



**NORTH
CAROLINA
HOUSING**
FINANCE AGENCY

*Supportive Housing Development Program – Veterans
2027 Application Guidelines and Instructions
(Appendices A – I are incorporated herein by reference)*

*Project Description & Site Visit form Deadline:
January 22, 2027*

*Site visits tentatively scheduled the week of
February 8-12, 2027*

*Application Submission Deadline:
May 6, 2027 5:00 pm ET*

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

Contents

Introduction	4
Section 1. SHDP-Veterans Requirements	4
1.1 Eligible & Ineligible SHDP-Veterans Funding Project Types.....	4
<i>1.1a Eligible uses of funds include:</i>	4
<i>1.1b Ineligible uses of funds</i>	6
1.2 Eligible Populations.....	6
1.3 Eligible Housing Types.....	6
<i>1.3a Emergency Housing</i>	6
<i>1.3b Transitional Housing</i>	7
<i>1.3c Permanent Supportive Rental Housing</i>	7
1.4 Eligible Applicants	7
<i>1.4a Existing Partners</i>	8
<i>1.4b Nonprofit Organizations or Nonprofit Developers</i>	9
<i>1.4c Units of local government in North Carolina</i>	9
1.5 Project Development Organization Capacity.....	9
<i>1.5a Supportive Services</i>	9
<i>1.5b Financials</i>	10
<i>1.5c Property Management</i>	10
1.6 Community/Market Need for the Project	11
1.7 Supportive Services.....	11
1.8 Income Restrictions	12
<i>1.8a Utility Allowance Estimations</i>	12
1.9 Site Eligibility.....	12
1.10 Site Plan Requirements & Design Standards	13
1.11 Energy Efficiency Requirements	14
1.12 Project Financing Requirements	15
<i>1.12a Funding Range</i>	15
<i>1.12b Funding Available & Match Requirements</i>	15
<i>1.12c Property (Land and/or Building) Value as Match</i>	16
1.13 SHDP-Veterans Loan Underwriting Requirements	16
1.14 Financing Commitment.....	17
1.15 Loan Terms & Types.....	18

1.16 Construction Requirements	18
1.17 Ongoing Compliance Training, Monitoring, & Reporting	19
1.17a Compliance Training	19
1.17b Compliance Monitoring & Reporting	19
Section 2. SHDP-Veterans Application Instructions.....	20
2.1 Project Description and Site Visit.....	20
2.2 Application Submission	20
2.2a Application Part 1.....	21
2.2b Application Part 2.....	21
Section 3. Application Review and Award Process	21
3.1 Application Review & Selection Procedures.....	21
3.2 Threshold Requirements.....	21
3.3 Curable Deficiencies.....	22
3.4 Project Scoring	22
3.5 Project Ranking	23
3.6 Approval of SHDP-Veterans Loan Awards	23
3.7 Project Award Notification.....	23
Section 4. Supportive Housing Rehab Veterans (SH-Rehab Veterans)	23
4.1 Eligibility Requirements	23
4.1a Funding Sources	24
4.2 Application Submission.....	24
4.3 Loan Requirements	25
4.3a Loan Terms	25
4.3b Underwriting Requirements.....	25
4.3c Rehabilitation Work Draws	27
4.4 Construction.....	28
4.4a Inspections and Scope of Work	28
4.4b Rehab Requirements	28
4.4b-i Replacement Standards	29
4.4b-ii Notification of Material Changes	29
4.4c Lead-based Paint in pre-1978 properties and possible asbestos containing materials	30
4.4d SH-Rehab Design Standards.....	30
4.5 Application Review Process	30
4.5a Project Management Capacity	30

4.5b <i>Organizational Capacity</i>	30
4.5c <i>Total Project Committed Funding</i>	31
4.5d <i>Reasonable Budget</i>	31
4.5e <i>Project Readiness</i>	31
4.6 Project Review and Ranking.....	31
4.7 Project Close Out	31

Introduction

The North Carolina Housing Finance Agency (NCHFA) announces the availability of specialized funding for veterans under the Supportive Housing Development Program - Veterans (SHDP-Veterans).

The objectives of the SHDP-Veterans are:

- To serve veterans who are homeless or imminently at risk of homelessness earning less than 50%* of area median income (AMI)** with a preference for those at or below 30% AMI, depending on the type of project.
- To provide affordable and accessible housing, including emergency, transitional, and permanent, with links to appropriate services and supports for veterans who are homeless or imminently at risk of homelessness.
- To provide funds to leverage other public and private resources.
- To improve the quality, safety, and accessibility of housing for veterans who are homeless or imminently at risk of homelessness.

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

** Projects with Veterans Affairs Supportive Housing (VASH) vouchers can serve households earning less than 80% AMI.*

*** Area median income is defined using the U.S. Department of Housing and Urban Development annual income estimates. Income limits for North Carolina counties can be found [here](#).*

Section 1. SHDP-Veterans Requirements

1.1 Eligible & Ineligible SHDP-Veterans Funding Project Types

1.1a Eligible uses of funds include:

- New construction
- Acquisition of new construction housing (at NCHFA discretion and approval)
- Acquisition of housing without rehabilitation (at NCHFA discretion and approval)
- Acquisition of housing with rehabilitation
- Rehabilitation of housing

Clarification of eligible project types:

- **New construction with or without acquisition** includes:
 - New construction on empty land or a cleared lot.
 - Adaptive reuse or gut rehabilitation of an existing building, shell, or components of a building where the housing will receive a new certificate of occupancy for attaining current building code.

- **Rehabilitation with or without acquisition** includes:
 - Moderate rehabilitation of housing. The goal of rehabilitation is to be fully functioning by addressing all **critical building components*** that are likely to need replacement or substantial repair within 10 years of project approval as well as address **health and safety needs****.
 - Substantial rehabilitation of housing. The goal of rehabilitation is to be fully functioning by addressing all **critical building components*** that are likely to need replacement or substantial repair within 20 years of project approval, and, in many cases, scope of work may significantly redesign layout to better serve applicant's clients as well as address **health and safety needs****.
 - Small Rehab (SH-Rehab) for existing SHDP funded projects currently serving veterans. Please see Section 4 SH-Rehab Veterans.

** **Critical building components** include:*

- Exterior finishes (siding, masonry, etc.)
- Doors and windows
- Roofing
- Electrical system (supply, branch wiring, GFCIs, panel box, controls)
- Plumbing system (main valve, supply lines, drain lines, fixtures, water heater)
- Heating and cooling system (HVAC, furnace, controls)
- Foundation and structural supports
- Bathrooms
- Bedrooms
- Kitchens (food refrigeration, food heating, sanitary storage, separation of chemicals and waste from food prep areas)
- Walkways
- Fair Housing and ADA compliant access to facilities and office on property and within housing units and common areas, if applicable

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

- Ingress/egress (doors, windows, emergency exits, emergency lighting)
- Known imminent threats to safety (holes in roof, storm/fire damage)
- Hazards (trip, shock, fall, puncture, cut, drowning, asphyxiation, fire safety, etc.)
- Air quality or inadequate ventilation (noxious fumes, harmful mold, carbon monoxide, consistent elevated moisture levels)
- Toxic substances including lead-based paint and friable asbestos
- Presence of vermin or pests
- Disease prevention through equipment and redesign of space (appropriate spacing of clients, automation of high touch fixtures, filtration, UV treatment, etc.)

