of the percentage of SHDP funding, all units must be affordable as described below:

- The SHDP income restricted units must be affordable to residents at or below 50% of Area Median Income (AMI)*, with a preference for residents at or below 30%, depending on the type of project (Some projects are rent supported, such as independent rental units, and may have a mix of income levels. Other projects are non-rent supported, such as shelters).
- The non-SHDP income restricted units must be affordable to residents at or below 60% of AMI. At the Agency's discretion the maximum income limit may be increased to 80% AMI.

- If the property is considering changing the special population served and/or income restrictions on any of the total number of units in the property, the owner must notify and obtain approval from NCHFA.
- Only the number of restricted units at the specified income level will be monitored for regulatory compliance by the NCHFA. Though additional units may need to be monitored in order to establish and document that there are adequate units in regulatory compliance with the NCHFA requirements. However, the entire property is subject to monitoring for asset management compliance.
- The income restricted units must be affordable for at least the term of the loan.
- If rent is charged, no more than 30% of the targeted household income must be charged for rent and utilities (see utility allowance estimations below**).
- Non-licensed projects that charge residents rent, utilities, and program fees cannot exceed 40% of household income without prior NCHFA approval.

*Area median income is defined using the U.S. Department of Housing and Urban Development annual income estimates. Income limits for North Carolina counties can be found at the following link:

<https://www.nchfa.com/rental-housing-partners/rental-owners-managers/income-limits>

1.8a Utility Allowance Estimations:

1. Projects where residents hold a lease and pay rent, must show how utility costs are estimated. Applicants can use the preferred utility allowance provided by their local Public Housing Authority (PHA).
2. If a project is funded with HOME, it must use one of the seven methodologies detailed on NCHFA's website at <https://www.nchfa.com/rental-housing-partners/rental-owners-managers/policies-resources-forms/ownershipmanagement>.
3. For new construction projects, or rehabilitation/adaptive reuse where energy efficiency is incorporated, the applicant may use one of the alternate methodologies as well.

1.9 Site Eligibility

1. The project must meet site and neighborhood standards as shown in the NCHFA Site Criteria in Appendix B (incorporated herein by reference).
2. The Application process begins with the submittal of the Project Description and Site Visit Form (PDSV).
3. Applicants must have site control of the proposed project property at the time of Complete Application deadline unless the date is extended by NCHFA. Site control can be exhibited through an option to purchase, a purchase contract, an executed deed, or a NCHFA-approved lease of at least as long as the requested loan term. Land must not be acquired after the application process has begun without first consulting with NCHFA.
4. No action may be taken on the site (i.e. digging holes, cutting down trees or paving) once the application process has begun. Applicants must consult NCHFA before taking any actions (see Section 2.1) that physically impact the site.
5. There must be documentation of proper zoning evidenced by a letter from local zoning official. A project will not be recommended for award without proper zoning.
6. If the site is subject to a Conditional Use Permit or Special Use Permit, the Permit must be issued prior to SHDP funding award.
7. There must be adequate infrastructure serving the site.

8. As described above in Section 1.2, sites for permanent housing cannot be on the grounds of or immediately adjacent to a state psychiatric facility.

1.10 Site Plan Requirements & Design Standards

1. Project design must accommodate planned on-site supportive services and be compatible with surrounding properties. Project designs must have visual appeal, a functional floor plan, project amenities, and durable and energy-efficient building components.
2. New construction projects with more than 16 units must include an on-site office or a room where staff can maintain files and meet with applicants and residents.
3. The SHDP Design Standards shown in Appendix D (incorporated herein by reference) are the minimum requirements for any SHDP project applying in the current Program Year. Applicants must comply with fair housing laws and Americans with Disabilities Act, regarding accessibility and must design units to maximize accessibility for mobility impaired persons.
4. Plans and specifications must be reviewed and approved by NCHFA.
5. All projects, except a moderate rehab project, must have, a third-party energy consultant. The energy consultant must also review the plans and specifications before commencing site work or construction.
6. Construction or Rehabilitation work should not begin until a Final Commitment Letter is issued.
7. At all times after an award the owner is responsible for promptly informing NCHFA of any changes or alterations which deviate from the final plans and specifications approved by NCHFA. In particular, owners must not take action on any material change in the site layout, floor plan, elevations, or amenities without written authorization from NCHFA. This includes changes required by local governments to receive building permits.

