

Georgia Department of Community Affairs (DCA)
Permanent Supportive Housing Neighborhood Stabilization Program (“PSHNSP”)
Program Description

Purpose

To provide the capital resources for sustainable supportive housing to assist Georgia’s efforts to implement de-institutionalization strategies (Georgia State Olmstead Plan) and further promote Georgia’s goal of reducing and eliminating homelessness (Georgia State Plan to End Homelessness) through the production of affordable permanent rental housing with accompanying supportive services for Homeless Tenants as set forth in this Program Description through the allocation of Federal NSP block grant assistance. In addition,

A Permanent Supportive Housing Unit is:

- Available to, and intended for an individual or a family whose head of household is homeless or at risk of homelessness and experiencing a disability that may be characterized by mental illness, other chronic health conditions including substance use issues, and/or multiple barriers to employment and housing stability;
- Where the tenant pays no more than 30%-of household income towards rent
- Where the tenant has access to a flexible array of comprehensive services, including medical, mental health, substance use management and recovery, vocational and employment training, money management, case management, life skills, household establishment, and tenant advocacy;
- Where use of services or programs is not a condition of on-going tenancy;
- Where support services should be provided based upon “self direction” defined as the authority by the individual tenant to exercise decision making over some or all of their services and accepts the responsibility for taking a direct role in managing them;
- Where the tenant has a lease or similar form of occupancy agreement and there are no limits on the length of tenancy as long as there are no violations of the lease or agreement; and
- Where there is a working partnership that includes on-going communication between supportive service providers and property owners and managers.

Eligible Applicants

Not-for-profit and for-profit organizations that act as sole or joint owners of newly constructed or rehabilitated rental housing for occupancy by very low income Homeless Tenants as set forth in this Program Description, the DCA Application Manual (“Manual”), and the NSP program.

Applicants must not be out of material compliance or disqualified from any program administered by DCA or under debarment, proposed debarment or suspension by a federal agency, and must meet all requirements outlined in this Program Description, the Manual, and the NSP Program.

Eligible Activities

Construction to permanent financing for the costs of constructing or rehabilitating rental housing for Homeless Tenants as defined in this Program Description. Rental dwelling units financed through the PSHNSP must be

affordable to very low income households. All units must be reserved for households adjusted for family size that do not exceed 50% of the Area Median Income for the county as defined by HUD. Rent restrictions will be based on the rental assistance program identified in the PSHNSP Application.

The PSHNSP will only finance that portion of units reserved and rented to Homeless Tenants. Facilities where the tenants require **continual or frequent** nursing, medical or psychiatric care and monitoring are not eligible.

PSHNSP funds cannot be used to fund a rental assistance reserve larger than that required by DCA policy. Scattered site developments are eligible provided a single financing package is funding all the sites, e.g., the same first and second mortgage for all sites in the development if additional resources are required.

Eligible NSP Uses

Establish financing mechanisms for purchase and redevelopment of foreclosed upon residential properties (2301 (c)(3)(A)).

Purchase and rehabilitate residential properties that have been abandoned or foreclosed upon, in order to rent and redevelop such properties (2301 (c)(3)(B)).

Demolish Blighted Structures. (2301(c)(3)(D)). *(for flexible pool funds, redevelopment of low income housing is required)*

Redevelop demolished or vacant properties (2301 (c)(3)(E)).

The project must be located in an area designated as an area of greatest need, as defined as those counties with a Housing Need allocation of at least \$100,000, based on DCA's Housing Need Determination within its NSP Substantial Amendment.

Homeless Tenants

Homeless Tenants include a head of household or family member that is Homeless or threatened with becoming Homeless. Preferences must be provided to individuals or household members with a disability.

“Homeless” is defined as an individual who lacks a fixed regular, and adequate nighttime residence; and an individual who has a primary nighttime residence that is: a) supervised publicly or privately operated shelter designed to provide temporary living accommodations; b) an institution (e.g. nursing homes, hospitals, individuals from correctional facilities without adequate community supports) that provides an inappropriate residence for individuals that could be better suited to community integration with support services; or c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodations for human beings.

An individual “threatened with becoming Homeless” shall mean an individual that experiences a sudden reduction in income, utility termination or eviction/foreclosure notices, or that without the assistance provided by the Permanent Supportive Housing Unit the person would become Homeless and that by providing the assistance the person is likely to remain stable in a safe

decent and sanitary permanent housing condition.

A preference in the tenant selection criteria must be given to those that have at least one member that has a disability.

A person with disability are those who have a disability that:

- Is expected to be of long-continued and indefinite duration; **and**,
- Substantially impedes his or her ability to live independently; **and**,
- Is of such a nature that the disability could be improved by more suitable housing conditions. The disability may be a physical, mental, or emotional impairment, including impairment due solely to alcohol or drug abuse.
- Meet the Department of Human Resources definition of a child and adolescent or Adult Core Customer (Axis I and or II disorder diagnosis in accordance with the latest edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM)).

The disability may also be developmental. A severe, chronic developmental disability is characterized as:

- A mental or physical impairment or combination of mental and physical impairments;
- Manifested before the person is 22 years old;
- Likely to continue indefinitely;
- Reflecting a need for a combination and sequence of special, interdisciplinary, or generic care treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated; and;
- Resulting in substantial functional limitations in at least three of the following areas: self care, receptive and expressive language, learning, mobility self-direction, capacity for independent living, and economic self-sufficiency.

Supportive Services

Supportive services provided to Homeless Tenants must be primarily on-site, comprehensive and appropriate to the design of the project. The project must demonstrate that support services can be self-supporting through available fund sources, including rental and operating subsidies as necessary. Firm commitments for the financing of all supportive services proposed must be in-place and provided to DCA within ninety (90) days of PSHNSP Application submission.

In an effort to guide applicants in designing support services the following is a partial description of expected services for various populations. It is expected that these components will be combined, as needed, to provide appropriate and comprehensive services.

- Alcohol and Drug Services are those activities that are primarily designed to prevent, deter, reduce or eliminate substance abuse or addictive behaviors. Treatment services may include intake and assessment; treatment matching and planning; behavioral therapy and counseling appropriate to the client and the severity of the problem; substance abuse

toxicology and screening; clinical and case management; outcome evaluation; and self-help and peer support activities.

- Case Management Services are services or activities for the arrangement, coordination, monitoring, and delivery of services to meet the needs of individual and families. Component services and activities may include individual service plan development; counseling monitoring, developing, securing, and coordinating services, monitoring and evaluation client progress; and assuring that clients' rights are protected.
- Child Care Services for children (including infants, pre-schoolers, and school age children) are services or activities providing in a setting that meets applicable standers of state and local law, in a center, for a portion of a 24 hour day. Component services or activities may include a comprehensive and coordinated set of appropriate developmental activities for children, recreation, meals and snacks, transportation, health support services, social service counseling for parents, and plan development.
- Education and Instructional Services are those training services provided to improve knowledge, daily living skills, or social skills. Services may include instruction or training in (but not limited to) such issues as consumer education, health education, education to prevent substance abuse, community protection and safety education, literacy education, English as a second language, and General Educational Development (GED). Component services or activities may include screening, assessment and testing; individual or group instruction; tutoring; provision of books, supplies and instructional material; counseling; and referral to community resources.
- Employment Services are those services or activities provided to assist individual in securing employment; acquiring or learning skills that promote opportunities for employment, advancement, and increased earning potential; and in retaining a job. Component services or activities may include employment screening, assessment, or testing; structured job skills and job seeking skills; specialized therapy (occupational, speech, physical); special training and tutoring, including literacy training and pre-vocational training; provision of books, supplies and instruction material; counseling or job coaching; transportation; and referral to community resources.
- Health Related and PSHNSP Services are those in-PSHNSP or out-of-PSHNSP services or activities that provide direct treatments or are designed to assist individuals and families to attain and maintain a favorable condition of health. Component services and activities may include providing an analysis or assessment of an individual's health problems and the development of a treatment plan; assisting individuals to identify and understand their health needs; providing directly or assisting individuals to locate, provide ore secure, and utilize appropriate medical treatment, preventive medical care, and health maintenance services, including in-PSHNSP health services and emergency medical services; provision of appropriate medication; and providing follow-up services as needed.
- HIV/AIDS Services include HIV/AIDS primary and secondary prevention services, HIV/AIDS counseling and testing, primary care,

provision of HIV/AIDS anti-retroviral and other medications, rehabilitative, and supportive services for persons affect and infected with HIV.