- Structural failure
- Non-functioning items (building features that are present must work as intended)
- Harmful levels of noise from traffic, trains, or other sources
- Issues related to accessibility deficiencies and incorporation of universal design features, when applicable

1.1b Ineligible uses of funds

Program funds may not be used for:

- Crisis stabilization centers
- Hospice programs
- Rehabilitation with less than four units. Exceptions to this are allowed for:
 - Affordable supportive housing within the partner portfolio where the renovation will bring the development into compliance with state and local building codes, Department of Health and Human Services (DHHS) licensure, or SHDP standards.
 - Re-configuration of emergency or transitional housing to permanent supportive housing.
- New construction of licensed Adult Family Care Homes (2-6 beds) and new construction of licensed Adult Care Homes (7+ beds)
- Projects that intend to apply for Low-Income Housing Tax Credits or are currently within the extended use period
- Supportive services expenses, operating costs, or administrative costs
- Construction or rehabilitation of office space or space for supportive services not in conjunction with housing units
- Refinancing existing mortgages
- Relocation costs
- Rental assistance

1.2 Eligible Populations

All SHDP-Veterans awarded projects must exclusively serve veterans who are homeless or imminently at risk of homelessness.

1.3 Eligible Housing Types

Eligible Housing Types must be within the geographic boundaries of North Carolina and must demonstrate a need for SHDP-Veterans funds based on a project budget detailing sources and uses of funds and projected cash flow. ***A project must create a minimum of four units to utilize SHDP-Veterans funds.***

1.3a Emergency Housing

- The shelter must be owned by the applicant or leased from a unit of local government.
- Emergency homeless shelters must operate or participate in a program that facilitates transitioning into permanent housing. The emergency homeless shelter must receive local,

state, or federal funding targeting homelessness (such as ESG) and must not charge fees or deposits of any kind without prior written approval from NCHFA.

- Rehabilitation only of existing emergency housing within the partner portfolio to bring the development into compliance with state and local building codes is exempt from the four unit minimum.
- Rehabilitation only of emergency shelter into permanent supportive rental housing* is exempt from the four unit minimum.

1.3b Transitional Housing

- Reasonable fees or deposits may be allowed with prior written approval from NCHFA.
- Rehabilitation only of existing transitional housing within partner portfolio to bring the development into compliance with state and local building codes is exempt from the four (4) unit minimum.
- Acquisition with or without rehabilitation and rehabilitation only of transitional housing into permanent supportive rental housing* is exempt from the four (4) unit minimum.

1.3c Permanent Supportive Rental Housing

- Rehabilitation only of existing affordable permanent supportive rental housing* within the partner portfolio to bring the development into compliance with state and local building codes is exempt from the four (4) unit minimum.
- New construction of non-licensed permanent supportive rental housing must include 25% one-bedroom or smaller units as approved by NCHFA.

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

1. Units for individuals with disabilities must be scattered throughout the property as much as feasible to prevent over-concentration.
2. The building cannot include a skilled nursing facility, institution for mental disease, intermediate care facility, or any inpatient institutional treatment.
3. Participation in services cannot be a requirement for residency and tenants have a choice in the supportive services they receive.

1.4 Eligible Applicants

The applicant **must**:

1. Comply with Fair Housing laws and the Americans with Disabilities Act (ADA).
2. Demonstrate sound financial business practices.
 - a. Have a financial statement audit which includes an opinion from a certified public accounting firm.
 - b. Show adequate and consistent levels of operating income from a variety of sources.
3. Demonstrate successful previous experience that includes the following:
 - a. Must have a history of no unresolved audit or monitoring findings and must be in good standing demonstrating that the project sponsor proactively maintains compliance satisfactory to NCHFA Asset Management, as well as other lenders on existing projects.

- b. Must disclose all prior projects attempted or completed
 - i. List the lenders – including local city, county, state, and federal lenders – and whether your organization is currently in compliance with the terms of the loans or if your organization has ever been out of compliance.
 - ii. Disclose all unresolved audit or monitoring findings.
 - iii. Disclose all cases in which the applicant (or principal if a for-profit applicant) entered into a workout or deferment, the reasons, a description of the plan for resolution, and compliance with deferment plan.
 - iv. Disclose all cases where the applicant entered into a foreclosure. For each case provide the property name, the date of the foreclosure, the final disposition, and a description of the circumstances that lead to the foreclosure.
- 4. Engage a NCHFA trained and approved Housing Development Consultant (HDC) unless the applicant has developed a NCHFA SHD funded affordable multi-family housing in the previous 7 years as determined by NCHFA. A list of trained and approved HDCs can be provided. NCHFA strongly encourages organizations to engage the HDC early in the application process.
- 5. Demonstrate team capacity to develop the project scope, project plan, financing plan, construction budget, manage the construction phase, obtain permanent financing, bring the project into service, manage the on-going operations of the project, and ensure the ongoing compliance of the project (addressed in Section 1.5).
- 6. Have a minimum of three years' experience providing supportive housing or providing supportive housing services for the population to be served in the intended project with no uncorrected noncompliance issues and be in good standing with the governing regulatory agency.
 - a. If the applicant does not have experience serving the special needs population in the proposed project, they must partner with an appropriate services provider.
- 7. If a single asset entity is created to own the project, the managing member must be the applicant. Additionally, the LLC must be wholly owned by the applicant with prior written approval from NCHFA.

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

Eligible Applicants Include:

1.4a Existing Partners

Applicants previously funded by any NCHFA supportive housing program are eligible unless:

- 1. A Final Commitment Letter (FCL) for a prior Supportive Housing award has not been issued. An executed FCL must be in place at time of full application.
 - a. If the existing partner requested cancellation of the loan commitment after the execution of the FCL, the Agency, at its sole discretion, will determine if any penalties will be assessed against the partner, including eligibility to apply for a period of up to 5 years from the date of cancellation.

2. Construction (defined as having a valid Building Permit and having issued a Notice to Proceed to the General Contractor) has not started before a recommendation for funding a subsequent project is made to the NCHFA Board of Directors, unless special circumstances apply (as determined by NCHFA).
3. The current proposed project for rehabilitation is less than 20 years old.
4. The organization has a history of unresolved audit or monitoring findings.
5. The organization is applying for SH-Rehab and SHDP-Veterans for the same project in the same funding cycle.
6. The project serving special populations has not completed the extended use period for the Low Income Housing Tax Credit Program.

1.4b Nonprofit Organizations or Nonprofit Developers

Applicants must have active 501(c)(3) designation for at least 3 years.

1.4c Units of local government in North Carolina

Applicants must be a unit of local government including City, County, Public Housing Authority, Community Development Corporation, or Council of Government.

1.5 Project Development Organization Capacity

The Application must demonstrate the capacity of the Project Team to successfully develop and operate the proposed project. Within the previous 7 years, the applicant must have developed *SHD funded affordable multi-family housing in North Carolina* or partner with a developer with the applicable experience, or engage a NCHFA trained and approved Housing Development Consultant (HDC). A consultant may assist with the following:

- Create the development budget for the project
- Review funding sources
- Coordinate with architects, the contractor, and others during the construction phase
- Assist with understanding permits, contracts, etc.
- Provide guidance through the successful development and construction of the project and through the final cost certification
- Be the first point of contact if you have questions throughout the process

The organizational capacity will be reviewed and recommendations for award for each program will be made at the discretion of NCHFA.

If at any time the organization leadership (i.e., primary project contact) changes, an NCHFA trained and approved HDC may be required at the discretion of NCHFA.

1.5a Supportive Services

All Applicants must have a well-defined services plan reflected in the Supportive Services Access Plan (SSAP) which is part of the application. The applicant must provide supportive services or link to an external organization serving veterans. When partnering with external organizations, documentation must be provided outlining the preliminary agreements between organizations, including the

services offered, housing supports, and individualized plans for residents.

1.5b Financials

The Agency will review the financial capacity of the applicant organization to provide any equity required to cover start-up expenses, operating deficits, and unanticipated costs to successfully operate the project.

1.5c Property Management

The owner can choose to self-manage the property and be responsible not only for providing the services, but also for daily operations, or choose to hire a separate fee-managed company to handle operations. The daily management of operations includes Fair Housing/ADA compliance, applicant intake, maintenance, resident concerns, and rent collection (if applicable) for the project. This also includes any reporting requirements for the Agency in addition to other duties as assigned by the owner.