1.11 Energy Efficiency Requirements

New Construction or Substantial Rehabilitation Projects must comply with NCHFA's Energy Standards described in Appendix E (incorporated herein by reference).

All SHDP projects must enter into contracts with a NCHFA-approved energy consultant to assist in incorporating energy efficiency, moisture management, durability, and indoor air quality strategies where feasible. The energy consultant contract must be submitted to NCHFA for approval. Energy consultants are building scientists who approach the building as a system of interacting parts. Energy consultants perform these critical roles:

1. Feedback on design considerations for: energy efficiency, moisture management, comfort, air sealing, combustion safety, ventilation, proper insulation installation, equipment commissioning, attic/crawlspace design, indoor air quality, and more.
2. Inspecting and verifying construction details including: framing, insulation, and air sealing during construction.
3. Verifying and performance testing equipment, ducts, ventilation, and the building envelope.
4. Identifying issues that may impact energy performance or other cause other issues in the home.

Energy consultants must have current applicable energy-related credentials (HERS, BPI, LEED, etc.) applicable to the project and relevant experience on similar projects. SHDP projects must have a contract with an energy consultant that specifies the energy related responsibilities for the project.

While not every recommendation of the energy consultant may be implementable due to conflicting design requirements, licensure, or facility usage, wherever feasible and especially when

recommendations are easily implementable or low cost, it is expected that they will be included in the construction or rehabilitation of the project. Unless granted an exception by NCHFA, all new construction and substantial rehabilitation projects must work with an energy consultant throughout the project, including during design, framing, insulation installation, construction, equipment commissioning, and post-construction energy performance testing.

Projects using non-commercial grade HVAC systems must use one of the four NCHFA approved HVAC systems, which are described in Appendix E, unless an alternative strategy is designed by the project Energy Consultant and approved by NCHFA.

1.12 Project Financing Requirements

1.12a Minimum Amount of Funds

All projects must at least apply for a minimum of \$100,000 in financing to be eligible for a SHDP loan.

1.12b Funding Available & Match Requirements

NCHFA does not fund 100% of the project. Each project will require a portion of the total development budget to have a match of either in-kind services/materials, land donation, or other funding commitments.

The Amount of Funding available vary based on the location of the proposed project.

- In Community Development Block Grant (CDBG) Entitlement Areas*, the maximum amount of funding available is up to \$1,200,000 or 60% of the total development cost, whichever is less; and must have at least 40% match of the total development cost.
- In Non-CDBG Entitlement Areas, the maximum amount of funding available is up to \$1,300,000 or 70% of the total development cost, whichever is less; and must have at least 30% match of the total development cost.

*See Appendix I (incorporated herein by reference) for a list of CDBG Entitlement Areas.

NCHFA reserves the right to adjust the funding limits for projects.

1.12c Land Donation as Match

No appraisal is needed when the project does not include any costs for land or building acquisition in the Development Budget or in the sources (if using the amount for Match). If the applicant is using the land as part of their Match, or seeking funding for the land, an official Tax Value Record can only be used if the value is under \$500,000. If the Tax Value is less than the amount listed in the Development Budget, the amount listed on the Tax Value will be used if an appraisal is not submitted. There must be an appraisal for any land or building acquisition value greater than \$500,000 that is included in the Development Budget or used as Match.

1.13 SHDP Loan Underwriting Requirements

The SHDP team will review Part 2 of the application and conduct underwriting for the potential SHDP loan.

Projects must meet the following requirements:

1. If there is any debt service on the proposed project, the project's operating pro-forma must show a reasonable cash flow, based on underwriting assumptions identified in the Application.
2. There should be documentation of any conditional or firm commitments for other project financing.
3. There should be documentation in the audit of ongoing commitments for operating income or a proven history of fund raising for the proposed use.
4. Project development costs must be reasonable when compared to other projects funded by the Program for the type of housing being produced.
5. Rental properties without a project-based source of rental assistance must show evidence of long-term, positive cash flow, when using a 7% vacancy rate, 2% escalation of income, and 3% escalation of expenses.
6. For projects which intend to receive Project-Based Rental Assistance, a letter from the applicable rental assistance administrator must be provided. Projects may use Appendix J (incorporated herein by reference) as a reference for the letter from the applicable rental assistance administrator.
7. Rental properties must fund an Operating Reserve with a minimum of 6 months operating expenses.
8. If a rental property chooses to fund a rent-up reserve they must transfer any excess funds from it to the Replacement Reserve account.
9. Rental properties have a maximum combined developer and consultant's fee of \$15,000 per unit for new construction and substantial rehabilitation and a maximum of \$7,500 per unit for acquisition/moderate rehabilitation. Definition of construction types defined in Appendix D "Design Standards".
10. For properties without rental units, the developer's fee and consultant's fee combined cannot exceed 12% of the development costs (total improved land, construction, and soft costs).
11. General Requirements cannot exceed 6% of hard costs.
12. Contractor Overhead and Profit cannot exceed 10% of total hard costs including general requirements.
13. If the property is purchased for greater than the appraised value, only the appraised value can be used in the NCHFA project development budget.
14. Included on the expenses tab in Part 2 of the application – the following Replacement Reserves requirements increased by 4% annually each year must be used:
 - a. Non-licensed Permanent Housing New Construction- \$250 per unit per year.
 - b. Non-licensed Permanent Housing Rehabilitation - \$350 per unit per year.
 - c. Emergency or non-licensed shared housing - \$250 per 750 built square feet per year up to a maximum of \$5,000 per year.
 - d. Licensed Facility - \$250 per 1,000 square feet per year.

1.14 Financing Commitment

SHDP will not fund more than one project per applicant per funding cycle. Additionally, if the applicant has a previous SHDP award, the criteria in 1.4 a.1. must be met before a recommendation for funding for a subsequent project is made to the NCHFA Board of Directors, unless special circumstances apply (as determined by NCHFA);

Projects awarded for loan financing will receive a Conditional Commitment Letter from NCHFA. Applicants with a conditional commitment for financing will have 12 months to receive final written

commitments for the balance of construction and permanent financing from other sources, and submit the due-diligence checklist items to NCHFA for approval.

Please see Appendix H (incorporated herein by reference) for the full list of requirements to obtain the Final Commitment Letter. SHDP financing is permanent, thus will be available at the end of project completion and final cost certification. However, for projects which include property acquisition, NCHFA, at its sole discretion, may allow one draw before project completion to fund or reimburse a portion of the acquisition (land or building) purchase price equivalent to NCHFA's percentage of financing in the total development budget.

NCHFA at its sole discretion will determine the funding source that best suits each project, taking into consideration the funding sources available.

1.15 Loan Terms & Types

- All SHDP financing will be in the form of a 0% interest, permanent mortgage loan, that is non-forgivable for the original loan term.
- The maximum loan term is 30 years for new construction and 20 years for rehabilitation.
- **All loans will include a Loan Agreement, Promissory Note, Deed of Trust, and Declaration of Deed Restrictions.** *NCHFA typically prefers to be in the 1st lien position.*
- Amortizing, Custom Payment, and Deferred loans are available under the Program, depending on the ability of the project to pay debt service. NCHFA prefers to make amortizing or custom payment loans so Program funds can be recycled to fund additional projects.
 - Projects that are unable to pay debt service, may be offered a deferred loan with a balloon payment. These loans may be refinanced at the end of the initial term for an additional ten years at the request of the borrower and at the discretion of NCHFA, as long as the project continues to be used for a mutually acceptable supportive housing purpose, does not have compliance issues, borrower is in good standing with NCHFA and the building is in good condition.

1.16 Federal Funding Requirements (if applicable)

Applicant will be notified if Federal Funds are projected to be used in the SHDP project.

The Federal requirements potentially could include, but are not limited to:

- Environmental Review [24 CFR Part 58](#) must be completed.
 - No choice limiting action may be made prior to receiving environmental clearance from NCHFA to move forward with a project.
- Projects that trigger Uniform Relocation and Real Property Acquisition Act (URA) are ineligible to apply for SHDP.
- All projects consisting of 12 or more units with funding that requires Davis Bacon compliance must incorporate Davis-Bacon [24 CFR 92.354](#) wage rates and labor standards monitoring in the development budget. Federal Labor Standards must be included in project-related procurement. If a SHDP project receives HUD funds which trigger Davis Bacon (for example, HOME, CDBG, HOME-ARP) from a local participating jurisdiction, NCHFA may request the local PJ agrees to conduct the Davis Bacon monitoring for the project.
- Section 3 [24 CFR Part 75](#) - requirements must be included in any project-related procurement

that includes \$200,001 or more of covered federal financial assistance.

