

Barnstable County HOME Consortium
Homeownership Development Program Guidelines
July 2009

SECTION I. INTRODUCTION

Barnstable County through the Cape Cod Commission accepts applications on a rolling basis from non-profit organizations, housing authorities, municipalities and private entities interested in receiving HOME funds to assist them in undertaking the acquisition, rehabilitation, and/or construction of affordable housing to be sold to low income first-time homebuyers. Funding applications can be obtained on line via the Affordable Housing/HOME Consortium section of the Cape Cod Commission web site: www.capecodcommission.org, or by contacting Paul Ruchinkas- (508) 362-3828 or pruchinkas@capecodcommission.org.

SECTION II. PROGRAM GUIDELINES

Any application for HOME homeownership development funds must comply with, but will not be limited to, the program guidelines set forth below:

- The Consortium will not accept homeownership development funding applications for projects containing less than three (3) HOME assisted units, unless determined otherwise for good cause.
- The applicant must demonstrate evidence of site control at the time of application, either a signed purchase & sale agreement, option, deed, designated developer award letter, etc. However, site control is not required for applications for housing buydown programs.
- Applicants should note that the minimum HOME expenditure is an average of \$1,000 per HOME assisted unit, while the maximum award is \$25,000- \$30,000 per HOME assisted unit or \$30,000- \$35,000 per HOME assisted unit for Community Housing Development Organization (CHDO) sponsored projects.
- No single funding award, unless determined otherwise for good cause by the Consortium, will exceed \$150,000 unless it is a CHDO sponsored project in which case the project maximum is \$175,000 (see chart on next page).
- Please note that HUD requires sponsors of projects containing twelve (12) or more HOME assisted units to conform to all provisions of the Davis-Bacon Act.

	Per HOME-assisted Unit Funding Maximum	Maximum Project Funding Limit
Non-CHDO Project- Score of Less Than 85 Points	\$25,000	\$125,000
Non-CHDO Project- Score of 85 Points or More	\$30,000	\$150,000
CHDO Project- Score of Less Than 85 Points	\$30,000	\$150,000
CHDO Project- Score of 85 Points or More	\$35,000	\$175,000

Any applicant receiving HOME funds will be required to execute a Loan Agreement, Note, and Mortgage between the County and the Developer. Generally, awards will be provided in the form of a 0% Deferred Payment Loan (DPL). The DPL will be secured through a Promissory Note and Mortgage to be executed between the County and the borrower. The term of the mortgage will generally be for five years, and the full amount of the DPL will be repaid if the terms and conditions of the loan are violated.

As the HOME assisted units are sold to eligible first-time homebuyers, each deed will include a separately recorded affordable housing restriction that will govern the use and subsequent resale of the unit for a period of from 15-50 years, depending upon amount of funding award. The affordable housing restriction requires that the property serve as the purchaser's primary residence during the term of the restriction. The Consortium's policy is to use the MassHousing/Fannie Mae "universal" deed restriction in which affordability survives foreclosure. Upon receipt of evidence of sale to an eligible purchaser and recording of the deed restriction, the Consortium will execute a partial release for that unit/lot.

The obligation of the County to advance HOME funds is subject to the project's plan being approved by all federal, state, regional and local authorities having jurisdiction over the work, the issuance of building permits for the project and all other conditions set forth by the Consortium.

A. Eligible and Ineligible Property Types

Homeownership development funds may be used for the following types of properties:

- 1-3 family residence
- condominium unit
- cooperative unit
- manufactured home and lot

Properties included in an application may be located on a single site or on scattered sites. HOME assisted units are subject to the following maximum after rehab value limits as of

July 2009: \$362,790 for a single family unit; \$438,700 for a two-family unit; and \$533,000 for a three-family unit.

The Consortium anticipates that properties included in the application that are to be acquired and rehabilitated will have low acquisition costs due to the level of rehabilitation required to bring them into compliance with applicable code standards as well as those changes attributed to the project's design. All properties comprising the project must have an as-is and an as-completed appraisal included in the application or on file with the Consortium prior to the loan closing.

HUD regulations prohibit the use of homeownership development funds either for social services or for commercial initiatives. HOME can fund a mixed use project; however, HOME funds can only be applied to the affordable housing parts of such projects.

B. Eligible Costs

HOME homeownership development funds may be used to pay the following eligible costs:

1. Development Hard Costs. These include acquisition of property, site improvements, construction, rehabilitation, conversion and demolition.
2. Development Soft Costs. These include financing costs such as loan interest, permits, legal fees, property appraisals, credit and title costs, etc. Also included are engineering, architectural, or related professional services, project related audit costs, relocation costs, affirmative marketing, fair housing information, and developer fees and overhead.

HUD requirements specifically state that project soft costs must be "reasonable and necessary".