- Housing Services are those services or activities designed to assist individuals or families in locating and obtaining suitable housing. Component services or activities may include tenant counseling; assisting individuals and families to understand leases, secure utilities, make moving arrangements; representative payee services connecting rent and utilities; and mediation services related to neighbor/landlord problems that may arise.
- Information and Referral Services are those services or activities designed to provide information about services provided by public and private service providers and a brief assessment of client needs (but not diagnosis and evaluation) to facilitate appropriate referral to these community resources.
- Legal Services are those services or activities provided by a lawyer or other person(s) under the supervision of a lawyer to assist individuals in seeking or obtaining legal help in civil matters such as housing, divorce, child support, guardianship, paternity, and legal separation. Component services or activities may include receiving and preparing cases for trial, provision of legal advice, representation at hearings, and counseling.
- Life Skills training provides critical life management skills that may never have been learned or have been lost during the course of mental illness, substance use, and Homelessness. They are targeted to assist the individual to function independently in the community. Component life skills training includes the budgeting of resources and money management, household management, conflict management, shopping for food and needed items, nutrition, the use of public transportation, and parent training.
- Mental Health and Counseling Services are those services and activities that apply therapeutic processes to personal, family, situational, or occupational problems in order to bring about a positive resolution of the problem or improved individual or family functioning or circumstances. Problem areas may include family and marital relationships, parent-child problems, or symptom management. Component services may include crisis interventions; individual, family or group therapy sessions; the prescription or psychotropic medications or explanations about the use and management of medications; and combinations of therapeutic approaches to address multiple problems.
- Outreach Services include extending services or assistance in order to provide basic materials, such as meals, blankets, or clothes, to Homeless persons; or to publicize the availability of shelters and programs to make Homeless persons aware of various services and programs.
- Transportation Services are those services or activities that provide and arrange for the travel, including travel costs, of individuals in order to access treatment, medical care, services, or employment. Component services or activities may include special travel arrangements such as special modes of transportation and personnel to accompany or assist individuals or families to utilize transportation.

DCA may forward the proposed service plan to the Department of Human Resources for a determination that the services proposed are adequate to meet the supportive needs of the targeted population.

Support Service Provider

The Support Service Provider must be certified as a “Core Service Provider” or a “Specialty Service Provider” by the Georgia Department of Human Resources, be a Shelter Plus Care grantee, or be approved by DCA in advance of the PSHNSP Application submission. If a Support Service Provider is not a Core Service Provider, an agreement to provide support service by a Core Service Provider is required.

Funding Terms

Construction/Permanent Conditional Loans (Loans) will be made in an amount sufficient to cover all costs, but not to exceed three million five hundred thousand dollars (\$3,500,000). The minimum Loan amount is one hundred thousand (\$100,000). DCA may at its sole and absolute discretion exceed the \$3,500,000 per project limit upon request; however the developer fee may not exceed the amount allowable under the Funding Term limit.

The term of the Loan will be based upon the Period of Affordability provision of the PSHNSP. All loans will carry a 0% interest rate. Upon completion of the Affordability Period, any outstanding principal balance will be extinguished provided that all terms of the agreement have been satisfied.

PSHNSP funds may only be used for the proportionate share of the project’s total development costs set aside for Homeless Tenants. PSHNSP funds may not be combined with resources available through the Low Income Housing Tax Credit Program.

Period of Affordability

All PSHNSP projects will follow the affordability requirements for the HUD HOME program as set forth in 24 CFR 92.252 for rental housing

For Rehabilitation

- Under \$15,000 per unit, 5 year Period of Affordability
- Over \$15,000 but less than \$40,000 per unit, 10 year Period of Affordability
- Over \$40,000 per unit, 20 year Period of Affordability

For New Construction (including Redevelopment)

- Minimum 20 year Period of Affordability

The Period of Affordability shall commence when the project achieves 3 months of stabilized operating experience of 90% occupancy and all funds are expended.

Repayment Provisions

Based upon the proportion of NSP funds to the total development budget, the percentage of cash flow after paying for Operating Expenses will be due to the Department of Community Affairs. The amount due will be as a result of an independently prepared annual audit of all revenue less Operating Expenses. As a supportive housing project, Operating Expenses is defined as those expenses required for maintaining and operating the property, investing for future capital replacements and providing for support services to property

residents.

Rental Assistance

All projects must be able to demonstrate that each Homeless Tenant will pay no more than 1/3rd of their income, including utilities, towards rent. For underwriting purposes, the rent standard for a SRO and all other sized bedroom apartments without project based rental assistance will be \$169.00 per month or 1/3rd of an SSI disability payment.

Those projects that are proposing to use rental assistance must provide an Agreement showing the award commitment, unit configuration and rent standard.

PSHNSP Conditional Commitment Application

PSHNSP Conditional Commitment Applications must be submitted in the form prescribed by the DCA in the NSP Flexible Pool Request for Proposals (RFP) and the PSHNSP Conditional Commitment Application.

RFP Conditional Commitment Deadline

DCA will accept PSHP Conditional Commitment Applications (Conditional Application) on the date stated in the NSP Flexible Pool RFP. Conditional Applications will be evaluated and a Conditional Commitment of Funds will be issued based on the provisions of the NSP Flexible Pool RFP and the priority funding considerations outlined in the Program Description subject to funding availability. Funding decisions will be made at DCA's sole and absolute discretion.

Manual

DCA's Office of Affordable Housing publishes the Manual governing the production of affordable rental housing covered by the Qualified Allocation Plan. The PSHNSP will utilize the following sections to guide applicants in meeting the program's threshold requirements: Environmental, Architectural (accessibility, standards, and physical needs assessment), Relocation and NSP compliance. Each of these manual sections can be found on DCA's web site: <http://www.dca.state.ga.us/housing/HousingDevelopment/programs/OAHplansGuidesManuals.asp>

PSHNSP Application

After receipt of a Conditional Commitment of Funds, a complete PSHNSP application (PSHNSP Application) will be due no later than five (5) months after the Conditional Commitment of Funds is issued as prescribed in the PSHNSP Application and this Program Description. DCA reserves the right to waive the PSHNSP Application due date for an individual project at its sole and absolute discretion.

Threshold Review

PSHNSP Applications will be evaluated in accordance with minimum threshold requirements and policies as described in the NSP Flexible Pool RFP, PSHNSP Program Description and Manual including, but not limited to, market and financial feasibility, income and rent restrictions, site and location characteristics, proposed development characteristics, compliance history, and NSP requirements.

Only those PSHNSP Applications that meet threshold requirements of the NSP Flexible Pool RFP and the PSHNSP Program Description and are economically feasible in the proposed market area will be considered for a Conditional Commitment of Funds.

Priority	<p>PSHNSP Applications that meet all PSHNSP threshold requirements will be prioritized based on the following criteria:</p> <ol style="list-style-type: none"> 1. DCA's ranking by county of Housing Need within its NSP Substantial Amendment. 2. Projects that have 100% of the units reserved for Eligible Homeless Tenants, rental assistance for every supportive housing unit, and are less than 8 units. 3. Projects that are less than 8 units and have less than 100% of the units reserved for Homeless Tenants. 4. Projects that are greater than 8 units with 100% of the units reserved for eligible Homeless Tenants and rental assistance for every supportive housing unit. 5. Projects that are greater than 8 units and with less than 100% of the units reserved for eligible Homeless Tenants.
Conditional Commitment of Funds	<p>A Conditional Commitment of Funds will be issued to successful Conditional Applications conditioned by final underwriting review (firm construction contracts and final feasibility analysis) and environmental clearance.</p>
Special Conditions	<p>Rent and occupancy restrictions will apply, as described in this Program Description and the Manual. These restrictions will be memorialized in a Land Use Restriction Agreement that will be a deed restriction for the Period of Affordability or the term of the Loan, whichever is longer.</p>
Loan Agreements	<p>Written agreements shall be entered into between the Georgia Housing and Finance Authority (GHFA) and the borrower. DCA administers the PSHNSP on behalf of GHFA.</p>
Disbursement	<p>All Loan proceeds will be disbursed on a draw basis during the construction period. The Loan documents will describe the policies and procedures for obtaining a construction Loan draw and conversion conditions</p>
Reporting	<p>All reporting requirements as outlined in the PSHNSP Program Description, the Manual and as prescribed by HUD for NSP must be met throughout the compliance period.</p>
Federal Compliance	<p>Project must comply with all federal compliance requirements including but not limited to Davis Bacon, Section 3, Federal Relocation and Environmental requirements. The federal compliance requirements for the HOME Investment Partnership Program are adopted as the federal compliance requirements for the PSHNSP, except where superseded by NSP regulations.</p>
Georgia Security and Immigration Compliance Act	<p>This Act requires employers to ensure that anyone they pay, whether as an employee or an independent contractor, is legally able to work. Employers who do not verify workers would not be able to deduct payments made to illegal workers on state income tax returns and are not be eligible for state contracts. To insure compliance with the Georgia Security and Immigration Compliance Act, contractors must complete the Immigration and Security Form.</p>

Governing Statute No provision of this Program Description shall be enforced if HUD or DCA determines that such provision is invalid under the federal or state statute or regulations. All activities must be conducted in full compliance with all program statutes and the U.S. Department of Housing and Urban Development regulations published at 24 CFR Part 92, as implemented for the Neighborhood Stabilization Program.

Changes to PSHNSP Requirements DCA reserves the right to modify the requirements of the PSHNSP Program Description as additional clarifications and requirements for the Neighborhood Stabilization Program are provided by HUD or learned by DCA. DCA will notify prospective applicants of any significant changes to the requirements outlined in this PSHNSP Program Description by publishing corrections and/or additional guidance on its web site for the Neighborhood Stabilization Program. Prospective applicants are strongly encouraged to check back to the DCA web site for additional guidance.