Self-Managed – Owners planning to self-manage must adhere to the following requirements:

1. Have policies in place to maintain separate records for services and housing to ensure there are no HIPAA violations
2. Report to the Agency's Rental Compliance Reporting System (RCRS) timely and accurately (if applicable)
3. Have at least one staff person serving in a supervisory capacity with regard to the project who annually attends the Agency mandatory sponsored trainings (if applicable). Currently required trainings may include Supportive Housing Development Compliance or Targeting Program and Key Assistance Training, as well as a fair housing training. This requirement will only be reviewed at the end of each calendar year.
4. Adhere to rent increase approval requirements. Any organization found to have implemented a rent increase on an existing property without the required Agency approval may be disallowed from serving as management agent for an application.

Information explaining the organizational setup for providing supportive services and management must be provided in the SSAP portion of Part 1 of the Application.

Fee-Managed – The owner must hire a property management company with the following experience:

1. For rental housing projects, experience in managing subsidized rental housing with HUD, HFA, FHLB, USDA, or an equivalent program, as approved by NCHFA, within the last 7 years is required.
2. The Property Management Company's experience must be reviewed and approved by NCHFA Asset Management prior to issuance of the Final Commitment Letter. The management agent must:
 - a. Have at least one similar Supportive Housing project in their current portfolio or requisite experience
 - b. Request Targeting Program Key Rental Assistance timely and accurately (if applicable)
 - c. Report to the Agency's Rental Compliance Reporting System (RCRS) timely and accurately (if applicable)

- d. Have at least one staff person serving in a supervisory capacity with regard to the project who annually attends the Agency mandatory sponsored trainings (if applicable). Currently required trainings may include Supportive Housing Development Compliance or Targeting Program and Key Assistance Training, as well as a fair housing training. This requirement will only be reviewed at the end of each calendar year.
 - e. Have at least one staff person with regard to the project who has a valid North Carolina real estate license and be registered with the North Carolina Secretary of State (if applicable). A copy of the firm license must be provided.
 - f. Adhere to rent increase approval requirements. Any management agent found to have implemented a rent increase on an existing property without the required Agency approval, may be disallowed from serving as management agent for an application.
3. Any subsequent change after initial approval, must be approved by NCHFA.

1.6 Community/Market Need for the Project

The applicant must demonstrate a clear understanding of veterans experiencing homelessness or imminently at risk of homelessness and show solid data (i.e., Public Housing Authority waitlist, Homeless Point in Time Count, City/County housing needs data, gaps in housing type) to support the need for the number of units/beds proposed. Document the need for the proposed housing project by:

1. Identifying the location where your supportive housing services are or will be provided.
2. Listing all other service and/or supportive housing programs which assist the same or similar populations as the proposed project. Describe the utilization and vacancy rate for the programs and explain the need for the proposed project based on those statistics.
3. Providing data showing need in as many of the following forms as appropriate:
 - A waiting list or letter documenting waiting lists from appropriate service providers
 - A waiting list or letter documenting waiting lists of persons with disabilities from the appropriate housing authority, which also states that the project is in the housing authority's service area
 - Records of persons turned away from similar programs
 - Local plans or studies such as those from the HUD Continuum of Care
 - Data from HMIS
 - Other appropriate data-based sources
4. Describing and providing documentation showing how the proposed project works in collaboration with the other service and/or supportive housing programs in the community and provide letters of support.
5. Providing evidence of need and demand through data from Coordinated Assessment systems (if available), Point in Time count, Housing Inventory Chart, or shelter utilization reports for a new shelter or shelter expansion.

Veterans projects must supply a written communication from the Veterans Administration. Please contact SHDevelopment@nchfa.com for guidance.

1.7 Supportive Services

All projects must show access to supportive services appropriate to veterans experiencing homelessness

or imminently at risk of homelessness. All applicants will need to complete a Supportive Services Access Plan (SSAP) that describes linkages to supportive services and partners for the project. The SSAP is included in Part 1 of the application. Involvement in supportive services cannot be a requirement for tenancy, and participation by the tenant must be voluntary. If involvement in a structured program in conjunction with housing is necessary, the client must be informed of and consent to the program requirements.

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

1.8 Income Restrictions

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

- The SHDP-Veterans income restricted units must be affordable to residents at or below 50%* of Area Median Income (AMI), with a preference for residents at or below 30%, depending on the type of project. (Some projects are rent supported, such as independent rental units, and may have a mix of income levels. Other projects are non-rent supported, such as shelters.)
- Only the number of restricted units at the specified income level will be monitored for regulatory compliance by NCHFA. Additional units may need to be monitored in order to establish and document that there are adequate units in regulatory compliance with NCHFA requirements. However, the entire property is subject to monitoring for asset management compliance.
- All units must be affordable for at least the term of the loan.
- If rent is charged, no more than 30% of the targeted household income must be charged for rent and utilities (see 1.8a Utility Allowance Estimations).

** Projects with Veterans Affairs Supportive Housing (VASH) vouchers can serve households earning less than 80% AMI.*

1.8a Utility Allowance Estimations

- Projects where residents hold a lease and pay rent must show how utility costs are estimated and provide the appropriate documentation. Applicants can use the preferred utility allowance provided by their local Public Housing Authority (PHA).
- For new construction projects or rehabilitation/adaptive reuse where energy efficiency is incorporated, the applicant may use one of the alternate methodologies as well. Appropriate documentation is also required.

1.9 Site Eligibility

- The project must meet site and neighborhood standards as shown in the NCHFA Site Criteria (Appendix B).

- The Application process begins with the submittal of the Project Description and Site Visit Form (PDSV).
- Applicants must have site control of the proposed project property at the time of complete application deadline unless the date is extended by NCHFA. Site control can be exhibited through an option to purchase, a purchase contract, an executed deed, or a NCHFA-approved lease (land and/or improvements) of at least as long as the requested loan term. Land must not be acquired after the application process has begun without first consulting with NCHFA.
- In established neighborhoods with active Homeowners Associations (HOA), the applicant must provide written documentation showing there are no restrictive covenants that would not allow the type of housing proposed at complete application, unless written approval is granted by NCHFA.
- No action may be taken on the site (i.e., digging holes, cutting down trees or paving) once the application process has begun. Applicants must consult NCHFA before taking any actions that physically impact the site.
- There must be documentation of proper zoning evidenced by a letter from local zoning official. A project will not be recommended for award without proper zoning.
- If the site is subject to a Conditional Use Permit or Special Use Permit, the Permit must be issued prior to the SHDP-Veterans funding award.
- There must be adequate infrastructure serving the site.

1.10 Site Plan Requirements & Design Standards

- Project designs must accommodate planned on-site supportive services and be compatible with surrounding properties. Project designs must have visual appeal, a functional floor plan, project amenities, and durable energy-efficient building components.
- All applicants who are proposing types of buildings that are new to the organization, significant expansions of services, or new services are expected to visit similar projects with their architect in order to develop building designs that will adequately meet all of the proposed service needs of the project, including:
 - Safety, security, and planned controlled access to public, shared, and private spaces
 - Storage for resident's possessions, particularly for staged intake (as appropriate)
 - Hot room for bed bug treatment (as appropriate)
 - Cleaning strategy and storage (as appropriate)
 - Offices for on-site staff, shared supportive services from the community, or health care
 - Food preparation, food storage, and delivery for food, cleaning supplies, and general supplies
 - Appropriately sized kitchens (if food is provided to residents)
 - Trash and recycling (must be accessible if clients/tenants take out trash)
- New construction projects with more than 16 units must include an on-site office or a room where staff can maintain files and meet with applicants and residents.
- The SHDP Design Standards (Appendix D) are the minimum requirements for any SHDP project applying in the current program year. Applicants must comply with Fair Housing laws and Americans with Disabilities Act, regarding accessibility and must design units to maximize accessibility for mobility impaired people.

