



NYS Division of Housing and Community Renewal

TECHNICAL SERVICES UNIT

Unified Funding Common Application Flaws

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Underwriting

Common Underwriting Application Flaws

1. DHCR Reserve Requirements Not Met (CPM Sections 2.01.04.A , 5.06 (iii), and 5.07.06 (iii))
 - HTF/HOME projects
 - Minimum Capitalization of the lesser of 1% of TDC or 50% of project's gross rents, **only if LIHC/SLIHC also requested.**
 - Annual operating reserve contribution of 3% of project's gross rents.
 - Annual replacement reserve contributions of .5% x (TDC – Land) for family projects
 - Annual replacement reserve contributions of \$400 per unit for senior projects.
 - LIHC/SLIHC Only Projects
 - Annual replacement reserve contributions of \$250 per unit for new construction senior projects.
 - Annual replacement reserve contributions of \$300 per unit for new construction family projects and any renovation projects.
2. Insufficient or Inconsistent Operating Budget Documentation (CPM Section 5.06 iii)
 - Real Estate Taxes, Utilities and Insurance – Estimates not provided, incomplete or inconsistent with the operating budget. Basis for tenant paid utilities must also be included.
 - Deferred Developer Fees: Operating budget projection does not support the ability to repay fee within 15 years.
3. Rents Do Not Support Operating & Maintenance Budget (CPM Section 5.06 ii)
 - 1% debt service on HOME/HTF loan not included.
 - Required reserves not budgeted correctly.
 - Debt service calculations are inconsistent with funding commitment documentation.
 - Debt service coverage does not meet lender's minimum requirement.
 - Any rental assistance that is to be paid by government or other subsidy was not documented.

4. Market Not Documented or Supported (CPM Section 5.06 i)

- The market study does not demonstrate a convincing need for the housing type to be constructed.
- Primary Market Area is not clearly defined or supported, e.g. unclear market area maps or exclusion of adjacent municipalities without clear justification.
- Demand information (Census data tables) or supply information (existing affordable project information including number of households on waitlists, vacancy levels, and contact numbers) is not included in the market study.
- Project rents in market study are inconsistent with application rent plan.
- Market study's adjustments to demand do not include all existing affordable housing projects in the market area.
- Proposed rents exceed market area street rents.

5. Insufficient Capital Funds (CPM Section 5.06 iv)

- All financing was not documented for both construction and permanent financing phases.
- Deferred Developer Fees - more than 1/3rd of anticipated fee was to be deferred.
- LIHC Equity pay-ins during construction are overstated in the development budget.

6. Separate Residential/Commercial/Community Service Facility (CSF) Budgets Not Submitted (CPM Section 5.06 ii & HTF/HOME Project Application I- General Instructions for Exhibits 3 and 5)

- Commercial /CSF Space - Development costs not properly allocated to commercial CSF space, including acquisition, soft, and hard costs.
- Insufficient information was submitted to evaluate the functional, physical and financial elements of both the housing and the commercial/CSF space-separately and together.
- Eligibility for CSF credit is assumed on a site which is not within a Qualified Census Tract as required under the IRC.
- Separate real estate development budgets for the residential project, the commercial project, the CSF, and the combined project were not submitted and/or the individual budgets do not add up to the total project cost.

- Real estate operating budgets for residential, commercial, and CSF did not add up to the combined budget.
- Operating expense assumptions/lease terms for the non-residential space not clearly explained, i.e. master lease.

7. Other Application Flaws

- Appraisal does not support acquisition cost budgeted.
- Appraisal of large sites should only review costs of the land necessary for the project. (CPM Section 5.03.02)
- Household income targets are not achievable with rents proposed.

Design

Common Design Flaws

1. Non-compliance with Section 5.03, Site Suitability, of the Capital Programs Manual
 - Site is incompatible with adjacent uses.
 - Site is not within walking distance to services.
 - Site is not relatively level.
 - Site is of greater size than that which is necessary to accommodate the proposed project.

2. Non-compliance with Section 4 of the Design Handbook
 - Submission deviates in enough areas to call the validity of the construction estimate into question (ie: incomplete scope).
 - Major design requirements not met:
 - ie: Unit sizes not met.
 - Elevator requirements not met.

3. Non-compliance with Building Codes, Regulations & Laws (Design Handbook Section 4.02)
 - Common deficiencies: Sprinkler system not included.
Exiting requirements not met.
Construction requirements not met.
Handicap accessibility requirements not met.
Lead based paint remediation not identified.

4. Inadequate preliminary design submission (Design Handbook Section 3.01.01)
 - Documents illegible or missing information.