Funds Authorized Authorized funding for the PSHNSP will be in accordance with provisions established within the NSP Flexible Pool RFP.

Threshold Criteria To be considered for DCA financing resources, the PSHNSP Application must meet the threshold requirements described below:

Accessibility All projects funded under this Program Description will meet the most stringent Federal accessibility standards and the requirements of State law including but not limited to The Fair Housing Act, Section 504, Americans with Disabilities Act, Georgia Housing Law, and Georgia Access Law. Projects funded under this Program Description must be suitable for the target Special Need population and may require exceeding the minimum standards set forth below. At minimum, all projects must meet the following DCA accessibility standards by the placed-in-service date:

- a. At least 5% of the total units (but no fewer than one unit) must be equipped for individuals with mobility disabilities, including wheelchair restricted residents;
- b. All first floor units and all community facilities, including parking lots, must be accessible to individuals with disabilities in accordance with federal law.
- c. At least an additional 2% of the total units (but no fewer than one unit) must be equipped for residents with hearing and sight impairments;
- d. Applicants must submit in the PSHNSP Application a letter from the project architect or a statement must appear on the drawings indicating that the above criteria will be met. These requirements must be applied proportionally among subsidized and any "market rate" units. See the Architectural Standards in the Manual for guidance.

Additional HUD Requirements Projects applying for PSHNSP funds as well as projects which list HUD funds as a source, including PBRA, must meet Environmental Requirements as mandated by the NSP regulations. These requirements must be met in accordance with instructions set forth in the Manual.

For Scattered Site projects, each non-contiguous parcel must meet the additional NSP requirements.

*Affirmative Marketing
for Special Needs
Housing*

Access to housing created under this program may not be denied on the basis of race, color, religion, gender, national origin, familial status, or age. The housing cannot be restricted to persons with specific types of diagnoses or subclasses of persons with disabilities.

Amenities

All properties must include as basic: HVAC systems, refrigerators, stoves, an on-site laundry (1 washer and 1 dryer per every 25 units), common space to be used to facilitate the on-site provision of special services, and one equipped recreation area suitable for the proposed tenant base. If washers and dryers are installed and maintained in every unit at no additional cost to tenants, an on-site laundry is not required. PSHNSP Applications that do not include these items will not be considered for funding. Exceptions may be granted to unit buildings of less than 4 units and a total project unit count of less than 8.

Applicant Background

Any person (individual, corporation, partnership, association), principal (officer, director, owner, partner, key employee, or person who has critical influence), or agent for a project participant that is under debarment, proposed debarment, or suspension by a federal agency is ineligible to participate in the PSHNSP. Such PSHNSP Applications will be rejected. Each Applicant must also include in the PSHNSP Application a statement concerning all criminal convictions, indictments, and pending criminal investigations of all development team members (owners, developers, general contractor, and management company) and provide dates and details of each circumstance, unless otherwise prohibited by court order, statute or regulation.

*Appraisals/Acquisition
Cost Standards*

Section 2301 (d)(1) of the Housing and Economic Recovery Act (HERA) requires that any acquisition of a foreclosed-upon home or residential property under NSP be at a discount from the current market-appraised value (completed within 60 days prior to an offer made for the property) of the home or property and that such discount shall ensure that purchasers are paying below-market value for the home or property. As such, an appraisal will be required for purposes of determining the statutory purchase discount. This appraisal requirement applies to any NSP-assisted acquisition of a foreclosed upon home or residential property (including voluntary acquisitions).

Federal NSP Purchase Discount Requirements:

- a. Individual purchase transaction. Each foreclosed-upon residential property shall be purchased at a discount of at least 15 percent from the current market-appraised value of the property.

*Architectural Design &
Quality Standards*

All PSHNSP Applications must meet the Architectural Standards contained in the Application Manual for quality and longevity. The standards are intended to promote the integration of new construction/rehabilitation into the existing community and to promote sustainable design and the protection of resources.

All applicants must submit the Project Design Certification Form that certifies that the above criteria and the Architectural Standards detailed in the

Application Manual will be met.

Conceptual Design and Schematic Documentation

Conceptual design and schematic documents prepared in accordance with the instructions set forth in the Manual must be included in each PSHNSP Application. In addition, location maps, photographs, a description of the surroundings, and the physical address of the site, if available, must also be included in the PSHNSP Application. All PSHNSP Applications (original and copies) must have color photographs or color copies of the photographs. Black and white photographs do not meet DCA requirements.

Construction and Construction Costs

DCA will review the type of construction and associated hard construction costs. PSHNSP Applications for the rehabilitation of a substandard property will not be funded if, in the opinion of DCA, the rehabilitation will not result in improved, safe and decent long-term housing, the proposed rehabilitation does not meet DCA standards, or if new construction would be more appropriate. A similar review of project financial feasibility and economic viability will be conducted for all PSHNSP Applications proposing new construction to ensure that each project's construction hard costs will produce high quality housing for the targeted tenant market. The minimum review standards for both rehabilitation and new construction projects are as follows:

- a. The expected life of the completed property must exceed by five years the greater of the Compliance Period; and all construction must meet the requirements set forth in the Manual.
- b. Rehabilitation projects will be considered for funding only if the average per unit rehabilitation hard costs equal or exceed \$20,000 for properties 20 years old or less and the average per unit rehabilitation hard costs equal or exceed \$25,000 for properties that exceed 20 years old.
- c. DCA may grant a waiver to projects that will not meet the above per unit average rehabilitation hard cost only if the physical needs assessment must clearly document that the existing property does not require a comprehensive rehabilitation. A certification from the architect must also be provided documenting that the proposed work scope is sufficient to ensure that the completed project will be viable and meet the DCA Useful Life Requirements. DCA may require as a condition of the waiver, that the financial pro forma clearly provide for the full funding of the capital replacement reserve.

Economic Analysis

In analyzing project economic forecasts, Applicants must use DCA's project economic pro forma assumptions outlined in DCA's Application Manual. Project cash flow must be sufficient to ensure financial viability over the term of the Loan and provide for adequate reserves that will be maintained for the life of the Loan.

Energy Standards

All completed properties must meet the Georgia Energy Codes as a minimum including the requirements for equipment sizing according to ACCA Manual J heat loss and gain, and proper duct sealing measures, as required by the energy codes. Basic design, appliances and equipment must also meet the requirements of the DCA Architectural Standards as contained in the Application Manual. The final construction documents must clearly indicate all components of the insulation envelope and all materials and equipment

that meet these requirements.

Documentation for the energy efficiency components must be certified in the Certification Form. DCA reserves the right to require inclusion of all certified energy efficiency components in the finished project.

Environmental Study

For those projects contemplating more than 4 units, on-site and off-site specific environmental concerns identified in an environmental study are to be considered in the context of the criticality of the housing to be provided. DCA shall consider the public benefits of the housing and then weigh the benefits against the costs to mitigate the hazard, the potential health risks, and other financial and public policy implications. The project will not pass Threshold until all environmental matters are resolved in a manner satisfactory to DCA, in its sole and absolute discretion.

A Phase 1 Environmental Study prepared in accordance with the Environmental Review Guide contained in the Manual should fully address all recommendations of the Consulting Environmental Engineer, and all such recommendations, including Phase II Environmental Studies (if required) or any additional testing, must be completed. The Phase 1 Environmental Study must have been conducted within six (6) months of the PSHNSP Application submission. The owner of record of the proposed development site must complete a Site Owner's Environmental Questionnaire and include it in the PSHNSP Application. The Site Owner's Environmental Questionnaire must be signed and notarized in the spaces provided no earlier than ninety (90) days prior to PSHNSP Application submission. If an Environmental Study was completed prior to this six-month period, a copy of this earlier Environmental Study (and any others that are available) must be included in the PSHNSP Application along with an updated Environmental Study. If an updated Environmental Study is necessary, it must meet all requirements set forth in the Environmental Review Guide located in the Manual.

The project will not be allowed to commence or to expend any funds (other than routine maintenance) until DCA issues a release of funds notification based upon a Finding of No Significant Impact (FONSI). DCA will issue a "cease and desist" letter outline what actions may be taken during the environmental review period. The FONSI will require a review of all environmental issues and comments received from local citizen comments. The applicant will be liable for all costs until the conditional loan is closed.

For those projects contemplating 4 units or less the owner of record of the proposed development site must complete a Site Owner's Environmental Questionnaire and include it in the PSHNSP Application. The Site Owner's Environmental Questionnaire must be signed and notarized in the spaces provided no earlier than ninety (90) days prior to PSHNSP Application submission.

Feasibility, Viability
Analysis, and
Conformance with Plan

In analyzing project economic forecasts, Applicants must use DCA's project economic pro forma assumptions and the Manual. DCA will determine if the PSHNSP Application has been submitted in compliance with all application instructions, tab checklist requirements, and Manual requirements for support

documentation, necessary to make a full and complete assessment of the proposed project. Incomplete PSHNSP Applications or PSHNSP Applications that are submitted and do not comply with submission requirements may be deemed insufficient and may be subject to threshold failure. For each project that meets all other Threshold criteria, DCA will determine whether that project is financially feasible and may require documentation not specifically included in the minimum documentation requirements established in the Plan.