C. Ineligible Costs

Homeownership development funds may not be used for the following:

- Providing non-federal matching contributions required under any other federal program;
- Providing assistance to a project previously assisted with HOME funds during the established period of affordability except if the unit's affordability is in danger of being lost because of an impending foreclosure;
- Impact fees.

D. Developer Overhead and Profit

Developer overhead and profit shall not exceed 15% with 5% overhead and 10% profit as the generally acceptable maximums.

E. Property Standards; Design Guidelines; Accessibility

At a minimum, HOME assisted units involving rehabilitation must meet Section 8 Housing Quality Standards (HQS). Such units must also comply with local codes, ordinances, zoning standards and all applicable federal, state and regional standards. Please refer to the HOME Consortium Project Design Guidelines of September 2003 for more detailed information about unit and room sizes, etc. For new construction, adoption of visitability standards is strongly encouraged (contact Cape Organization for the Rights of the Disabled- 508-775-8300 or see <http://concretechange.home.mindspring.com>). In addition, HOME regulations require that homes must be made accessible upon the request of a prospective buyer if an expected occupant has a disability that requires accessibility features. Finally, attainment of the minimum Energy Star construction standards in new construction projects is also strongly encouraged.

F. Income Targeting

HUD regulations restrict use of homeownership development funds to be invested in dwelling units that are:

1. Occupied by households whose incomes do not exceed 80% of the median family income as determined by HUD, with adjustments for smaller and larger households at the time of occupancy or at the time funds are invested, whichever is later; or
2. The HOME assisted units are occupied by households having such incomes.

NOTE: HOME incomes are published annually by HUD and are available at the HOME Consortium section of the Commission's web site: www.capecodcommission.org.

G. Affordable Sales Prices

In order to provide a marketing window, the affordable sales prices must be set at a level no greater than that which a household earning 70% of the area median income could afford. Refer to the separate guidance document on the Commission web site that describes the methodology the Consortium uses to determine the affordable sales prices in a development.

H. Homebuyer Targeting- First Time Homebuyers

Homeownership funds are to be targeted to households who are considered first-time homebuyers. A first-time homebuyer is defined as follows:

- a. A household that has NOT owned a home during the THREE YEAR period immediately prior to purchase with HOME funds; or
- b. A single parent, where the individual owned a home with his or her partner or resided in a home owned by the partner and is a single parent (is unmarried or legally

separated from a spouse) and either has one or more children of whom the individual has custody or joint custody, or is pregnant; or

c. A displaced homemaker, an adult who has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family, and who while a homemaker owned a home with his or her partner or resided in a home owned by the partner; or

d. Households that owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations; and

e. Households that owned a property that was not in compliance with State, local, or model building codes and that cannot be brought into compliance for less than the cost of a permanent structure.

I. Long-Term Affordability and Resale Provisions

As stated previously, HOME assisted units will be deed restricted to ensure long-term affordability. Generally, the length of the term is as follows:

- 15 years for award below \$15,000;
- 20 years for award between \$15,000 to \$29,999;
- 30 years for award between \$30,000 to \$49,999;
- 40 years for award between \$50,000 to \$74,999;
- 50 years for award of \$75,000 or more.

All HOME assisted units will be required to execute a separately recorded affordable housing restriction. The Consortium's policy is to use the MassHousing/Fannie Mae "universal" deed restriction in which affordability survives foreclosure.

J. Resident Selection

Applications for HOME funds should include a description of the process that will be used to select first-time homebuyers. In general, the Consortium will insist, at a minimum, that such a plan includes use of a lottery. Please note that the buyer selection plan cannot have the effect of excluding non-residents from a project. The Consortium may consider establishment of a local preference that is consistent with the state's Local Initiative Program and includes an affirmative outreach plan. Should a local residency preference be included in the selection process, the Consortium requires that the lottery be conducted according to DHCD's Local Initiative Program guidelines, including those for minority participation.

K. Consortium Funding Priorities and Scoring

The Consortium has established the following scoring system to reflect its funding priorities and those contained in the 2005- 2009 Consolidated Plan. Applications for HOME funds need to score at least 50 points to meet the threshold requirement for further consideration of the funding request. Projects that score 85 points or higher are eligible for an additional \$5,000 per unit, up to an additional \$25,000 per project.

