



NYS Division of Housing and  
Community Renewal

TECHNICAL  
SERVICES  
UNIT

Unified Funding  
Common Application Flaws

October 2003

**Underwriting**

# Common Underwriting Application Flaws

1. Annual Reserve Contributions to Operating Budget Did Not Satisfy DHCR /Trust Fund Requirements (CPM Section 5.06 iii and Section 2.01.04.A)
  - ☛ Operating Reserve = 3% Gross Rents annually and 1% of TDC capitalized
  - ☛ Replacement Reserve= .5% of TDC - Land or on senior projects a minimum of \$400 per unit per year.
2. Insufficient or Inconsistent Operating Budget Documentation (CPM Section 5.06 iii)
  - ☛ Real Estate Taxes - PILOT Agreements are not provided or are for less than the regulatory term.
  - ☛ Utility Costs - Estimates not provided and or incomplete. Basis for tenant paid utilities must also be included.
  - ☛ Insurance estimates are not provided.
3. Rents Do Not Support Operating & Maintenance Budget (CPM Section 5.06 ii)
  - ☛ Some applicants forget to include the debt service on HOME/HCF.
  - ☛ Debt service calculations are inconsistent with funding commitment documentation.
  - ☛ 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 should demonstrate a convincing need for the housing type to be constructed.
  - ☛ Conclusions in study are often at variance with the application data.
  - ☛ County-wide studies are not appropriate.
  - ☛ Demonstrated market demand should not include drawing residents from existing affordable projects.
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.

6. Separate Residential/Commercial Budgets Not Submitted (CPM Section 5.06 ii & HCF/HOME Project Application I- General Instructions for Exhibits 2, 3, and 6)

- ☛ Commercial Space - Costs associated with space that is not for the exclusive use of tenants was not properly allocated.
- ☛ Insufficient information was submitted to evaluate the functional, physical and financial elements of both the housing and the commercial space-separately and together.
- ☛ Three separate real estate development budgets for the residential project, the commercial project, the Community Service Facility and the combined project were not submitted and/or the individual budgets do not add up to the combined one.
- ☛ Real estate operating budgets for residential, commercial, Community Service Facility did not add up to the combined budget.

7. Other Application Flaws

- ☛ Each individual tenant should have a lease, not bulk leases that would prohibit general public use. (CPM Section 7.07)
- ☛ The appropriate wage scale should be indicated and demonstrated in construction budget. (Bacon Davis, State Prevailing Wage etc.)
- ☛ Appraisal of large sites should only review costs of the land necessary for the project. (CPM Section 5.03.02)

**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 (Design Handbook Section 4.02)
  - Common deficiencies: Sprinkler system not included.
    - Exiting requirements not met.
    - Construction requirements not met.
  
4. Inadequate preliminary design submission. (Design Handbook Section 3.01.01)
  - Documents illegible or missing information.
  
5. Construction Cost (Design Handbook Section 4)
  - Construction 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 Governmental Approvals (Design Handbook Section 4.02)
  - Insufficient documentation that approval can be obtained.
  - Development Timetable can not be met given approval requirements.

**Environmental**

## Common Environmental Submission Flaws

1. Exhibit 3: Failure to include costs for environmental investigations and remediation.
2. Exhibit 11: Sections B and C incomplete, failure to fully describe site characteristics and existing building information.
3. Attachment A-2: Failure to include a map accurately showing the location of the project site.
4. Attachment A-3: Zoning Compliance and Public Approvals: Failure to address items listed in “Environmental Approvals”, lower right corner of the page.
5. Attachment E-1: Failure to include sufficient information regarding scope of work in Section 2, Site Work.
6. Attachment E-2: Failure to include a preliminary Site Plan.
7. Attachment E-3: Incomplete submission information for SHPO Consultation and final “Determination” letter.
8. Attachment E-4:
  - Failure to submit the SEQR (State Environmental Quality Review) Short Environmental Assessment Form (EAF) signed.
  - Failure to include pertinent information and documentation of previously completed or on-going SEQR 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 a copy any Phase I reports that were completed in the previous year.
9. Attachment E-6: Failure to include a Floodplain letter stating FIRM panel #.
10. Failure to address identifiable site concerns, ie:
  - Archaeological
  - Historic properties
  - Location in a 100-year Floodplain
  - 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.**

**Davis Bacon**

## Common Davis-Bacon Application Flaws

1. Failure to assume that Davis Bacon doesn't apply to your project -- all "unified funded projects" financing **12 or more** units with HOME funds (any source), including Seed Money, and the Leveraged Loan Program or administered by Local Program Administrators are covered.
2. Failure to check off the Davis-Bacon checkbox on the Exhibit 1 - Application Summary, section H., Project Costs.
3. Failure to budget labor and associated costs based on either the Davis Bacon "Residential" or "Building" rates for the county, or mistakenly use the higher "NYS prevailing rates".
4. Failure to request technical assistance from the DHCR Davis Bacon office to set the Davis Bacon rate before submitting a HOME application.