DCA will perform a subsidy layering review of all sources and uses of funds in projects receiving PSHNSP rental housing financing. In cases where the results of a DCA Subsidy Layering Review indicate that there will be excess assistance, DCA will reduce the amount of the PSHNSP funds .

Project assumptions may be adjusted by DCA to reflect characteristics more representative of the project or its economic environment. DCA will determine whether a PSHNSP Application is financially feasible in its sole and absolute discretion. DCA's determinations will be final.

When DCA reviews and underwrites a PSHNSP Loan, it will consider the policies, assumptions and requirements set forth in the Program Description and Manual. Project cash flow must be sufficient to ensure financial viability over the term of the PSHNSP Loan and must provide for adequate reserves that must be maintained for the life of the PSHNSP Loan. The use of other public financing sources will be favorably considered. For Applications proposing PSHNSP Loans, the proposed return on investment for the owner/developer must be fair and reasonable with no windfall profits anticipated.

Flood Plains/Floodways

Building in the flood plain will be permitted only if the following conditions are met:

- a. An Architectural Conceptual Site Development Plan that clearly defines the areas of floodplain/floodway, with the Owner certification on the Architectural Site Information Form must be included in the PSHNSP Application.
- b. All areas of floodplain/floodway must be documented by the FEMA map for the areas in which the site is located. The proposed site for development must be located on that map.
- c. The city or county in which the floodplain/floodway area is located must provide written approval of the proposed reclassification of the property out of the floodplain/floodway area.
- d. A FEMA Conditional Letter of reclassification must be obtained for the property that shows that the property is eligible for reclassification out of the floodplain/floodway area and submitted at the time of PSHNSP Application.
- e. A final letter of reclassification from FEMA along with an elevation certificate and all other information to document the reclassification must be provided to DCA at the completion of the project.
- f. The qualified Environmental Professional or Engineer must include an opinion as to whether or not the proposed project will impact any floodplain or floodway
- g. The qualified Environmental Professional or Engineer must document

mitigation for impacts to existing floodplains/floodways planned for development, and include consideration of alternative locations for the development.

- h. Documentation that the Applicant has published the required Notices and met the requirements of the Eight Step Flood Management process set forth in 24 CFR 55.20

Homeless Management
Information System
(HMIS)

All projects receiving funding through the PSHNSP must utilize HMIS in conformance with established DCA policies for HMIS to track the individuals receiving housing assistance at the PSHP funded development.

Other Environmental
Concerns

- a. Lead Based Paint (LBP) and Asbestos Containing Materials (ACM). For all existing properties to be rehabilitated under DCA programs and built prior to 1978, a survey of LBP and ACM must be included in the environmental study. The investigation must be completed according to EPA and HUD guidelines on properties that fall under the requirements of these agencies. If such materials exist on the properties the Qualified Environmental Professional must include recommendations for the management or abatement of these materials according to all EPA and HUD guidelines.
- b. Water Leaks, Mold & Lead in Drinking Water. For all existing properties to be rehabilitated under DCA's programs a survey of water leaks, mold and testing for lead in drinking water must be completed according to EPA and HUD guidelines as applicable on properties that fall under the requirements of these agencies. If such conditions and/or materials exist on the properties the Qualified Environmental Professional must include recommendations for the elimination, removal or remediation of these conditions and/or materials according to all EPA and HUD guidelines, as applicable.
- c. PCB's. For all construction PSHNSP Applications, documentation must be submitted according to the requirements of the Environmental Manual.
- d. Noise Requirements. For all PSHNSP Applications, properties must meet the HUD requirements for sound. DCA will require a Noise Analysis according to the requirements of the HUD Noise Analysis Guide (NAG) if the Phase I Environmental consultant opines that one is required or that one may be indicated based on the Environmental Questionnaire. The Environmental consultant must provide an opinion on the results of such study, and the report must contain recommendations for remediation of sound levels above the HUD Limitations. The HUD Noise Limitations must be met for both interior and exterior locations.
- e. Additional Environmental Requirements for HUD funded Projects. The Applicant, as outlined in the HUD Environmental Questionnaire, must complete additional requirements for HUD funded projects at the time of PSHNSP Application Submission.

Owner and Developer
Experience

The owner/developer (individual, corporation, or in the case of a limited partnership, the general partner(s)) of a proposed development must submit a DCA Experience Summary that demonstrates successful owner/developer experience as follows: The proposed Owner and Developer (individual, corporation, or in the case of a limited partnership, the general partner(s) of the Ownership entity) must demonstrate at least three (3) continuous years of

prior ownership and development experience in at least two rental housing projects of similar size (number of dwelling units) to the proposed project.

Ownership experience for Shelter Plus Care providers providing Shelter Plus Care rental assistance as part of the project and acting as PSHNSP applicants may substitute the experience requirement with three (3) years of successful compliance history with the Shelter Plus Care program.

Not-for-profits and for-profits without the requisite experience may meet the Owner and Developer experience requirement in one of two ways: (1) by submitting a partnership or contractual agreement with a for-profit or not-for-profit developer who has the required experience as described-above, or (2) by providing an executed contract with a consultant who has the required experience. The partnership or contractual agreement must remain in place through project lease-up and stabilization. All communication between DCA and the ownership entity must be through the Owner/Developer. Also, the following conditions must be met:

- a. The for-profit or not-for-profit owner must be eligible;
- b. The PSHNSP Application must include an executed agreement between the not-for-profit or for-profit owner and a consultant/partner describing the responsibilities of each party to the agreement for the development of the project;
- c. The plan must be attached to the agreement as an exhibit; and
- d. The plan must be approved by DCA at its sole and absolute discretion.

Per Unit Cost Limits

Per unit costs should not exceed the limits set below. PSHNSP Applications with additional development financing beyond the PSHNSP resources and that propose costs in excess of these per unit cost limits will be reviewed and DCA, at its sole discretion, may grant a waiver of these per unit cost limits assuming all other threshold criteria are met. For projects awarded a cost waiver, the developer fee will be calculated based on the allowable total development cost utilizing these DCA Per Unit Cost Limits.

<u>Unit Type</u>	<u>Cost Limit</u>
Efficiency	\$ 102,000
1 Bedroom	\$ 117,000
2 Bedroom	\$ 142,000
3 Bedroom	\$ 184,000
4 Bedroom	\$ 202,000

DCA will consider waivers to the limitations stated above on a case-by-case basis. Waivers will be granted **only** for extraordinary circumstances (see Architectural Manual for examples). Applicants must submit sufficient documentation with their cost waiver request to justify the basis of the cost increase. Waiver requests and applicable fees must be submitted in accordance with Exhibit "A" (DCA Deadlines and Fees). Applicants should underwrite their deals using the above limits unless a waiver is approved by DCA.

PSHNSP Applications with that propose only PSHNSP development financing for all costs except for the Operating Deficit Reserve are not

eligible to waive the Per Unit Cost Limits.

Per Unit Subsidy Limits

The following Per Unit Subsidy Limits will apply for PSHNSP resources:

<u>Unit Type</u>	<u>Cost Limit</u>
Efficiency	\$ 102,000
1 Bedroom	\$ 117,000
2 Bedroom	\$ 142,000
3 Bedroom	\$ 184,000
4 Bedroom	\$ 202,000

Permanent Housing

Housing constructed using PSHNSP funds must be permanent housing. For the purposes of this program, DCA requires that the housing constructed be designed for occupancy by tenants for a period of at least one-year. Transitional housing designed for occupancy by tenants for less than one year, emergency shelters, nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and student dormitories are not considered permanent housing under this Program Description.

Physical Needs
Assessment
(Rehabilitation Projects
Only)

For rehabilitation projects only, a physical needs assessment must be included in the PSHNSP Application, and prepared in accordance with instructions set forth in the Architectural Guide in the Application Manual.

- a. This assessment must be completed no more than ninety (90) days prior to the PSHNSP Application Submission.
- b. The submission must include a statement from the consultant completing the PNA that the report is a true and accurate representative of the conditions as they exist on the property.
- c. The PNA must be prepared by an unrelated third party entity, please refer to the instructions as set forth in the Architectural Guide.
- d. The PNA must include a narrative and must identify in that narrative the current condition of all major structural components at the property including but not limited to flooring, balconies, roofs, heating and air conditioning systems, sewer and water systems, electrical systems, windows, and doors. The narrative must clearly identify all major structural issues at the property.
- e. The PNA must include a complete work scope with budgeted construction costs to include all recommendations of the report and all the additional work proposed to meet the DCA guidelines for quality and longevity of the completed construction. DCA must be able to determine that all major structural issues have been included in the construction budget.
- f. The proposed work scope must include all identified immediate repairs as well as all other proposed construction for the project.

Refer to the Architectural Guide in the Application Manual for DCA construction requirements and refer to this appendix for further information on Project Feasibility and Viability Analysis when considering the rehabilitation of an existing property.

For Scattered Site Projects, Physical Needs Assessment requirements must be

met for each noncontiguous parcel.

Property Manager
Experience

Projects that total less than 8 units, the property management company must be able to demonstrate staff personnel with property management experience or property oversight experience.