5. Construction Cost (Design Handbook Section 3.01.01)
 - Construction cost estimate does not include completed worksheets.
 - Construction cost estimate does not correspond to development budget.
 - Construction costs not consistent with comparable projects:
 - Too high or too low.
 - Site development cost unrealistic.
 - Inadequate documentation of non-residential construction costs.
 - Davis Bacon wage rates not utilized in HOME projects.

6. Local and Government Approvals (Design Handbook Section 4.02)

- Insufficient documentation that approval can be obtained.
- Development Timetable can not be met given approval requirements.

7. Physical Needs Assessment (Attachment E7)

- Part A and/or B have not been signed.
- Part B is lacking the required information, specifically:
 - Existing conditions sections have not been completed for existing items.
 - Life Expectancy of System information is not completed when an existing system is not being rehabilitated.
 - Architect or Engineer does not provide State of New York Seal.

8. Green Building Initiative

- New York version of REScheck not used.
- REScheck not accurately filled out.
- REScheck Compliance Certificate did not identify that the project was 30% or better than code.
- Components used in REScheck do not correspond to wall sections and/or outline specifications.
- Energy Star appliances and Energy Star light fixtures not identified in Outline Specifications.
- Sealed combustion HVAC units not identified in Outline Specifications.
- Air conditioning system not identified in Outline Specifications.

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Environmental

Common Environmental Submission Flaws

1. **Exhibit 3 – Development Budgets/Funding sources:** Failure to include costs for environmental investigations and remediation.
2. **Exhibit 8 – Site and Building Information:** Sections A and B incomplete, failure to fully describe site characteristics and existing building information.
3. **Attachment A2 - Zoning Compliance:** Failure to provide documentation that the project site is or will be properly zoned for the proposed project.
4. **Attachment A3 - Public Approvals:** Failure to provide documentation of all required local approvals, such as site plan approval and subdivision approval, that have been obtained or are in the process of being obtained.
5. **Attachment A4 – SHPO Submission:** Incomplete submission information for SHPO Consultation. Copy of final "Determination" letter not submitted with application.
6. **Attachment A5 – State Environmental Quality Review (SEQR) Submissions:**
 - Failure to submit signed, SEQR Short Environmental Assessment Form (EAF).
 - Failure to include pertinent information and documentation of previously completed or on-going SEQR or NEPA (National Environmental Policy Act) determination completed by other entities having jurisdiction.
 - Failure to adequately describe the entire scope of project activities, e.g. site work, demolition, or if the project is a component of a larger action.
 - Failure to include documents regarding asbestos and lead based paint surveys, removals and clearance certifications for work completed prior to application.
 - Failure to include an entire copy of any Phase I reports that was completed in the previous year.
7. **Attachment A6 - Environmental Approvals:** Failure to provide documentation that all required environmental approvals, such as a wetlands or SPDES permit, have been obtained or are in the process of being obtained.
8. **Attachment B1 – Outline Specifications:** Failure to include sufficient information regarding scope of work in Section 2, Site Work; i.e. demolition, site preparation.

9. **Attachment B3:** Failure to include a preliminary Site Plan.

10. **Attachment B-5:** Failure to include a map accurately showing the location of the project site.

11. **Attachment B-6:** Failure to include a Floodplain letter stating FIRM panel # and date.

12. **Failure to address identifiable site concerns, ie:**

- Archaeological
- Historic properties
- Location in a 100-year Floodplain/Waterfront/Coastal Zone
- Wetlands and Stormwater
- Noise
- Hazardous Materials (underground storage tanks, contaminated soil, asbestos, lead based paint, etc.)
- Agricultural Districts/Farmland Protection
- Endangered species letter from Natural Heritage and FWS

NOTE: Applicants should refer to section 5.01 thru 5.03 of the current Capital Programs Manual for further information and clarification of the environmental review process.

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Davis Bacon

Common Davis-Bacon Application Flaws

1. Failure to include costs for Davis Bacon. All "unified funded projects" financing **12 or more** units with HOME funds (obtained from any source), including Seed Money, the Leveraged Loan Program or administered by Local Program Administrators must comply with Davis Bacon Related Acts & Federal Labor Standards Reporting. Project Based Voucher projects have a similar **9 or more** unit reporting threshold.

2. Exhibit 1: Failure to identify Davis-Bacon Wage Rates on Section H, Project Costs.

3. Exhibit 3 and Attachment E-1 (Construction Cost Estimate):
 - Failure to budget appropriate labor and associated costs.
 - Failure to request labor wage rate lock-in if general contractor has been preselected.
 - Failure to distinguish between "Residential" rates (for buildings with four or fewer stories) or "Building" rates (for buildings with five or more stories, as defined by US Dept. of Labor, or buildings that contain commercial space).

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