In addition, the following scoring system will be used to assist the Consortium in making decisions among worthwhile requests if there are not sufficient resources available to fund all requests:

THRESHOLD SCORING SYSTEM

- 1. Rental- 10; Ownership- 5
- 2. Rehab/redevelopment- 20; New Construction- 10
- 3. Achieves certified Energy Star HERS index of 85 or less- 10
- 4. % Project Affordability- 26-33%- 5
 34-50%- 10
 51-75%- 15
 76%+- 20
- 5. Income targeting- affordable units-

Household Incomes Targeted	Up to 15%- affordable units	16-25% of affordable units	26-50% of affordable units	51-75% of affordable units	76%+ of affordable units
0-30%	6	9	12	15	20
31-50%	2	4	6	8	10
51-80%	1	2	3	4	5

- 6. % units handicapped accessible- at least 5%- 5
 at least 10%- 10
 at least 15%- 15
 at least 20%- 20
- 7. % units visitable- at least 20%- 4
 21-40%- 6
 41-70%- 8
 71%+- 10

8. Inclusion of Minority/Women's Business Enterprise (MBE/WBE) members on the development team- 5
9. Project's wastewater is tied to sewer, local package system, or employs alternate denitrifying system that exceeds Title V standards- 10
10. Project involves permanent displacement of income eligible households- (- 10)
11. Total development costs per unit- less than \$175,000- 5
 - \$175,000- \$199,999- 4
 - \$200,000-\$224,999- 3
 - \$225,000- \$249,999- 2
 - \$250,000+- 1
12. Total development costs per square foot (sf)- less than \$175/sf- 5
 - \$175- \$199/sf- 4
 - \$200- \$224/sf- 3
 - \$225- \$249/sf- 2
 - \$250+/sf- 1

MINIMUM POINTS NEEDED TO CONSIDER FUNDING: 50

L. HOME Statutory Requirements and HUD Regulations

A number of federal regulatory requirements apply to the use of HOME program funds. A brief summary of the requirements is as follows:

Environmental Review: Prior to committing HOME funds to any project, a site specific checklist must be completed. This checklist will indicate whether any additional measures need to be taken in order to comply with the requirements of the National Environmental Policy Act of 1969 and implementing regulations at 24 CFR 92.352. Note that no construction activity can occur on site until the environmental review has been completed and HUD has formally released HOME funds for the project.

Uniform Relocation Act: HOME projects are subject to relocation requirements under the Uniform Relocation Act (URA) of 1970 and implementing regulations at 24 CFR 92.353. URA requirements are initiated whenever displacement occurs as a direct result of rehabilitation, demolition, or acquisition of a HOME-assisted project.

If Community Development Block Grant funds are used in conjunction with HOME funds, Section 104 (d) requirements must be initiated if displacement occurs as a result of demolition or conversion.

Affirmative Marketing: To be considered for HOME funding, all applicants are required to include policies and procedures for the affirmative marketing of housing opportunities for projects with five or more units.

Equal Opportunity: All applicants will need to demonstrate that they have policies and procedures that assure that minority business and women's business enterprises have an equal opportunity to compete for contracts and subcontracts as sources of supplies, equipment, construction, and services.

Site and Neighborhood Standards: All units assisted with HOME funds must promote greater choice of housing opportunities. Specifically, HOME-assisted units must facilitate and further compliance with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Section 3 of the Housing and Urban Development Act and Executive Order 11063. The applicant must demonstrate that their project promotes greater choice of housing opportunities and avoids undue concentration of assisted persons in areas containing a high proportion of low-income and/or minority households.

Other Regulations: The HOME program also requires conformance with other important regulations including the Davis-Bacon Act (applies to projects with 12 or more HOME-assisted units), historic preservation statutes, and lead-based paint poisoning prevention requirements.

SECTION III. EVALUATION CRITERIA

Applications for HOME funding will be evaluated on the following criteria that will be weighted equally.

1. Experience of the Applicant and of Development Team Members.
2. Financial Strength - Adequacy to Carry Out Project - Project Feasibility.
3. Responsiveness of Proposal to Program Guidelines and Funding Application.

Decisions on funding requests are made by the Barnstable County HOME Consortium Advisory Council, a 17 member body with representation from each of the Cape's fifteen communities. The Council meets monthly, typically on the third Thursday of each month.

SECTION IV. SUBMITTAL REQUIREMENTS AND OTHER INFORMATION

Applications (2 copies) are to be mailed or hand delivered to the Cape Cod Commission's office, located at 3225 Main Street, PO Box 226, Barnstable, MA 02630. Please note that one copy of a completed One Stop application may be submitted in lieu of the Consortium's application; however, Section 5- Threshold Scoring System- of the Consortium's application must be submitted along with the One Stop.

The Commission reserves the right to seek additional information from any and all applicants, to select finalists and to schedule interviews.

The Commission reserves the right to reject any and all applications; to waive any requirements of this application format, to waive any minor informalities in applications; to modify or amend, with the consent of the respective firm, any application, if otherwise permitted by law; and to effect any agreement deemed by the Commission to be in its best interest.

Applicants are encouraged to contact Consortium staff prior to submitting an application. Technical questions about this application for HOME rental development funds should be directed to Paul Ruchinkas, Affordable Housing Specialist at the Commission: (508) 362-3828 (p); (508) 362-3136 (f); e-mail- pruchinkas@capecodcommission.org.

We look forward to your application for HOME homeownership development funds from the Barnstable County HOME Consortium.