For a project greater than 8 units the proposed property management company of a proposed development must submit a DCA Experience Summary that demonstrates its management experience beginning with the development lease-up phase and extending for a period of at least three years thereafter, for at least one rental housing project of similar size and type (in terms of the number of dwelling units and physical configuration) within the last five (5) years. The proposed management company must submit with the PSHNSP Application a detailed summary of its housing management experience, including information on the role(s) played in each development, the number of units in each development, and the length of the entity's participation in every development listed in the summary. DCA will determine whether a proposed property management company meets this criterion in its sole and absolute discretion, and its determinations will be final. **(NOTE: Management companies that have applied to DCA under the Qualified Allocation Plan may elect to submit an update to the information included in that application. The update must identify experience gained since that application or certify that no work experience occurred, if that is the case).**

Radon

For new construction projects, the Radon zone must be noted in the environmental study along with the Georgia Radon Map. For PSHNSP Applications that propose the rehabilitation of existing properties, radon testing according to EPA requirements is required and the results must be included in the environmental study. A radon test will be required for all projects indicating the project meets safe EPA levels prior to Loan conversion.

Rehabilitation

For rehabilitation projects only, a physical needs assessment must be included in the PSHNSP Application, and prepared in accordance with instructions set forth in the Manual. This assessment must be completed no more than ninety (90) days prior to the PSHNSP Application submission. All properties built prior to 1978 will be required to conform to the lead-based paint requirements found at 24 CFR Part 35. For all existing properties to be rehabilitated built prior to 1978, a survey of lead based paint and asbestos-containing materials must be included in the environmental study. The investigation must be completed according to EPA and HUD guidelines on properties that fall under the requirements of these agencies. If such materials exist on the properties the Qualified Environmental Professional must include recommendations for the management or abatement of these materials according to all EPA and HUD guidelines.

Rents

Dwelling unit rents must conform to the PSHNSP regulation's gross rent (contract rent and tenant utility allowances) restrictions .

Roads

All sites proposed for development must be legally accessible by paved roads,

completed and in place at the time of PSHNSP Application submission. The PSHNSP Application must include the appropriate drawings, survey or other documentation that reflects such paved roads. If such paved roads are not in place at the time of the PSHNSP Application submission, documentation evidencing a local commitment for funding and timetable for completion of such paved road must be included in the PSHNSP Application. This restriction does not apply to private driveways, accessing only the proposed project, through property that is not part of a proposed site. However, if the use of such a private drive is proposed, site control of the private drive must be documented by proof of ownership or a properly executed easement on the private drive, and the plans for paving the private drive, including associated development costs, must be adequately addressed in the PSHNSP Application.

Scattered Sites

For Scattered Site Projects all units must be developed under one plan of financing and considered as a single project by all funding sources. All units located in a Scattered Site Project must comply with Rent and Income Restrictions. For Scattered Site Projects, DCA will evaluate the feasibility of the project as a whole.

Site Control

Site control must be in the form of (1) a Warranty Deed or (2) a legally binding contract to purchase the proposed project site in the name of the ownership entity. Contracts must be executed prior to the PSHNSP Application submission, must include a legal description of the property, and provide legal control of the site to the proposed ownership entity at least ninety days (90) after the PSHNSP Application submission. In the event the contract provides the ownership entity with the option to renew the contract for specific periods of time, with the initial period ending prior to ninety (90) days after the PSHNSP Application submission, the renewal option in such contract must be enforceable by the ownership entity ninety (90) days after the PSHNSP Application submission. A copy of a recorded Warranty Deed or a fully executed original contract must be submitted with the PSHNSP Application.

Site Information and
Conceptual Site
Development Plan

A Conceptual Site Development Plan must be included in the PSHNSP Application, and prepared in accordance with instructions set forth in the Manual:

- a. Easements to be defined and indicated on plan;
- b. Utility information located with contact information;
- c. Use of all adjacent properties clearly defined both graphically and in written form;
- d. Zoning setbacks and restrictions graphically indicated, with written zoning definitions;
- e. Indication of all existing structures, tanks, slabs and any other improvements existing on the property;
- f. Indication of any other items, physical or otherwise that would affect the development of the subject property;
- g. Indication of the entrance access to the property and a layout of all buildings, roads, and parking areas defined all site development amenities; and,
- h. Indication of all areas of tree and vegetation preservation defined.

DCA does not require an ALTA Survey for purposes of developing the conceptual site development plan.

Applicants must also submit the Site Information Form for the proposed project site and indicate all amenities that are listed on the amenities certification forms as applicable. (See Architectural Guide in the Manual for guidance.)

Waivers for variances from any architectural standard in the Architectural Guide must be submitted to DCA with the PSHNSP Application. For Scattered Site Projects, Site Information and Conceptual Site Development Plan requirements must be met for each noncontiguous parcel.

Support Services

The Supportive Services, Service Delivery Approach, Budget, and Staffing Patterns form must be included in the PSHNSP Application. Support documentation including support service contracts, support service operating plans, and support service financial commitments must also be provided.

Security

Security is a major concern in the operation of permanent supportive housing projects. Each project will need to address security concerns and provide for adequate security funding through the operating budget.

Terrain Characteristics

A desirable site is relatively flat or has an existing slope less than 15% on at least 75% of the undeveloped property. PSHNSP Applications not meeting this criterion at PSHNSP Application Submission must include preliminary site plans that clearly demonstrate that the finished site will be graded as necessary to ensure that this criterion is met. The terrain characteristic must be documented by a letter from the civil engineer that specifically addresses the requirements stated above and certifies that the Accessibility Standards of the PSHNSP are met.

Threshold Waivers

A waiver of threshold requirements must be submitted and approved prior to PSHNSP Application submission. The waivers must follow the proscribed process outlined in the OAH manual. Waivers may include per-unit cost limit, operating cost minimums, architectural standards, owner experience, developer experience, manager experience, and payment and performance bond requirements.

Unit Configuration

DCA strongly encourages the development of SRO and 1 bedroom apartments. Should the project include other unit sizes, the project must be able to demonstrate adequate demand.

Utilities

Required project operating utilities (gas and electric service), as applicable, must be available to the proposed development site as of the PSHNSP Application submission. To be considered "available" for the purposes of this section, at a minimum, all necessary easements, and commitments from the utility providers to extend utilities to the property must be secured at the time of PSHNSP Application submission. The appropriate utility company must confirm in writing the availability and capacity of operating utilities at the proposed development site. The letters from the appropriate utility companies

must be included in the PSHNSP Application. Any charges for the off-site extension of utility services are not eligible for funding as project costs under the funding resources in this Program Description. Operating utilities cannot be contingent on annexation of the property, improvement of infrastructure or funding to the utility provider from an outside source. Verification of the annexation and improvements must be submitted with the PSHNSP Application.

Water and Sewer

Public water and sewer service must be available at the proposed development site as of the PSHNSP Application submission. To be considered "available" for the purposes of this section, at a minimum, all-necessary easements, and commitments from the water and sewer authorities to extend water and sewer services to the property must be secured at the time of PSHNSP Application submission. A commitment can be subject only to conditions within the control of the Applicant. The availability and capacity of public water and sewer service to the site must be documented by letter(s) from the local public water and sewer authorities. These letters from the appropriate public water and sewer authorities must be included in the PSHNSP Application. Any charges for the extension of off-site services are not eligible for funding as project costs under the funding resources in the Program Description. Public water and/or sewer systems cannot be contingent on annexation of the property or funding to the utility provider from an outside source. Verification of the annexation and improvements must be submitted with the PSHNSP Application.

DCA will consider a septic system designed by a registered engineer and the site certified by a local health official as acceptable for the term of the Loan. Certification from the local health official and information on the septic system design must be submitted at the time of PSHNSP Application. An existing septic system must be thoroughly examined in the needs assessment study and an evaluation made of the system's ability to last the term of the Loan. DCA reserves the right to reject septic systems as an alternative to a sewer service at its sole and absolute discretion.

Wetlands

Generally, DCA does not allow the disturbance of wetlands in excess of one tenth (1/10th) of one acre or streams in excess of 100 feet for any project. However, if the proposed development will disturb more than one tenth (1/10th) of one acre or more than 100 feet of stream, DCA will accept USACE (Corp. of Engineer) approval of the proposed development where such approval is provided at the time of PSHNSP Application Submission and is evidenced by an approval letter, the USACE approved site plan & engineering drawings and the appropriate USACE permits.

No buildings paving, site amenities, or other improvements are to be located in any wetlands or cross and streams under any conditions without the express approval of DCA and the Corp of Engineers wetland permit has previously been obtained.