- At a minimum, for new construction, adaptive reuse, and significant rehabilitation projects, there shall be a minimum of one Type A or Fully Accessible unit, as appropriate, for each unit type (e.g. 1 bedroom, 2 bedroom). ANSI A117.1 should be referenced for standards for accessibility. For group homes, there must be at least one accessible bedroom and accessible bathroom and other features across the home must support an accessible path and access to tenant-controlled items (thermostats, shower/tub controls, switches, outlets, laundry, work stations, etc.). More fully accessible units may be necessary to adequately meet the needs of the target population. Should this requirement conflict with licensing or other design requirements for a project, at NCHFA's discretion, NCHFA may review and approve alternate plans.
- Plans, specifications, and materials used in projects must comply with Building Material Quality Standards (Appendix E).
- As a minimum standard for design and energy efficiency, all new construction projects and rehabilitation projects must meet the applicable standards listed in the Supportive Housing Energy Efficiency Guidelines (Appendix F).
- Plans and specifications must be reviewed and approved by NCHFA. The following is requested for each building constructed or rehabbed:
 - Scaled Site Plan showing, at a minimum, proposed building footprint, driveways, and parking areas (site plan)
 - Elevation of front of building
 - Elevation of side of building
 - Floor layouts for each type floor or building, as applicable, using a minimum scale of 1/16" = 1', identifying the location of units, common use areas and other spaces.
- All projects, except a moderate rehab project, must have a third-party energy consultant. The energy consultant must:
 - Review the plans and specifications before commencing site work or construction
 - Conduct review of framing, air sealing, and insulation before sheetrock
 - Conduct performance testing of building envelope and confirm function and installation of designed equipment (HVAC, combustion appliances, ventilation, energy generation, and moisture management)
- Construction or rehabilitation work should not begin until a Final Commitment Letter is issued.
 - If construction commences prior to the issuance of the Final Commitment Letter, the applicant/borrower must submit all due diligence and receive the Final Commitment Letter no later than 6 months from the date of award or the award may be rescinded at the discretion of the Agency.
- The Borrower is responsible for promptly informing NCHFA of any changes or alterations which deviate from the final plans and specifications approved by NCHFA at any point after the award is made. In particular, owners must not take action on any material change in the site layout, floor plan, elevations, or amenities without written authorization from NCHFA. This includes changes required by local governments to receive building permits.

1.11 Energy Efficiency Requirements

New Construction or Rehabilitation projects must comply with NCHFA's Supportive Housing Energy Efficiency Standards (Appendix F).

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

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

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

While not every recommendation of the energy consultant may be implementable due to conflicting design requirements, licensure, or facility usage, wherever feasible – and especially when recommendations are easily implementable or low cost – it is expected that they be included in the construction or rehabilitation of the project. Unless granted an exception by NCHFA, all new construction and substantial rehabilitation projects must work with an energy consultant throughout the project, including during design, framing, insulation installation, construction, equipment commissioning, and post-construction energy performance testing.

New construction and substantial rehabilitation projects using non-commercial grade HVAC systems must use an HVAC system reviewed and approved by the project Energy Consultant. For moderate rehabilitation projects, replacement equipment must meet or exceed the efficiency requirements from the Supportive Housing Energy Efficiency Guidelines (Appendix F).

1.12 Project Financing Requirements

1.12a Funding Range

All projects must apply for a minimum of \$200,000 in financing to be eligible for a SHDP-Veterans loan. The amount of funding available per project is up to \$2,000,000 or 85% of total development cost, whichever is less.

1.12b Funding Available & Match Requirements

NCHFA does not fund 100% of the project. Fifteen percent (15%) of the total project cost must be matched. Each project will require a portion of the total development budget to have a match of either in-kind services/materials, land donation, or other funding commitments. No more than 50% of the total match may be in-kind services/materials unless prior written approval is granted by the Agency. **At time of application, documentation of at least half of the required committed match must be submitted.**

Examples of the 15% match are:

- Local/County Government

- Organizational Funds
- Foundations/Grants

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

1.12c Property (Land and/or Building) Value as Match

- No appraisal is required when the costs for the acquisition of property is not included in Application Part 2.
- The property value on the Development Budget cannot exceed the tax value unless an appraisal is submitted.
- For properties purchased within the past twelve months, the tax value will be used unless other purchase documentation is provided.
- For property valued **under \$500,000**, an official tax record can be used if the applicant is using the property as part of the match or is seeking reimbursement for the property.
- An appraisal is required for property valued **greater than \$500,000** if the acquisition of the property is included in Application Part 2.

NCHFA will reimburse what was actually paid up to the appraisal amount.

1.13 SHDP-Veterans Loan Underwriting Requirements

Projects must meet the following requirements:

1. The project's operating pro-forma must show a reasonable cash flow based on underwriting assumptions identified in the application.
2. There should be documentation of any conditional or firm commitments for other project financing.
3. The most recent financial statement audit which includes an opinion from a certified public accounting firm (or Agency approved alternative) and has been completed within 12 months of the end of the applicant's fiscal year must be included. If the applicant's fiscal year does not align with the above statement, the applicable fiscal year is at the Agency's discretion.
4. The audit should document ongoing commitments for operating income or show a proven history of fundraising for the proposed use.
5. Project development costs must be reasonable when compared to other projects funded by the program for the type of housing being produced.
6. Rental properties without a project-based source of rental assistance must show evidence of long-term, positive cash flow when using a 7% vacancy rate, 2% escalation of income, and 3% escalation of expenses.
7. Projects which intend to receive Project-Based Rental Assistance or VASH vouchers must provide a letter from the applicable rental assistance administrator. Projects may use Appendix I as a reference for the letter from the applicable rental assistance administrator.
8. Rental properties must fund an Operating Reserve with a minimum of 6 months operating expenses.
 - a. Accounts must be held by NCHFA or a 3rd party approved by NCHFA.
 - b. Account must be in an FDIC insured account.

- c. Investment accounts, including brokerage accounts, shall not be permitted without written approval by NCHFA.
- 9. If a rental property chooses to fund a rent-up reserve they must transfer any excess funds from it to the Replacement Reserve account.
- 10. Properties have a maximum Developer Fee and Housing Development Consultant Fee of \$50,000 each for new construction and substantial rehab projects. Properties have a maximum Developer Fee and Housing Development Consultant fee of \$25,000 each for acquisition and/or moderate rehab projects.
- 11. General Requirements cannot exceed 6% of hard costs.
- 12. Contractor Overhead and Profit cannot exceed 10% of total hard costs, including general requirements.
- 13. Construction Contingency at application must be 15% of total construction/rehab contract amount.
- 14. If the property is purchased for greater than the appraised value, only the appraised value can be used in the NCHFA project development budget.
- 15. The below Replacement Reserves must be included on the expenses tab in Application Part 2 and increase by 4% annually:
 - a. Non-licensed Permanent Housing New Construction: \$250 per unit per year
 - b. Non-licensed Permanent Housing Rehabilitation: \$350 per unit per year
 - c. Emergency or Non-Licensed Shared Housing: \$250 per 750 square feet per year up to a maximum of \$10,000 per year
 - d. Licensed Facility: \$250 per 1,000 square feet per year

1.14 Financing Commitment

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

Projects awarded for loan financing will receive a Conditional Commitment Letter from NCHFA. Applicants with a conditional commitment for financing will have 18 months to receive final written commitments for the balance of construction and permanent financing from other sources and submit the due-diligence checklist items to NCHFA for approval. A Phase I Environmental Review will be required to be completed within 6 months of the Final Commitment Letter being issued unless prior written approval is granted by the Agency.

After award, any changes or revisions made to the Development Budget listed in Application Part 2 must be communicated timely to the Agency.

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

total development budget.

