

**Barnstable County HOME Consortium
Rental Housing 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 development of affordable rental units for families and individuals of very low and low-income. 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 rental housing funds must comply with, but will not be limited to, the program guidelines set forth below:

- The Consortium will not accept rental housing funding applications for projects containing less than three (3) HOME assisted units, unless determined otherwise for good cause.
- The applicant must demonstrate site control, either with a signed Purchase & Sale agreement or some other comparable evidence of site control at the time of application.
- 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

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 range from 15 to 50 years (depending on award amount) with no interest and no monthly payments. The full amount of the DPL will be repaid if the property is sold, transferred or otherwise encumbered during the term of the mortgage or if the terms and conditions of the loan are violated.

For projects receiving federal or state Low Income Housing Tax Credits, the interest rate on the Note and Mortgage will be the applicable tax credit interest rate at the time of closing. The obligation of the County to advance the proceeds under the DPL is subject to the project's plan being approved by all federal, state, regional and local authorities having jurisdiction over the work and the issuance of building permits for the project.

In addition to the Loan Agreement, an Affordable Housing Restriction must be executed between the County and the Borrower. The Affordable Housing Restriction is recorded with the HOME Mortgage and maintains the affordability of the HOME assisted units for the term of the HOME Mortgage. Please note that refinancing senior debt will not remove the affordability restrictions assigned to a HOME assisted project.

A. Eligible and Ineligible Property Types

HUD regulations permit HOME rental housing development funds to be used for the following types of properties:

One or more buildings on a single site that are under common ownership, management, and financing.

Scattered-site properties, as long as the sites are under common ownership, management, and financing, and receive HOME assistance as part of a single project.

HUD regulations prohibit the use of HOME rental housing 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 rental housing 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

HOME rental housing development funds may not be used for the following:

- Initial operating reserves for moderate rehabilitation projects;
- Impact fees;
- 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;
- Project-based rental assistance.

D. Developer Overhead and Profit/Debt Service Coverage

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

In addition, the project must show a minimum debt service coverage of 1.15 in year one and thereafter.

E. Property Standards/Accessibility

At a minimum, all rental housing projects funded through HOME must meet Section 8 Housing Quality Standards (HQS). Rental housing properties must also comply with local codes, ordinances, zoning standards and all applicable federal, state and regional standards.

For new construction of five or more rental units, a minimum of 5 percent of the dwelling units in the project (but no less than one unit) must be accessible to and usable by persons with disabilities.

An additional 2 percent of the dwelling units (but at a minimum no less than one unit) must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments).

The requirements in the preceding paragraphs also apply to substantial rehabilitation of projects of 15 dwelling units or more.

F. Design Guidelines

Please refer to the HOME Consortium Project Design guidelines of September 2003 on the web site for more specific information about unit and room sizes, etc. For new construction, adoption of visitability standards is strongly encouraged (contact the Cape Organization for the Rights of the Disabled- 508- 775-8300 or see <http://concretechange.home.mindspring.com>). In addition, attainment of the minimum Energy Star construction standards on new construction projects is strongly encouraged.

G. Income Targeting

1. 100% of HOME funds are invested in dwelling units that are occupied by households whose annual incomes do not exceed 60% of the area 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 dwelling unit assisted with such funds are occupied by families having such incomes.

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

H. Rents

HUD regulations for HOME rental housing projects establish two ceilings on the rents that may be charged by owners of HOME-assisted rental units:

1. High HOME Rents: Up to 80% of the HOME-assisted units in a rental housing project of five units or more must have a rental rate that is the lesser of either:
 - a. The HOME Program Fair Market Rent (FMR) for existing rental units, minus the monthly utility allowance (if utilities are tenant paid), or
 - b. A rental rate that does not exceed 30% of adjusted income for individuals or households whose income equals 65% of median income, as determined by HUD, with adjustments for bedrooms in unit, and minus the monthly HOME program utility allowance (if utilities are tenant paid).

For projects that use Section 8 mobile certificate rental assistance, the maximum HOME rent is the High HOME rent or the Section 8 FMR, whichever is less.

2. **Low Home Rents:** At a minimum, 20% of the HOME-assisted units in a rental housing project of five units or more must have a rental rate not greater than 30% of the gross income of an individual or family whose income equals 50% of median income, as determined by HUD, with adjustment for smaller and larger families, and minus the monthly HOME program utility allowance (if utilities are tenant paid).

In those instances where the project receives State or Federal project-based rental subsidies, the HOME rent is the rent allowable under the Federal or State project-based rental subsidy program.

3. The rents for HOME assisted Single Room Occupancy units cannot exceed 75% of the HOME FMR for a zero bedroom unit. Please note that #2 of above applies to HOME assisted SRO's.

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

I. Long-Term Affordability and Monitoring

All HOME-funded rental housing units must contain long-term affordability restrictions. The length of the restrictions are dependent on the amount of assistance received. Generally, units receiving assistance under the rental development program are subject to the following restrictions:

- 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 of \$50,000 to \$74,999;
- 50 years for award of \$75,000 or more.

After the first year and on an annual basis thereafter, applicants receiving HOME rental housing funds must recertify tenant income, rent, and utility allowances and present their findings to the Cape Cod Commission, or its designee. If, through the annual recertification process, it is determined that the rent and income targeting requirements have not been met, HUD regulations require that procedures be implemented to recapture the full amount of the HOME subsidy.

In addition, every 1-3 years, depending upon project size, the Commission will conduct HQS property inspections along with site monitoring visits to review for compliance in the areas of tenants' income and rents, lease terms, and resident selection policies.

J. Resident Selection

Applications for HOME funds should include a description of the process and policies that will be used to select tenants. At a minimum, such policies must give reasonable consideration to the needs of households that are considered to have a preference under the former federal housing hardship standards, that are reasonably related to the ability of the tenants' to perform the obligations of the lease, and that cannot have the effect of excluding non-residents from a project. The Consortium may consider establishment of a local residency 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 complete 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 rental development funds from the Barnstable County HOME Consortium.