- Minority & Women Business Enterprises (MWBE) - [24 CFR 92.351](#)
- Procurement must comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at [2 CFR 200](#). All procurement must incorporate federal labor standards.
- All projects and project sites must be accessible to persons with disabilities and have an [Affirmative Fair Housing Marketing Plan](#) (AFHMP).
- Nonprofit and governmental applicants must comply with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at [2 CFR 200](#).
- Lead-based paint regulations - [24 CFR part 35](#) :
 - Lead-Based Paint poisoning Prevention Act
 - Residential Lead Based Paint Reduction Act
 - State lead-based paint requirement
- New Construction -
 - Section 504: [24 CFR Part 8](#)
 - Title II of the Americans with Disabilities Act: [24 CFR Part 35](#)
 - Fair Housing Act: [24 CFR Part 100](#)
 - [NC State Building Code](#)
- [Conflicts of Interest Policy](#)

1.17 Ongoing Compliance Training, Monitoring & Reporting

All projects must **comply with the following restrictions on religious influence**. Organizations may not:

1. discriminate against any employee or applicant for employment on the basis of religion;
2. discriminate against any person applying for housing on the basis of religion;
3. require religious instruction or counseling;
4. require attendance at religious services or worship, engage in religious proselytizing or other religious influence in the provision of housing.

1.17a Compliance Training:

- NCHFA provides SHDP compliance training several times a year to assist Owners and Management Agents to meet NCHFA requirements. A schedule of training times and locations can be found at:
<https://www.nchfa.com/rental-housing-partners/rental-owners-managers/train-us>.
- Owners or Management Agent must attend a training annually.

1.17b Compliance Monitoring & Reporting:

Monitoring will be conducted by NCHFA Asset Management Team to ensure that SHDP goals and regulatory requirements are met. Projects will be monitored based on loan documents and deed restrictions.

Monitoring areas will include:

- The owner's proper operation and maintenance of the property.
- The utilization of NCHFA restricted units. If the property is considering changing the special population served and/or income restrictions on any of the total number of units in the property, the owner must get approval in writing from NCHFA. If the owner does not get prior

written approval and the population or income restrictions have been changed, the property will be out of compliance with the SHDP.

- Tenant incomes and eligibility criteria.
- An operating and/or replacement reserve balance is properly maintained.
- Adherence to the Tenant Selection Plan.
- For rental properties, rent affordability, as reflected in the Rent Table of the Deed Restrictions, if applicable.
- If a property consists of non-licensed permanent rental units, occupancy information about all units, not just NCHFA restricted units, must be entered in a timely manner (30 days from move-in) into NCHFA's Rental Compliance Reporting System (RCRS). The Owner or Management Agent must periodically report on unit utilization and household information with data elements determined by NCHFA in a manner and frequency established by NCHFA. These data elements may be updated or revised by NCHFA periodically.
- Property insurance requirements are met annually. The insured amount must be greater than or equal to the amount of the SHDP loan amount. For policies less than or equal to \$5,000,000 the deductible should be no more than \$15,000. For policies greater than \$5,000,000 the deductible should be no greater than \$25,000. If this type policy cannot be obtained or afforded, an insurance reserve may be substituted with approval from NCHFA staff.
- An audited financial statement or Agency approved alternative must be submitted annually for review.