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

1.15 Loan Terms & Types

All SHDP-Veterans financing will be in the form of a 0% interest, permanent mortgage loan that is non-forgivable for the original loan term.

- The maximum loan term is 30 years for new construction and 20 years for rehabilitation.
- **All loans will include a Loan Agreement, Promissory Note, Deed of Trust, and Declaration of Deed Restrictions.** NCHFA will hold first lien position unless prior written approval is granted by the Agency.
- Amortizing, custom payment, and deferred loans are available under the program, depending on the ability of the project to pay debt service. NCHFA prefers to make amortizing or custom payment loans so program funds can be recycled to fund additional projects.
 - Projects that are unable to pay debt service may be offered a deferred loan with a balloon payment. These loans may be refinanced at the end of the initial term for an additional ten years at the request of the borrower and at the discretion of NCHFA, as long as the project continues to be used for a mutually acceptable supportive housing purpose, does not have compliance issues, borrower is in good standing with NCHFA, and the building is in good condition.

1.16 Construction Requirements

- Lead-based paint regulations: [24 CFR part 35](#)
 - Lead-Based Paint Poisoning Prevention Act
 - Residential Lead Based Paint Reduction Act
 - State lead-based paint requirement
- Radon Testing readiness: See Appendix D.
 - All new construction projects are encouraged to include passive radon management systems in their designs. All new construction projects in EPA radon zones 1 and 2 must include passive radon management as part of the design. These systems can be converted to active systems if needed at a future date.
- New Construction
 - Section 504: [24 CFR Part 8](#)
 - Title II of the Americans with Disabilities Act: [24 CFR Part 35](#)
 - Fair Housing Act: [24 CFR Part 100](#)
 - Currently applicable [NC State Building Code](#) including energy efficiency code and accessibility code
- It is highly discouraged to locate SHDP funded buildings within the 100 year (AE) [flood risk zone](#). Flood risk zones can change with flood events and due to development near and upstream from project sites. The site work and foundation **must** be designed to reduce risk to the structure for occupancy and for ongoing use for critical community services. Elevating the build site and ensuring that the site slopes away from improvements is expected for all new construction

projects. Adjacent site uses should be considered if stormwater, run off, or bulk moisture from adjacent sites might empty on to project site.

1.17 Ongoing Compliance Training, Monitoring, & Reporting

1.17a Compliance Training

- NCHFA provides SHDP compliance training several times per year to assist owners and management agents with meeting NCHFA requirements. A schedule of training times and locations can be found on our [website](#).
- Owners or management agents must attend a training annually.

1.17b Compliance Monitoring & Reporting

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

Monitoring areas will include:

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

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

1. Discriminate against any employee or applicant for employment on the basis of religion
2. Discriminate against any person applying for housing on the basis of religion
3. Require religious instruction or counseling

4. Require attendance at religious services or worship or engage in religious proselytizing or other religious influence in the provision of housing.

Section 2. SHDP-Veterans Application Instructions

2.1 Project Description and Site Visit

1. Submit the Project Description and Site Visit form (Appendix A) to SHDevelopment@nchfa.com for Agency staff to schedule the site visit.
 - a. **Deadline to submit forms is January 22, 2027**
 - b. Submittal of the Project Description and Site Visit form is considered the start of the application process. This form does not serve to reserve any funds or commit the applicant in any way to apply. Applicants are encouraged to submit the form as soon as possible so SHD staff can review the proposed site to determine if it is suitable for supportive housing.
 - c. If the proposed project includes rehabilitation, applicants must submit the SHD Property Inspection Form (Appendix C). It is essential that rehabilitation projects evaluate the project's needs comprehensively. Projects which have contracted with an architect or engineer to conduct an ASTM E2018-24 compliant Property Condition Assessment may submit the assessment provided it meets the minimum requirements of the inspection form (Appendix G). All rehab projects must provide a detailed scope of work that provides unit level detail. An example can be found in Appendix G. If awarded, rehab contracts should provide a level of detail that meets or exceeds the scope of work.
2. Site and Project Review & Meeting
 - a. A project description and site review by SHD staff for each proposed project and site is required.
 - b. The site must meet the minimum eligibility site standards shown in the NCHFA Site Criteria (Appendix B).
 - c. The project and site review meeting will be an opportunity for applicants to get early feedback on a proposed project and site and to ask specific questions.
 - d. The project and site must be reviewed and approved prior to *complete* application submission.
3. Site and Project Approval/Denial Letter
 - a. After the site review meeting, the SHD staff will send a site approval or denial letter to the applicant.
 - b. If the proposed project includes rehabilitation, the letter will also detail additional inspections if needed.
 - c. If the site or project are denied, the SHD staff will provide reasons and recommendations for the project site or project.

2.2 Application Submission

Complete applications are due electronically by **May 6, 2027 at 5:00 PM ET**. There are two parts to the complete application, Application Part 1 and Application Part 2. Both Part 1 and Part 2 must be submitted to have a complete application. ***Applications may be submitted earlier than the deadline.***

2.2a Application Part 1

In the Application Part 1, the applicant will provide an organizational narrative, proposed project description in detail, and required exhibits including, preliminary site plans.

2.2b Application Part 2

The Application Part 2 is an Excel spreadsheet providing the development budget, sources of funds, project income (rents & mandatory fees), project expenses, and pro forma.

Section 3. Application Review and Award Process

3.1 Application Review & Selection Procedures

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

- Project Description and Site Visit approval
- Threshold review
- Project ranking
- NCHFA Board of Directors approval
- Loan Award

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

3.2 Threshold Requirements

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

1. The site and project must have been approved by NCHFA and have met the minimum site standards shown in Appendix B.
2. Part 1 and Part 2 of the complete application must be complete. For an application to be considered complete it must be signed by the authorized official that is listed. Exhibits 1-4 must be submitted to meet threshold. Threshold requirements are not curable. All applicants need to submit documents that meet the below intent.
 - a. Articles of Incorporation (or equivalent)
 - b. Bylaws (or equivalent)
 - c. IRS Letter for 501 (c)(3) status – (Nonprofit)
 - d. List of Board of Directors (or equivalent)
 - e. Certified Financial Audit showing financial stability
 - f. Organizational Budget
 - g. Developer Experience and Capacity
 - h. Housing Development Consultant Contract (signed)
 - i. Preliminary building project plans

Any deficiency not specifically covered in Section 3.2 may be cause for rejection of the application at the Agency's discretion.

3.3 Curable Deficiencies

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

3.4 Project Scoring

All requirements under Section 1 of the Program Guidelines **must** be met. All SHDP-Veterans projects will be scored after the application deadline. The scoring criteria is listed below for a maximum of 375 points:

Project and Site (up to 100 points)

All applications will be scored according to the standards in the SHDP Site Criteria (see Appendix B). Standards include site suitability, neighborhood characteristics, intended population to be served, etc. The site will be reviewed along with the SSAP that is submitted in Part 1 to determine the appropriateness of services for veterans experiencing homelessness or imminently at risk of homelessness.

Organizational Stability (up to 50 points)

Applications will be scored according to the number of years that the organization has been in existence.

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

Supportive Services Provider Experience Serving the Proposed Population (up to 50 pts)

Applications will be scored according to the number of years that the organization has been providing services and/or housing to veterans who are experiencing homeless or imminently at risk of homelessness.

- 1-2 years – 10 pts
- 3-5 years – 30 pts
- 6-10 years – 40 pts
- 11+ years – 50 pts

Readiness to Proceed with Development (up to 100 points)

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

- Award letters from funding sources (worth 100% of their value)
- Investment account or bank statements showing proof of funds in hand along with a Board of Directors commitment or resolution of that funding amount (worth 100% of their value)
- Bank permanent loan interest/commitment letter for project (worth 100% of their value)
- Proof of submittal of applications to funding sources (50% of their value)

- Federal Home Loan Bank intent. This information must be included in Part 1 of the SHDP application, and it must be disclosed which FHLB applicant will be applied to (Atlanta, Pittsburgh, etc.), the application deadline, and the local member bank supporting the FHLB application (worth 50% of their value)
- General Assembly budget appropriations (approved is worth 100% of their value and non-approved worth 50% of their value)
- Pledges received prior to application (worth 50% of their value). In order to get the Final Commitment Letter, future pledges can only be accepted in an agency approved format.