The following documentation of the existence of wetlands/streams must be included in each PSHNSP Application:

- a. An Architectural Conceptual Site Development Plan that clearly defines the areas of wetlands and/or streams in relation to all site improvements, including buildings, paving, and site amenities, and indicating the acreage of wetlands that will be disturbed by the proposed project must be included in the PSHNSP Application.
- b. A U.S. Fish and Wildlife Service National Wetlands Inventory map for the area in which the site is located, regardless of whether wetlands appear to be located on the proposed, must be included in the PSHNSP Application. The boundaries of the proposed site for development must be delineated on the USFWS map.
- c. The site reconnaissance must include observation of any and all wetland areas on the property.
- d. If wetlands are suspected on the site either through the site reconnaissance or the examination of the NWI map, a wetlands delineation, performed in accordance with all federal and state guidelines, including an official jurisdictional determination issued by the USACE, must be included in the PSHNSP Application.
- e. The qualified Environmental Professional or Engineer must document mitigation for impacts to any existing wetlands area(s) planned for development, and include consideration of alternative locations for the development.
- f. Documentation that the Applicant has published the required Notices and met the requirements of the Eight Step Wetlands Management process set forth in 24 CFR Section §55.20.

Zoning

Appropriate zoning must be in place on or before the PSHNSP Application submission. Zoning of the development site must conform to the site development plan and must be confirmed, in writing, by the authorized local government official. A letter from the authorized local government official must be included in the PSHNSP Application. The letter must include the zoning and land use classification of the property and be accompanied by a clear explanation of the requirements and all conditions of these zoning and land use classifications. If the local government does not have or enforce a zoning ordinance, the Applicant must include to that effect. The Applicant must provide documentation that demonstrates that the site layout conforms to any moratoriums, density, setbacks, or other imposed requirements of the local government. It is the responsibility of the Applicant to ensure that all issues and questions surrounding the zoning and land use classification of a proposed site are clearly defined prior to PSHNSP Application submission. Any unclear or unresolved issues of zoning and land use could result in rejection of the PSHNSP Application by DCA.

Underwriting Policies

Generally, a project must be supported by market demand as determined by DCA and meet DCA feasibility and viability standards. The project needs to comply with DCA's site and construction quality standards and demonstrate readiness to proceed to Loan closing and commencement of construction

(with funds available to cover project costs during construction) and lease-up. Also, the site must show evidence of proper zoning and infrastructure and identify sources of funds to pay for any amenities or services proposed. All team members must not have a history of significant noncompliance problems.

Annual Operating Expenses

Annual budgeted operating expenses, including reserve contributions must be no less than \$3,500 per unit for projects in MSAs, \$3,000 for projects in non-MSA counties and for projects less than 8 units, \$2,500. However, DCA reserves the right to determine the reasonableness of budgeted operating expenses. DCA will consider waivers that can clearly demonstrate that annual operating costs can be reasonably maintained at a lesser amount. Approval of such waivers shall be at DCA's sole and absolute discretion.

Builder Cost Limitations

Builder's overhead, general requirements, and builder's profit are limited to percentages of the total construction contract (net of builder's overhead, general requirements, and builder's profit) as follows:

- a. Builder's overhead – two percent (2%);
- b. General Requirements (including costs for Payment and Performance Bonds)– six percent (6%), however General Requirements shall not include water tap and sewer tap fees;
- c. Builder's profit – six percent (6%).

For PSHNSP Applications where there is an Identity of Interest between the owner and contractor or the developer and the contractor, the cost of obtaining letter of credit or a construction Loan in lieu of the payment and performance bond must be included in the General Requirements.

Construction Contingency

The construction contingency amount must be at least 5% but no greater than 7% of the total construction cost for new construction projects. For rehabilitation projects, the construction contingency amount must be at least 7%, but no greater than 10% of the total construction cost. For historic rehabilitation projects, the construction contingency amount must be at least 10% but no greater than 15% of the total construction hard cost. DCA reserves the right to adjust development budgets in this regard, for underwriting purposes, in its sole and absolute discretion. To the extent feasible, DCA funds should be allocated to cover disbursements from the construction contingency. Regardless of how the contingency is funded, DCA must approve all change orders. If applicable, an inter-creditor agreement will be required. Any unused balance in the construction contingency at the time of Loan conversion from construction to permanent must be used to reduce the principal amount of the PSHNSP Loan or any senior lender loan as appropriate, with the monthly principal and interest payments adjusted accordingly.

Contract Bidding and Bid Bond

Owners are not required to solicit bids for construction contracts to be financed with DCA PSHNSP Loans, and bid bonds are not required when bids are solicited, unless otherwise required by law. However, prior to closing a PSHNSP Loan, DCA must approve both the general contractor and the contract documents. DCA will not close a PSHNSP Loan unless the approved contract with the general contractor has been fully executed.

Construction Loan Recourse

All construction Loans will be full recourse against the borrower and/or the principals of the Ownership entity until full and final completion of the project as determined by DCA. In its discretion, GHFA may require that one or more Principals of the Owner or Developer guarantee the completion of construction and payment of the PSHNSP Loan until completion of construction.

Construction Start Date

Projects must not begin construction prior to the Loan closing. Exceptions may be Loaned by DCA at its sole and absolute discretion, but must be requested prior to construction commencement. Failure to comply with this policy may result in the withdrawal of the Commitment Letter or other penalties.

Consultant Portion of the Developer Fee

Consultant fees will not be allowed to exceed Developer Fee. Related entities to the owner/developer may not be eligible for a consultant fee.

Conversion

Project receiving PSHNSP Loans must be scheduled to convert within twenty-four (24) months of closing.

Developer Overhead and Consultant Fees

The amount of the developer's overhead and consultant's fee (if applicable) that can be drawn during construction must not exceed the lesser of (1) 20% of the maximum allowable developer fees, or (2) 50% of the total developer fees requested. None of the developer's profit will be disbursed until all DCA conversion conditions have been met and the PSHNSP Loan for construction has been converted to a permanent Loan. These disbursement conditions will be reflected in the PSHNSP Loan documents and in an agreement with any other funding source(s) that will be funding these line items.

Developer's Fee Limitations

DCA restricts the maximum Developer's Fee to 15% of the total development cost less the budgeted Developer's fee. If a PSHNSP Application budgets a Developer's Fee of less than 15% the percentage proposed will be substituted for 15% in determining the maximum Developer's Fee. Any Consultant Fees, working capital, rent up reserves, and operating reserves held for less than the term of the Loan are considered part of the Developer's Fee.

Distribution Across Unit/Bedroom Sizes

Accessibility - Handicapped equipped units must be distributed across all bedroom sizes.

Final Construction Draw

The final construction payment of funds shall be made at the time of substantial completion of construction, as evidenced by submission of all items on the DCA form "Requirements for Final Construction Draw," including but not limited to: final payment request in AIA form, copies of all certificates of occupancy for all buildings, final lien waivers, construction consultants' final inspection, and approval for release of funds.

Employee Unit Designation

For Applicants electing to house management, security, or maintenance personnel in a project unit, the employee unit can be either designated as part of the residential unit count or as part of the common space. If the employee unit is designated as part of the residential unit count, and is also designated as a low-income unit, then an income eligible household must occupy it. This

income eligible household may be the on-site management, security or maintenance personnel. Rent can be charged or collected by the Owner for this unit. If the employee unit is designated as part of the common space, it need not be occupied by an income-eligible household, but must be occupied by a full time on-site manager, security or maintenance personnel. No rent can be charged or collected by the Owner for a unit designated as common space.

Identity of Interest

- a. Owner-Contractor - If there is an identity of interest between project owner and contractor, a third party front-end analysis of the construction costs must be submitted to DCA at the time the DCA reservation is formally accepted. Additionally, industry standards for such owner-provided construction services shall be used to determine reasonableness for the services.
- b. Other - If there is an identity of interest between the project owner and any other provider of service, material, or supplies, three (3) bids must be submitted to DCA. Such owner-supplied services, materials, or supplies must not exceed the amount ordinarily paid for the service, material, or supply.

Inter-creditor Agreements

When DCA is not the only construction lender on a project, an Inter-creditor Agreement shall be executed with the other lenders to ensure DCA's required involvement in all significant aspects of the administration of the construction Loans. At a minimum, the Inter-creditor Agreement should contain the following essential elements:

1. An approved development cost budget indicating the source(s) of funding for each line item;
2. A process and timetable for reviewing and approving change orders to the construction contract;
3. A process and timetable for reviewing and approving draw requests, including site inspection and documentation standards;
4. A process and timetable for amending the approved development cost budget; and,
5. Limitations on disbursements for Developer's Fee (owner's profit and risk) and consultant fees.
6. Other matters, such as subordination of one lender's interest to another lender's interest.

Land Use Restrictions

When there is more than one document imposing land use restrictions on a project, there may be restrictions in one document that are more restrictive than similar restrictions in the other document(s). In such instances, the most restrictive requirements will apply to the project.

Market Study

DCA reserves the right to commission a market study at the Applicant's cost if DCA, at its sole absolute discretion, judges that such a study is required. In this event, DCA will commission a study consistent with DCA's market study guidelines and inform the applicant of the cost.

Not-for-profit Status

A not-for-profit applicant must be a qualified not-for-profit, defined as either a 501(c)(3) or 501(c)(4) organization that is not affiliated with or controlled by a for-profit organization and has included the fostering of low income

housing as one of its tax-exempt purposes.