Section 2. SHDP Application Instructions

2.1 Steps to Apply

Applicants for SHDP must:

1. Submit the Project Description and Site Visit Form (Appendix A incorporated herein by reference) – to SHdevelopment@nchfa.com
 - a. **Deadline to submit forms: November 6, 2023**
 - b. If the proposed project includes rehabilitation, applicants must submit the SHD Property Inspection Form which is included as Appendix C (incorporated herein by reference)
 - c. Applicants are encouraged to submit the form as soon as possible so SHD staff can review the proposed site to determine if it is suitable for supportive housing. The form is also available at link below (scroll to the bottom of the page):
<http://www.nchfa.com/Nonprofits/SHDsupportivehousing.aspx>.
 - d. This form does not serve to reserve any funds or commit the Applicant in any way to apply. Submittal of the Project Description and Site Visit form is considered the start of the application process.
 - e. After the submission to the Agency of the Project Description and Site Visit Request form for SHDP, owners/developers and any participant in the development **may not take any choice limiting activities**; acquire, demolish, move, rehabilitate, convert, lease, repair or construct property, or commit or expend HUD or non-Federal funds with respect to any eligible property, until the environmental review process has been completed. These actions could have an adverse environmental impact **or** limit the choice of reasonable alternatives, thus disqualifying the entire development. Any violation of this provision may result in the denial of funding or recapture of funding at a future date.
2. Site and Project Review & Meeting –
 - a. A Project Description & Site Review by SHD staff of each proposed project and site is required.
 - b. The site must meet the minimum eligibility site standards, shown in the NCHFA Site Criteria (Appendix B). The SHD staff will review the site using same criteria
 - c. The project and site review meeting will be an opportunity for applicants to get early feedback on a proposed project and site and to ask specific questions regarding how to complete the application.
 - d. The Project and site must be reviewed and approved prior to *complete* application submission.
3. Site and Project Approval/Denial Letter -
 - a. After the site review meeting, the SHD staff will send a site approval or denial letter to Applicant.
 - b. If the proposed project includes rehabilitation, the letter will also detail additional inspections if needed.
 - c. After the meeting and if the site and project are approved, complete Part 1 and Part 2 Application, and submit by the March 4, 2024 deadline.
 - d. If the site or project are denied, the SHD staff will provide reasons and recommendations for the project site or project.

2.2 Application Deadline

Complete applications are due electronically by **March 4, 2024 at 5:00 PM.**

There are two parts to the *complete* application:

- Part 1 includes a narrative, project description, and exhibits, plus preliminary site plans.
- Part 2 includes the development budget, sources of funds, income/expenses, and pro forma.
 - *Both Part 1 and Part 2 must be submitted to have a complete application.*
- **Applications may be submitted earlier than the deadline.**

Section 3. Application and Award Process

3.1 Review & Selection Procedures

As part of its due diligence, NCHFA reserves the right to independently verify any information submitted as part of an application under the Program. Applications for the SHDP financing will be reviewed and selected through the following process:

1. Project Description and Site Visit approval;
2. Threshold review,
3. Project Ranking,
4. NCHFA Board of Directors approval, and
5. Loan Award

Although there is no allocation of funds by region, it is still the objective of the NCHFA to achieve statewide distribution of Program funds.

3.2 Threshold Requirements

Projects must meet the following threshold criteria to be considered for Program financing:

1. The site and project must have been approved by NCHFA and have met the minimum site standards, shown in Appendix B.
2. Part 1 and Part 2 of the *complete* application must be complete. Exhibits 1-4 must be submitted to meet threshold. Threshold requirements are not curable. All Applicants need to submit documents that meet the below intent.
 - Articles of Incorporation (or equivalent)
 - Bylaws (or equivalent)
 - IRS Letter for 501 c3 status – (Nonprofit)
 - List of Board of Directors (or equivalent)
 - Certified Financial Audit
 - Organizational Budget
 - Developer Experience and Capacity **or**
 - Housing Development Consultant Experience **and**
 - Housing Development Consultant Contract (signed)

Any deficiency not covered in Section 3.3 below may be a cause for denial.

3.3 Curable Deficiencies

- A curable deficiency is a missing, incorrect, or incomplete exhibit or worksheet not listed above as threshold items.
- Applications that are found to have curable deficiencies (either by the applicant or NCHFA) will be permitted to submit the missing information within a specified time period.

3.4 Project Scoring

All requirements under Section 1 of the Program Guidelines **must** be met. All SHDP projects will be scored after the application deadline. The scoring criteria are listed below for a maximum of 360 points:

3.4a Site (up to 100 points)

All applications will be scored according to the standards in the SHDP Site Criteria (see Appendix B). Standards include site suitability, neighborhood characteristics, intended population to be served, etc.