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

If a significant portion of the total development costs are not committed at application, the project may be disqualified at the Agency's sole discretion.

Geographic Bonus Points (25 points)

- Projects located in the following counties or cities will be eligible for geographic bonus points.

○ Buncombe	○ Granville	○ Wilson
○ Carteret	○ McDowell	○ Concord
○ Cleveland	○ Polk	○ Fayetteville
○ Craven	○ Rutherford	○ Wilmington

VASH Vouchers Bonus Points (50 points)

Projects serving veterans who are homeless or imminently at risk of homelessness with documentation of VASH vouchers (project based or tenant based) will be eligible for these bonus points.

3.5 Project Ranking

Projects will be evaluated and scored after the application submission deadline. All applications that meet or exceed threshold requirements will be evaluated and scored based on the project criteria. After a project is scored, it will be ranked against the other applications submitted in the same funding cycle.

3.6 Approval of SHDP-Veterans Loan Awards

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

3.7 Project Award Notification

Applications will be taken to the first available Board meeting to review and consider for award. Upon approval of SHDP-Veterans project loan awards, SHD staff will contact applicants and issue SHDP-Veterans award letters to begin the commitment process. If projects are not awarded, SHD staff will issue a letter to the applicant at this same time. After award notification, a Conditional Commitment Letter will be issued with more details.

Section 4. Supportive Housing Rehab Veterans (SH-Rehab Veterans)

SH-Rehab Veterans is only available to properties currently serving veterans experiencing homelessness or at risk of homelessness with an active Supportive Housing loan where the deed restrictions are in effect and the property is subject to regular NCHFA monitoring. SH-Rehab Veterans intends to assist those existing SHD partners remain in ongoing operation of safe, durable, supportive housing. The intent is to support necessary rehabilitation work and the replacement of items critical to health, safety, ongoing operations, and durability by providing gap financing that is combined with other sources of funds that are available to the project owner, including the funds from the replacement reserve.

If the project is awarded SH-Rehab Veterans funds, the loan term is five years starting at maturity of the current Supportive Housing loan. Additionally, the affordability requirement/deed restrictions will be extended for five years beyond the maturity of the current Supportive Housing loan. The current NCHFA loan compliance and on-going monitoring findings may have an impact on the eligibility for additional funding.

All existing SHD veterans projects seeking funding under SH-Rehab must intend to promptly use funds for at least one of the following needs:

- Existing physical condition monitoring noncompliance findings
- A major building system or component has failed or is in danger of failure
- The property is vacant, not as a result of mismanagement as determined by NCHFA, and efforts to find a new tenant or new ownership entity have failed because of functional obsolescence
- The property is being converted from an emergency or transitional to permanent housing
- The property is being adapted in response to changing population needs or requirements to continue serving the target population (i.e. COVID, licensure changes, code changes, etc.)

Additionally, for situations whereby utilizing replacement reserves to fully pay for the replacement of essential building systems and service delivery items would deplete the reserve fund below the minimum balance required, SH-Rehab Veterans funds may be combined with replacement reserve funds to pay for eligible replacement reserve items. Examples of items eligible for replacement reserve include the following:

- Appliances
- Major roof repairs
- Exterior Painting
- Paving or seal coating parking lots
- Carpet/flooring

The minimum award is \$10,000 and the maximum is \$200,000. There is an initial allocation of \$500,000 this cycle for SH-Rehab that is set-aside from the SHDP-Veterans. Borrowers may only request assistance every ten years for the same project or as approved by the Agency.

4.1 Eligibility Requirements

Entities eligible to apply for SH-Rehab Veterans must be either a unit of local government or a nonprofit with an active Supportive Housing loan and currently being monitored by NCHFA. At application, eligible

entities must have more than five years to loan maturity for the property currently serving veterans experiencing homelessness or at risk of homelessness, unless waived by NCHFA. Applicants must demonstrate that they will continue to have the capacity to provide services and meet the requirements of the Supportive Housing program for the duration. Items proposed for the scope of work must demonstrate immediate need for replacement. In the case of project needs protected under an installer's or manufacturer's warranty or covered under insurance, those items should be addressed by the manufacturer, installer, or insurer. SH-Rehab Veterans should be used for building systems that are aging out due to having no remaining useful life, generally greater than 15 years old. Condition and age of properties will be taken into account when NCHFA reviews project eligibility. Except for extenuating circumstances, projects funded with SHDP within the recent five-year period will not be eligible.

Note: *You will not be eligible to apply for **SHDP-Veterans funding and SH-Rehab Veterans funding** for the same project in the same funding cycle. Additionally, organizations may only have one active SH-Rehab award at a time. Entities applying for different projects in consecutive years, must have all funds dispersed prior to Board approval of a future submitted application.*

4.1a Funding Sources

Fifteen percent (15%) of the total project costs must be matched and in-hand. Examples of the 15% match are:

- Replacement Reserve (cannot fall below minimum)
- Local/County Government (awarded and available for disbursement for project within 6 months of SH-Rehab project approval by NCHFA)
- Organizational Funds
- Foundations
- Other sources that do not incur debt payments

4.2 Application Submission

The Application Part 1 and Part 2 are available for SH-Rehab and can be obtained from NCHFA staff by emailing SHDevelopment@NCHFA.com. Upon receipt of the SHDP-Veterans Project Description and Site Visit (PDSV) form, the SHD Construction Analyst will meet with the applicant and inspect the property to verify and amend, if necessary, the rehabilitation scope. In addition, the SHD Specialist will meet with the applicant to review the management of the property including financial status, and the physical condition of the building(s) including any past findings.

At a minimum, the scope of work for projects using SH-Rehab funds must address all of the items that would fail to pass under Department of Housing and Urban Development's [24 CFR 5.703](#).

The NSPIRE checklist for minimum standards for safe occupancy is available at:

https://www.hud.gov/sites/dfiles/PIH/documents/NSPIRE_Checklist_XL.xlsx

More information about NSPIRE is available at:

https://www.hud.gov/program_offices/public_indian_housing/reac/nspire

However, in addition to issues that would prevent safe occupancy, SH-Rehab projects should address concerns that affect the durability of the buildings, impact the usability of critical building systems, or prevent essential operations of services or housing and must be addressed as part of the completion of

the SH-Rehab project. All known critical repair and replacement items must be addressed. After application, NCHFA will evaluate the scope of rehabilitation proposed and approve or amend the scope at NCHFA's discretion. It is critical that the scope of work at the start of the project is complete and representative of critical repair and replacement items as additional work added to the scope may require the applicant to find another source of funds to complete the SH-Rehab project.

Examples of **critical repair and replacement items** include:

- Waterproofing, roofing, or exterior finishes that will allow moisture and/or pests to penetrate the building envelope
- Sources of noxious fumes, mold, poor carbon monoxide or radon ventilation, or other threats to air quality including failure of ventilation or need for dehumidification
- Non-functioning doors and windows and other points of ingress and egress
- Material failures that eliminate an accessible path through the building, to parking areas, or to site amenities or public transportation
- Electrical failures or the need for GFCIs, AFCIs, protection of connections, or grounding
- Fire safety items such as: smoke detectors, carbon monoxide detectors, and fire extinguishers
- Trip or fall hazards, broken surfaces that are prone to cutting or harming occupants
- Site bulk moisture management to protect foundations and move storm water away from the building and walkways
- Removal of trees or large branches that overhang buildings, walkways, amenities, or parking areas
- Plumbing supply or drain failures, broken sewer connections, and/or septic system failures
- Repairs to or replacement of appliances essential to sanitization, safe or healthy living environment, and/or cooking or food preservation
- Repairs to ensure the heating and cooling systems are operational and functioning appropriately

4.3 Loan Requirements

All funded SH-Rehab projects will receive a Final Commitment Letter with detailed loan closing instructions with required documents. At loan closing an as-built survey is required. If one is not already on file, it will need to be completed.