Operating Deficit Reserve

All developments must budget for and fund an Operating Deficit Reserve in an amount of no less than four times the secured monthly debt service to any other lender plus no less than four months projected operating expenses. For projects less than 8 units no less than two times the secured monthly debt service to any other lender plus no less than two months projected operating expenses. **The Operating Deficit Reserve is an ineligible PSHNSP expense. The applicant will be required to indicate the source of the Operating Deficit Reserve in the PSHNSP Application.**

The funding of the Operating Deficit Reserve must be completed prior to the permanent Loan conversion. If drawn upon, no further distribution to owners will be authorized until such time as the Operating Deficit Reserve is restored to full funding.

The Operating Deficit Reserve must be held by DCA or the senior lender and must remain in place for the term of the Loan. If DCA is a subordinate lender, but makes a Loan in an amount greater than the senior lender, DCA will determine who will hold the reserves. All withdrawals from the Operating Deficit Reserve must be requested in writing and approved in advance by DCA. Interest earned on the Operating Deficit Reserve account shall be added to the account as an additional contribution and will not be credited against the required monthly cash contributions.

Over-Income Tenant Restriction

Upon re-certification of a previously eligible PSHNSP tenant, if it is determined that the tenant's income exceeds 80% of AMI, the tenant's rent must be increased to the lesser of: 30% of the tenant's adjusted annual income, HUD's fair market rent limitations, or the maximum amount allowable by the Land Use Restriction Agreement, not to exceed limitations set by state or local laws (if any). Any exceptions to this requirement must be approved in writing by DCA.

Owner-Contractor Agreements

If the owner is not also the general contractor, all developments financed in whole or in part with a PSHNSP Loan for construction must use an AIA Standard Form Agreement Between Owner and Contractor, with Standard Form Terms and Conditions. The contract can be stipulated sum or cost plus a fee with a maximum.

Payment and Performance Bonds

A 100% payment and performance bond will be required for all developments funded with PSHNSP Loan. The issuer of the bonds and the terms of the bonds must be satisfactory to DCA in its sole discretion. The cost of these bonds shall be included in the six percent general requirements limit for the construction contract (see "Builders Cost Limitations" above). When an Identity of Interest exists and the contractor cannot obtain a payment and performance bond, a letter of credit or construction Loan can be utilized in lieu of a payment and performance bond. The cost of the letter of credit or construction Loan will be included in general requirements.

A waiver of the requirement for payment and performance bonds may only be

Loaned when there is an Identity of Interest between the Owner/Developer and the contractor, regardless of the contract amount, since such a relationship is usually not bondable. A waiver will not be considered unless:

- a. The Owner agrees to provide a construction completion guaranty and payment guarantee, secured by a letter of credit from a federally-insured institution with a value of at least 50% of the total construction cost, including profit and overhead; or
- b. The Owner agrees to secure a construction Loan with private financing. GHFA will disburse funds during the construction period, in an amount not to exceed \$2,500 per construction draw.

Public Housing Units

Funds cannot be used for the construction or rehabilitation of public housing units.

Relocation and
Displacement of Tenants

For all PSHNSP projects, tenant household data forms and copies of the URA notice requirements to existing tenants must be submitted with the PSHNSP Conditional Commitment Application for every occupied unit in each building to be rehabilitated. The Applicant is responsible for the accuracy of the information on the data forms. Applications for PSHNSP Loans that require relocation of existing tenants due to rehabilitation work will be accepted only with a relocation plan (including a sufficient budget) that in the opinion of DCA meets the requirements of the Uniform Relocation Act and any other applicable laws.

PSHNSP funds cannot be used for relocation expenses.

If the Applicant anticipates displacing tenants, the Applicant must include in the PSHNSP Application a detailed displacement plan, which sets forth the specifics of the displacement, including a projected budget, and an explanation of efforts planned by the Applicant to mitigate the impact of the displacement. Any displacement of tenants will be subject to DCA's prior written approval.

Replacement Reserve

A replacement reserve, based on a Replacement Plan, is required for all projects awarded funding and must be included in the operating budget. Contributions must be made to the reserve account, starting at or before the conversion date of the construction Loan to permanent Loan and must be funded for the term of the Loan in accordance with the Replacement Plan. The following minimum contributions must be used:

- Rehabilitation of multifamily units- \$400 per unit per year
- New Construction of multifamily units- \$300 per unit per year
- All Single Family Detached Houses – \$400 per unit per year

Replacement reserve funds may be used only for capital improvements and system replacements, and must not be used for general maintenance expenses. All withdrawals from the replacement reserve account must be approved by DCA in advance. The replacement reserve account must be maintained in a FDIC-insured financial institution or by DCA. Interest earned on the replacement reserve account shall be added to the account as an additional

contribution and will not be credited against the required monthly cash contributions. Replacement reserves must escalate at a rate of 3% per year. DCA will, at its discretion, adjust the replacement reserve to reflect reasonable and customary capital and replacement expenditures.

Replacement Reserve
Withdrawals

All withdrawals from the Replacement Reserve account must be approved by DCA in advance. The senior lender must maintain the Replacement Reserve account in a FDIC insured financial institution. Interest earned on the Replacement Reserve account shall be added to the account as an additional contribution and will not be credited against the required monthly cash contributions.

Retainage

The construction contract must state that at least 10% of the cost of the completed work will be withheld as retainage until DCA has determined that the work is substantially complete.

Revenue, Vacancy, and
Expense Trends

Revenue should be trended at 2% per year, operating expenses at 3%, and vacancy and collection loss at no less than 7%. Proposals that do not include rental assistance should apply a 10% vacancy factor.

Section 8 (Housing
Choice Voucher) Rental
Assistance

No owner may deny a unit to households possessing a Housing Choice Voucher (Section 8 Rental Assistance) unless that household fails to meet the minimum requirements for all lease holders. Federal statutes prohibit discrimination against Section 8 Certificate and Voucher holders. DCA will closely monitor whether the tenant application process is structured to avoid such discrimination or whether any actions are taken to discourage Section 8 Rental Assistance Certificate or Voucher holders from applying. Likewise, all lease provisions must be compatible and not in conflict with Section 8 leases.

Soft Cost Contingency

“Soft cost” or “total project” contingency, over and above the allowed construction contingency, will not be permitted as a budgeted line item.

Stabilization

Projects will be considered stabilized when occupancy reaches 93% for three (3) consecutive months, or actual revenue reaches 93% of budgeted revenues for three (3) consecutive months.

Stored Materials

DCA will not pay draw requests that include the cost of stored materials. Stored materials are considered to be materials that will not be incorporated into the construction within the subsequent thirty days from the date of any draw request.

Subordination

The decision whether to subordinate DCA's regulatory agreement and/or lien position to a private lender's security deed will be made only after DCA considers the individual circumstances of each Loan. Factors that will be considered include, but are not limited to, the senior Loan amount, DCA's PSHNSP Loan amount, debt coverage ratio, private lender's interest rates, Loan maturity, type of Loan, etc. In no instance will DCA subordinate to a public entity's Loan.

Tri-Party Agreements

A Tri-Party Agreement will be required for all DCA PSHNSP Loan transactions involving another permanent lender that is not financing

construction costs. The Tri-Party Agreement must clearly state, at a minimum, that the permanent lender has reviewed and approved the DCA PSHNSP Loan documents, plans and specifications, development budget, tenant lease, environmental assessment, construction contract, title exceptions legal description, management agreement, partnership agreement, borrower's Certificate of Limited Partnership, survey, appraisal, form of Subordination Agreement, and items necessary to satisfy the Permanent Commitment regarding completion of construction of the improvements of the collateral property.

Utility Allowance

Applicants should use the utility allowances provided by the agency administering the Section 8 Rental Assistance Program in the jurisdiction in which the project is located. For example, if a local agency administers Section 8 in the area, they would provide those utility allowances, but if DCA administers Section 8 in another area, the DCA utility allowance would be used.

However, an alternative way to calculate the electric allowances is that a written project specific estimate by a Utility Provider only may be used. If a private estimate is obtained, it must be prepared in accordance with DCA Energy Simulation Tool Criteria requirements as outlined in the DCA Compliance Manual. The Energy Tool Criteria must be validated by a source acceptable to DCA as identified in the DCA Compliance Manual. Each year, the Utility Provider will recalculate the Utility Allowance based on the current rate and all other billing inputs to determine if there is any change in the allowance. See DCA Compliance Manual – Utility Allowances. Once this method of choosing a utility allowance is elected, the project must continue using this method during the entire compliance period for the project. However, any unit occupied by a resident with a Section 8 / Housing Choice Voucher must use the PHA utility allowance, even if a private estimate has been obtained.

If HUD annually reviews the rents and utility allowances for the property (such as for Section 8 and Section 236 projects), the HUD-prescribed utility allowance is used. This rule doesn't apply to buildings that have only FHA-insured mortgages.

If a building receives USDA-Rural Development assistance, or any tenant in the building receives USDA-RD assistance, the low-income units must use the applicable USDA-RD utility allowance.

Working Capital and Rent-Up Reserves

A working capital/rent-up reserve is required for projects receiving a PSHNSP Loan only if a lease-up cash flow analysis results in a cash flow deficit. For those developments, the required rent-up reserve would equal the amount of the projected lease-up deficit. A required rent-up reserve will only be used to cover operating cash flow deficits during the period prior to converting a construction Loan to a permanent Loan. Loan documents and inter-creditor agreements must reflect this requirement and DCA's approval authority.