Add here if want to points for projects not within certain areas

3.4b Organizational and Supportive Service Capacity (up to 100 points)

Organizational Stability (up to 50 points) - Applications will be scored according to the number of years that the organization has been in existence and providing the services and/or housing proposed in the application.

- 3-5 years – 10 pts
- 6-10 years – 20 pts
- 11-14 years – 30 pts
- 15-19 years – 40 pts
- 20+ years – 50 pts

3.4c Supportive Services Provider Experience serving the proposed population (up to 50 pts)

- 1 – 2 years – 10 pts
- 3 - 5 years – 30 pts
- 6 – 10+ years – 50 pts

3.4d Readiness to proceed with development (up to 100 points)

Projects will be scored against each other on the percentage of the development budget in hand. In hand commitments will be counted as:

- Award letters from funding sources (worth 100% of their value)
- Investment account or bank statements for proof of funds in hand along with a Board of Directors commitment or resolution of that funding amount (worth 100% of their value)
- Bank Loan interest/commitment letter for project (worth 100% of their value)
- Proof of submittal of applications to funding sources (50% of their value)
- Federal Home Loan Bank – must complete the information as indicated in Part 1 of the SHDP application. Must disclose which FHLB applicant will apply to (Atlanta, Pittsburgh, etc.), the application deadline, and the local member bank supporting the FHLB application (worth 50% of their value)
- General Assembly budget appropriations (approved is worth 100% of their value and non-approved worth 50% of their value)
- Pledges – worth 50% of their value

*In Hand Commitments must be submitted no later than the deadline for submission of follow-up information as defined by NCHFA.

3.4e Olmstead Bonus Points (up to 30 points)

- Integrated Apartments (where no more than 20% of the units are set aside for persons with disabilities) in a DHHS priority area, as listed in Appendix K (incorporated herein by reference), and which agrees to use the NCHFA Vacancy and Referral online system (V&R) to track vacancies and accept DHHS referrals, and will hold the set-aside units for 90 days upon rent up and for 30 days at turnover unless the LME/MCO or DHHS releases the unit earlier will receive (30 points) *This is the only option for For-Profit Developers.*
- Integrated Apartments as defined above, in any city/county and not using V&R will receive (5 points).

3.4f Geographic Bonus Points (30 points)

- Projects *not* located in CDBG Entitlement areas will receive 30 bonus points. The following CDBG Entitlement areas (listed in Appendix I) are **not** eligible for bonus points:

| | | | |
|---|--------------|--------------------|--|
| Asheville | Durham | High Point | Raleigh |
| Burlington | Fayetteville | Jacksonville | Rocky Mount |
| Cary | Gastonia | Kannapolis | Salisbury |
| Chapel Hill | Goldsboro | Lenoir | Union County |
| Charlotte | Greensboro | Mecklenburg County | Wake County (<i>excluding Holly Springs</i>) |
| Concord | Greenville | Morganton | Wilmington |
| Cumberland County (<i>excluding Linden</i>) | Hickory | New Bern | Winston-Salem |

3.5 Project Ranking

Projects will be evaluated and scored after the application submission deadline. All applications that meet or exceed threshold requirements will be evaluated and scored based on the project criteria. After a project is scored, it will be ranked against the other applications submitted in the same funding cycle. Additional ranking within each available funding source is at the sole discretion of NCHFA. The Olmstead Compliant projects that are in DHHS priority area (Appendix K) and intend to use V&R will also be reviewed by DHHS.

3.6 Approval of SHDP Loan Awards

The applications ranked the highest, and are within the funding sources and amounts available to the Program, will be recommended to NCHFA’s Board of Directors for financing approval. NCHFA’s Board of Directors makes the final decision on which projects are funded. NCHFA reserves the right to contact other potential funders, interested parties, and service providers during the application review process to verify information in the application.

3.7 Project Award Notification

Applications will be taken to the first available Board meeting, at the earliest May, to review and consider for award. Upon approval of SHDP project loan awards, SHD staff will contact Applicants and issue SHDP award letters to begin the commitment process. If projects are not awarded, SHD staff will issue a letter to the Applicant at this same time.

After award notification, a Conditional Commitment Letter will be issued with more details (see Appendix H).