4.3a Loan Terms

The SH-Rehab loan terms are deferred payment, 0% interest for 5 years starting at maturity of the current Supportive Housing loan. The SH-Rehab loan will be forgiven at 20% per year as long as the property remains affordable housing, continues to serve an NCHFA-approved target population, has no unaddressed monitoring findings, and stays in compliance with all other governing restrictions. Sale of the property prior to the end of the loan will trigger full repayment of the SH-Rehab loan, even if a portion has already been forgiven.

4.3b Underwriting Requirements

NCHFA will evaluate the current financial condition of the applicant and its real estate holdings. The applicant must meet the following requirements:

1. If there is any existing debt service on the proposed SH-Rehab project, the project's operating pro-forma must show a reasonable debt coverage ratio, based on underwriting assumptions identified in the application.
2. Applicants must provide documentation of any conditional or permanent funding commitments for additional SH-Rehab project financing.
3. SH-Rehab project costs must be reasonable when compared to other projects funded for the type of housing being rehabbed.
4. No developer fee, project management/administration fee, or housing development consultant fee is permitted for SH-Rehab projects.
5. When GC is also the owner/developer, they are held to the same standard for overhead and profit as a private GC when expenses are invoiced.
6. At the time of application, the project should document intent to start the work within 4 months of approval and complete work within 1 year of approval. Projects that do not adequately start work and demonstrate a trajectory to complete the project in a timely manner may have funding approval rescinded.
7. No relocation fees can be paid using SH-Rehab funds.
8. Rehab contingency funds must be included in the budget to cover potential increases in cost during the project. Projects should attempt to collect accurate, unexpired bids at time of application to be included as part of the supporting documentation for the application. All projects must have the appropriate budgeted and funded contingency of 5% to 20%.
 - a. If the scope of work ONLY includes replacement of equipment and roof replacement, a minimum of a **5% contingency** must be included in the project budget. Quotes are required if only a 5% contingency is budgeted for.
 - b. For general rehabilitation projects, a minimum of a **10% contingency** must be included in the rehabilitation budget if the scope is limited to simple replacement of existing components (i.e. flooring, painting, wall repair, HVAC, water heater, or roof).
 - i. Example: Replace flooring, paint, replace 4 HVAC systems and roof = at least a 10% contingency if bids are detailed, unexpired, and accurate.
 - c. Projects that require opening up the building envelope for rehabilitation must budget at least **15% contingency**.
 - i. Example: Replace outdated shower, subfloor, and plumbing with new accessible shower = at least 15% contingency if bids are detailed, unexpired, and accurate.
 - d. Potential significant rehabilitation projects without unexpired and accurate bids must include a **15% to 20% contingency**.
 - i. Example: Replace walkway, 5 water heaters, sprinkler system, and exterior lighting + Bid was a summary only and was issued 14 months prior = 20% contingency (project will be required to collect more detailed bids before approval)
9. If the property is not currently funding a Replacement Reserve as required in initial legal documents, it must start doing so with the origination of the new SH-Rehab loan. NCHFA Replacement Reserve Requirements are:
 - o Non-licensed Permanent Housing Rehabilitation: \$350 per unit per year

- Emergency or Non-Licensed Shared Housing: \$250 per 750 square feet per year up to a maximum of \$10,000 per year
- Licensed Facility: \$250 per 1,000 square feet per year

4.3c Rehabilitation Work Draws

Once the loan is approved and is closed, up to three draws may be requested from the rehabilitation funds. No funds may be requested before the rehab loan is closed, and organizations should plan for 45 to 60 days of time for the loan to close. As part of the initial loan closing draw, which will include attorney charges and closing costs, a minimum of \$5,000 of rehab expenses should be requested. This first closing draw will count as one of the three draws during rehabilitation/construction. After this draw, up to two more draws may be requested during rehabilitation/construction. Draws may be rounded down to simplify disbursements. If the loan is closed in a single disbursement and the entire loan amount is not used during the project, the loan may be rounded down to simplify the loan document and forgiveness schedule.

For multiple draws, ten percent (10%) of each draw request will be held back as retainage. The final draw, which is not counted as one of the three draws during rehabilitation/construction, can only be released after the project has received and been approved after its final inspection from NCHFA and been released from any open permits if applicable. This final draw may include attorney's charges to convert the loan to a permanent loan or adjust the loan amount if there are contingency funds remaining.

Organizations may need a line of credit depending on payment terms with their contractors. Only the initial reimbursement requires time for a loan closing. Payments for subsequent draws are generally processed in about 5 business days once documentation is approved. Until the project is complete, disbursements for draw requests will be sent to the attorney's account.

The funds requested in each draw must show supporting documentation in the form of invoices or paid receipts which specify the address at which the work was completed and is subject to Agency construction inspection prior to release of funds. No advances for work not yet performed will be paid from SH-Rehab funds. If funded, NCHFA will provide training for how to track expenses and request funds.

Through the process, organizations must retain good records of payments made and invoices. For each draw request, 10% of the amount due will be held back by NCHFA until a Final Cost and Payment Tracking Form is completed, reviewed, and approved by NCHFA staff. The Form will match invoices and records of payment for all the costs of the rehabilitation. For instance, if \$10,000 of eligible costs is requested and supported by documentation, NCHFA will hold back \$1,000 until the project is completed and the Final Cost and Payment Tracking Form has been submitted and approved. The final disbursement will include the retainage.

Note: *If the Final Cost and Payment Tracking Form demonstrates that the rehabilitation was completed for less than the estimated amount, NCHFA will reduce its total funding award.*

The draw schedule may resemble the following:

1. Initial Loan closing (will include SH-Rehab Draw #1 of at least \$5,000)

2. Up to 2 additional SH-Rehab Draws with 10% retainage held back until the project has passed its final inspection during rehabilitation/construction
3. A final Draw that at the very least includes the retainage, but may be combined with an SH-Rehab Draw if the project has passed its final inspection and its Final Cost and Payment Tracking Form and supporting documentation has been approved

4.4 Construction

4.4a Inspections and Scope of Work

The SHD Property Inspection Form (Appendix C) must be completed and submitted at the same time as the submission of the SHDP-Veterans PDSV form (Appendix A). The purpose of the SHD Property Inspection Form is to identify all critical needs for the project at the start of the application process. All applicants must have their property thoroughly inspected by a qualified individual who fills out the SHD Property Inspection Form. Qualified individuals include licensed home inspectors, licensed and insured NC general contractors, licensed architects, and local government housing inspectors. The applicant may contact NCHFA for written approval if the proposed inspector has other qualifications that the applicant believes is equivalent or exceeds the above.

At least 50% of the units must be inspected and documented as part of the SHD Property Inspection form. More is preferred for adequately developing the scope of work.

Additional inspections may be required after the SHD Property Inspection form and NCHFA Construction Analyst site visit.

- If structural threats are identified during the inspection or by NCHFA staff, then a structural inspection must be conducted.
- If the property was built before 1978, a lead-based paint inspection or risk assessment must be conducted unless the organization has a pre-existing one it can provide. If the scope of the project may disturb sites containing asbestos, asbestos testing must also be conducted. Asbestos and lead-based paint can be combined into a single risk assessment. Before the full application, the risk assessment should be conducted as contractors must be adequately qualified to address lead-based paint and asbestos if present.

Structural inspections, risk assessments, and other necessary inspections must be performed before full application with enough time to receive bids or estimates on the required work.