Work Scope

Owners of projects receiving PSHNSP Loan funding for the rehabilitation of

an existing property must perform 100% of the rehabilitation work scope in accordance with the original physical needs assessment submitted with the PSHNSP Application. DCA may approve non-substantive modifications to the proposed work scope upon written request within its sole and absolute discretion.

Review Criteria

DCA will review each submitted PSHNSP Application on their own merit based on the criteria listed below. DCA reserves the right not to fund any submitted PSHNSP Application. The review decision is made at the sole and absolute discretion of DCA.

1. The PSHNSP Application must meet all established threshold criteria. PSHNSP Applications not meeting established threshold criteria will be evaluated based on the remaining Review Criteria and may be allowed to cure the threshold deficiency at the sole discretion of DCA.
2. Site Characteristics must include a location that is adjacent to or near a stable occupied residential development with desirable social, commercial and governmental services. The site should not be isolated from social interaction and should be a desirable place to live. Documentation must be provided in the form of a map indicating location of all desirable and undesirable activities along with a key for the map indicating the type of activity. This map may be combined with the location map if all information is clearly represented. The map should be presented with both photographs of the site and the surrounding neighborhood. All photographs are to be either color originals or color copies. Black and white photographs are not acceptable. The map shall include as a minimum:
 - a. Location of site including an indication of major access roads;
 - b. Indication of distances in 1/4 mile and one mile increments;
 - c. Areas of residential development adjacent to or near the site;
 - d. Indication of any major industrial or commercial development that would impact the site in a positive or negative manner; and,
 - e. Services such as retail, schools, day care, parks, employment areas, hospitals, etc.
 - f. Points of access to public transportation.
3. Cost per unit of supportive housing.
4. Strength of Homeless services committed to the project. DCA will review the supportive service proposed based on the needs analysis submitted in the PSHNSP Application to that of the Homeless Tenants and the extent of services proposed to effectively assist those tenants. DCA may consult with applicable parties at the Department of Human Resources (DHR) or its successor agencies, to determine the effectiveness of the services proposed.

**Neighborhood Stabilization Program
Permanent Supportive Housing Program
Supportive Services, Service Delivery Approach, Budget, and Staffing Patterns**

A. Support Services Description

1. General Supportive Services

**On-Site Off-Site
Who Provides?**

a) SSI/SSDI benefits application coordination		
b) New tenant orientation/move-in assistance		
c) Tenant's rights education/tenants council		
d) Case management or service coordination		
e) Psychosocial assessment		
f) Individual counseling and support		
g) Referrals to other services and programs		
h) Crisis intervention		
i) Peer mentoring		
j) Support groups (list below)		
k) Recreational/socialization opportunities		
l) Legal assistance		
m) Transportation		
n) Nutritional services		
o) Meals		
p) Emergency financial assistance (specify below)		
q) Furnished units		
r) Other: (specify)		

2. Independent Living Skills

**On-Site Off-Site
Who Provides?**

a) Communication skills		
b) Conflict resolution/mediation training		
c) Personal financial management and budgeting		
d) Credit counseling		
e) Representative payee		
f) Entitlement assistance/benefits counseling		
g) Training in cooking/meal preparation		
h) Training in personal hygiene and self-care		
i) Training in housekeeping		
j) Training in use of public transportation		
k) Assistance with activities of daily living		
l) Other: (specify)		

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3. Health/Medical Services

**On-Site Off-Site
Who Provides?**

a) Routine medical care		
b) Medication management or monitoring		
c) Health and wellness education		
d) Nursing/visiting nurse care		
e) Home health aide services		
f) Personal care		
g) HIV/AIDS services		
h) Pain management		
i) Other: (specify)		

4. Mental Health Services

**On-Site Off-Site
Who Provides?**

a) Individual psychosocial assessment		
b) Individual counseling		
c) Group therapy		
d) Support groups (specify below)		
e) Peer mentoring/support (describe below)		
f) Medication management/monitoring (specify below)		
g) Education about mental illness		
h) Education about psychotropic medication		
i) Psychiatric services (specify below)		
j) Liaison with Psychiatrist (describe)		
k) Psychiatric Nurse		
l) Other: (describe)		

5. Substance Abuse Services

**On-Site Off-Site
Who Provides?**

a) Recovery readiness services (tenants with active addictions)		
b) Relapse prevention and recovery planning		
c) Substance abuse counseling (individual)		
d) Substance abuse counseling (group)		
e) Methadone maintenance		
f) Harm-reduction services (specify)		
g) AA/NA/CA		

h) Sober recreational activities		
i) Other substance abuse services (specify)		

6. Developmental Disabilities Services

**On-Site Off-Site
Who Provides?**

a) Screening, crisis and outreach		
b) Intake and comprehensive evaluation		
c) Crisis intervention services		
d) Consumer and family education		
e) Family support		
f) Respite		
g) Physician assessment and care		
h) Nursing assessment and health services		
i) Medication administration		
j) Individual counseling		
k) Group training/counseling		
l) Family training/counseling		
m) Support coordination/case management		
n) Natural supports enhancement		
o) Personal supports		
p) Supported employment		
q) Day habilitation		
r) Day supports		
s) Residential supports		
t) Other services (specify):		

7. Vocational Services

**On-Site Off-Site
Who Provides?**

a) Job skills training		
b) Education		
c) Job readiness training-resumes, interviewing skills		
d) Job retention services-support coaching		
e) Job development/job placement services		
f) On-site employment (describe)		
g) Opportunities for tenants to volunteer (describe)		
h) Other vocational services (specify):		

8. Services for Families

**On-Site Off-Site
Who Provides?**

a) Support group for parents		
b) Support group for children		
c) Support group for families		
d) Parenting classes		
e) Classes on child development		
f) Childcare or daycare		
g) After school care		
h) Childcare or daycare tenant cooperative		
i) Children’s services (specify)		
j) Domestic violence services		
k) Childcare in the event of parent illness or hospitalization or detox		
l) Family advocacy (specify)		
m) Family reunification (specify)		
n) Assistance with accessing services for children (specify)		
o) Assistance with accessing entitlements		
p) Other (specify)		

B. Service Delivery Approach

1. Staff will make themselves available to tenants in the following way(s)

Who Provides: List Support Service Provider

<input type="checkbox"/> Service staff will be on-site 24 hours/day	
<input type="checkbox"/> Service staff will on on-site some hours/day, (list hours and days) _____ _____	
<input type="checkbox"/> Service staff will be located at a centralized office, off-site	
<input type="checkbox"/> Service staff must be on-call 24 hours per day (required)	

<input type="checkbox"/> Service staff will meet with tenants in their apartments	
<input type="checkbox"/> Maximum frequency of contact the program can accommodate _____ _____	
<input type="checkbox"/> Minimum frequency of contact the program can accommodate _____ _____	
<input type="checkbox"/> Service staff will see participants in their office	
<input type="checkbox"/> Other (describe)	

2. Tenants will access services by:

**Who Provides:
List Support Service Provider(s)
Responsible**

<input type="checkbox"/> Service staff/participant interaction will be flexible, based on need	
<input type="checkbox"/> Service staff will be available by appointment only	
<input type="checkbox"/> Service staff will have walk-in hours (describe)	
<input type="checkbox"/> Tenants will be able to make appointments with staff	
<input type="checkbox"/> Other (describe)	

C. Support Service Sources/Uses of Funds

Support Services	Property Owner	Support Service Agency (A)	Support Service Agency (B)	Total

General Supportive Services				
Independent Living Skills				
Health/Medical Services				
Mental Health Services				
Substance Abuse Services				
Vocational Services				
Services for Families				
Other				
Total				

D. Staffing Patterns

The following is a list of job functions and a description of the specific areas of expertise required, the total number of staff for this position, the ratio to program participants, educational requirements, the salary range, and the percent of time dedicated to the Property.

Social Service Titles

1. Case Managers: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

2. Residential Aids: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

3. Vocational Counselors: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

4. Job Developers: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

5. Substance Abuse/MICA Specialists: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

6. Recreation Specialists: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

7. ADL Specialist: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

8. Peer Counselors: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

9. Supervisors/Team Leaders: _____

Total # of staff needed: _____ Staff ratio to program participants: _____

Educational requirements: _____ Salary range: _____

% of Time Dedicated to the Property's Special Needs Tenants ____%

10. Other: _____

Total # of staff needed: _____ Staff ratio to program participants: _____
Educational requirements: _____ Salary range: _____
% of Time Dedicated to the Property's Special Needs Tenants ____%

11. Other: _____

Total # of staff needed: _____ Staff ratio to program participants: _____
Educational requirements: _____ Salary range: _____
% of Time Dedicated to the Property's Special Needs Tenants ____%

8. Other: _____

Total # of staff needed: _____ Staff ratio to program participants: _____
Educational requirements: _____ Salary range: _____
% of Time Dedicated to the Property's Special Needs Tenants ____%

13. Other: _____

Total # of staff needed: _____ Staff ratio to program participants: _____
Educational requirements: _____ Salary range: _____