4.4b Rehab Requirements

The rehabilitation must meet the following requirements:

1. Address all outstanding NCHFA physical condition monitoring findings (if applicable).
2. Upgrade the building to decent, safe, and sanitary condition to eliminate any deficiencies identified in the SHD Property Inspection form and other local, state, or federal inspection guidelines.
3. Rehabilitate or replace major building systems or essential components in danger of failing within the next **five years**.
4. Address all critical repair and replacement items (see examples above).
5. Include Universal Design, Visitability, and Aging in Place whenever feasible.

- a. Whenever the rehabilitation scope of work requires replacement or reconstruction, universal design features should be prioritized in every unit, regardless of accessibility designation. While some layouts and scopes of work may limit incorporation of universal design features, units should support aging in place and the visitability by non-residents who may need to navigate the space.
- b. To the degree that rehabilitation work allows, items that are replaced or built new should prioritize universal design features. Examples of common universal design features include:
 - i. At least one unit/home entry door, one bedroom entry and one bathroom entry must be a minimum of 32" clear. A visitable route from an exterior entrance through interior hallways must provide access to these interior entries, and this route must be a minimum of 36 inches clear throughout.
 - ii. At least one bathroom shall have continuous blocking in walls using a minimum of 2x6 with the bottom located 31" above the floor around both toilet and shower to allow for future grab-bar installation.
 - iii. When possible, unit door handles shall use lever style knobs.
 - iv. When possible, cabinet doors and drawers shall use D-style or loop pulls, or have touch open.
 - v. Where the site and layout allow, incorporate at least one stepless entry.
 - vi. Light switches, electrical outlets, thermostats, fuse boxes/breaker panels, and other controls should be at universal height: between a maximum of 48" measured to the top (not the centerline) of the device and a minimum of 15".

4.4b-i Replacement Standards

- Appendix D (Design Standards) from current SHDP-Veterans Guidelines is the minimum standard for the replacement of systems or reconstruction. When the scope of work requires replacement, all work should meet or exceed the active program year SHDP-Veterans Guidelines.
- No resident/occupant protected by a lease must be required to relocate off the property.

4.4b-ii Notification of Material Changes

- At all times *after an award* the owner is responsible for promptly informing NCHFA of any changes or alterations which deviate from the scope of work or final plans and specifications approved by NCHFA. In particular, owners must not take action on any material change in the site layout, floor plan, elevations, or amenities without prior written authorization from NCHFA. This includes changes required by local governments to receive building permits.
- Further, after an SH-Rehab loan is approved, the work that was agreed upon in the application documents should be prioritized above other newly discovered work, unless new issues must be addressed in order for the original scope of work to be completed (i.e., foundation issues, mold remediation, substandard electrical service, etc.).

Significant changes in scope and priority of work should be communicated to and approved by NCHFA in advance of additional work. Projects should avoid scope creep which can cause projects to stall due to lack of sufficient funding needed to complete the project. As such, the contingency should be sized

appropriately at application to reflect the amount of work yet unknown that may be uncovered during demolition or costs that lack current and accurate bids.

4.4c Lead-based Paint in pre-1978 properties and possible asbestos containing materials

For buildings built before 1978 and for projects that will disturb painted surfaces, projects must supply a lead-based paint inspection, a lead-based paint risk assessment, and/or documentation of lead-based paint abatement and the subsequent clearance report. Contractors conducting demolition or disturbance of surfaces containing lead or presumed to contain lead because they were not adequately tested, must be Renovation, Repair, and Painting (RRP) certified (<https://schs.dph.ncdhhs.gov/lead/accredited.cfm>) and follow state laws regarding safely managing lead-based paint.

4.4d SH-Rehab Design Standards

All SH-Rehab projects must meet the design standards (Appendix D) from current SHDP-Veterans Guidelines as applicable to the scope of work of the SH-Rehab project. Reference and carefully review for the SH-Rehab scope of work the SHDP-Veterans Guidelines site criteria (Appendix B), design standards (Appendix D), building material quality standards (Appendix E) and energy efficiency guidelines (Appendix F) from the current SHDP program year.

4.5 Application Review Process

Applicants must meet the following threshold criteria to be considered for SH-Rehab funding.

4.5a Project Management Capacity

The applicant must demonstrate the capacity to successfully oversee and manage the proposed rehabilitation project. If the applicant has not completed a housing development project (new construction or rehabilitation) within the previous 7 years, they must hire a licensed general contractor with sufficient experience for overseeing the full scope of work. General contractors should provide a reference portfolio to the applicant of projects with a similar scope of work before the applicant selects them.

4.5b Organizational Capacity

The applicant must demonstrate sound business practices, as reflected in their annual audit or other Agency approved financial statement and show adequate and consistent levels of operating income from a variety of sources. The application must also have no unresolved audit or monitoring findings and must be in good standing with NCHFA Asset Management with a pattern of proactively maintaining compliance with NCHFA as well as other lenders on existing projects. The project must meet the current SHDP-Veterans Guidelines for the ongoing usage of the building, the population served, and occupancy and property condition standards. When considered as a whole, all the financial information about the applicant (including reference checks by NCHFA) shall demonstrate that the applicant has a strong financial position. Applicants which do not show a strong financial position will not pass threshold review, notwithstanding any other factors in the application.

Further, organizational financial need for SH-Rehab funds will be verified as part of underwriting. Financial need should be based on project costs, critical repairs, or renovations required for project to continue serving the community. Underwriting must show that the organization needs SH-Rehab

assistance to address these project needs. The applicant must otherwise reasonably demonstrate capacity to continue operating to be eligible for SH-Rehab.

4.5c Total Project Committed Funding

Including the requested NCHFA SH-Rehab funding, matching funds, and reserve funds from the applicant, at the time of application the applicant must have secured 100% of the total project funding, including a fully budgeted contingency, or the application will not pass threshold review. The applicant should wait to apply until other needed funds have been secured.

4.5d Reasonable Budget

The total project budget must be both reasonable in terms of costs of labor and materials as well as sufficient to effectively address the scope of work. Budgets should be based on recent bids, material prices, and construction estimates. Applicants should make efforts to obtain three bids or estimates for paid work (not volunteer) to compare the scope of work and the cost. The lowest bid may not be the most complete scope of work or the most responsive bidder. Finding a balance between experience, insurability, availability, and cost is critical.

4.5e Project Readiness

At the time of application, the project must document intent to start the work within 4 months of approval and complete work within 1 year of Final Commitment Letter. This will be accomplished by documenting availability of contractors, and/or volunteers, current construction bids, a plan for the rehabilitation, total funding needed, and a plan for the conducting the necessary work if the building remains occupied or in-service during work.

4.6 Project Review and Ranking

Each SH-Rehab application will be reviewed and ranked, taking into consideration the completeness of the aforementioned items, fully secured funding and the amount of funds available for SH-Rehab.

4.7 Project Close Out

A final inspection will be completed by the SHD Construction Analyst before the last funds are released to ensure all work items are complete and the condition of the building meets or exceeds the approved scope of work. Where required by building code, permits must be pulled and inspected by local code officials. Copies of local government inspection results must be maintained and provided to NCHFA upon request. All work must be performed in a manner consistent with state and local building codes. At a minimum, all areas addressed by NCHFA funding must function appropriately and effectively, pose no imminent risks to health or safety of the occupants, and eliminate all known threats to the structure (i.e., moisture intrusion, termite infestation, structural failures, or access for pests).

As mentioned above, ten percent (10%) of the award amount will be held by NCHFA until a Final Cost and Payment Tracking Form is approved by NCHFA staff; this will match invoices and proof of payment for all the costs of the rehabilitation. If the rehabilitation is completed for less than the estimated amount, NCHFA will reduce its total funding award.

All sources of funds related to the scope of rehabilitation work will need to be disclosed at application. Applicants must not seek NCHFA funding for any expense reimbursed by another funding source.