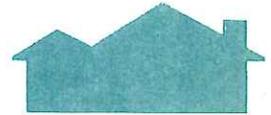




# BARNSTABLE COUNTY HOME CONSORTIUM

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TO: Advisory Council  
FROM: Paul Ruchinskas PR  
RE: Rental Guidelines/Funding Levels/Scoring System  
DATE: August 8, 2012

Per the request of Council members at the July 19, 2012 meeting, the development project review subcommittee met to review our rental housing guidelines- particularly our funding levels and scoring system. The subcommittee recommends the following changes:

- Eliminate additional funding levels for non-profit Community Housing Development Organization (CHDO) projects that has been in place since 2007. Subcommittee members felt that funding levels should be determined by the quality of the project/how it scored rather than by who the applicant was.
- Funding levels of \$30,000 per unit up to a project maximum of \$150,000 for projects below the scoring limit and \$35,000 per unit up to a project maximum of \$175,000 for projects that meet/exceed the scoring limit. Subcommittee members discussed setting the higher limit at 40K per unit and 200K per project- including setting that limit for smaller projects and ones that do not need DHCD funding and come in on a rolling basis; however, because of the decrease in funding we will have for the foreseeable future, members recommend keeping the current limits as we have the flexibility (under the "unless determined otherwise for good cause" phrase) to go higher should a particular project warrant it. In effect, we are increasing the funding limits for non-CHDO projects.
- Scoring changes:
  - 1) As we are only funding rental projects currently, eliminate the rental/ownership points;
  - 2) Because the state building code will effectively mandate energy efficiency at Energy Star levels, eliminate that criteria and replace with LEED eligibility;
  - 3) Add a new category for local support of funds and/or land;
  - 4) Add a new category for projects with more 2+ bedroom units;
  - 5) Increase points for redevelopment to 30 as accessibility and visit-ability points are much easier to attain in new construction; and
  - 6) Increase minimum points needed to qualify for funding from 55 to 70



**Note:** items 5) and 6) were not discussed by the committee; I added them after reviewing prior project scores\* and trying to determine what our new minimum and added \$ threshold should be if scoring recommendations were adopted. The 55 point minimum was adopted in part to accommodate homeownership buy-down project requests. Should all the above scoring changes be adopted, then I would recommend keeping 90 points (even with the loss of 20 points for simply being a rental project) as the score needed to qualify for additional \$.

\* Scores of recently funded projects since adoption of extra \$ for higher scores:

Rock Harbor- Orleans- 91  
Stage Coach- Barnstable- 103  
Community Green- Sandwich- 100  
Great Cove- Mashpee- 112  
Schoolhouse Green- Falmouth- 108  
Simpkins School- Yarmouth- 104  
Clay Pond- Bourne- 103  
Cromwell Court- Barnstable- 85  
83 Shank Painter Road- Provincetown- 110  
Village Green- Barnstable- 81  
Sally's Way- Truro- 84  
Province Landing- Provincetown- 97  
20 Shore Street- Falmouth- 89

- Add Good Standing to our evaluation criteria.

On the following pages are the current Rental Guidelines with the recommended changes noted with ~~strikethrough~~ and **bold** along with a few other technical changes. As the next DHCD funding round is set for October 12<sup>th</sup>, we need to vote on these at the August meeting so that I can have them available for applicants by the end of August when DHCD will have made its decisions as to which of the projects that submitted pre-applications will be allowed to apply in October.

**Barnstable County HOME Consortium  
Rental Housing Development Program Guidelines  
February ~~1~~ August 16, 2012**

**SECTION I. INTRODUCTION**

Applications 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 are welcome. The HOME Consortium has adopted the following funding application policy for FFY ~~2011~~ 2012 (through June 30, ~~2012~~-2013):

**1) Projects Not Requiring DHCD/State Funding Round Application:**

**Applications Accepted on a Rolling Basis**

**2) Projects That Need DHCD/State Funding and That Will Apply in a DHCD Funding Round:**

**Applications Due: ~~February 10~~ October 12, 2012**

Funding applications can be obtained on line via the Affordable Housing/HOME Consortium section of the Cape Cod Commission web site:

[www.capecodcommission.org](http://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 \$1,000 per HOME assisted unit, while the maximum award is \$25,000- \$30,000 per HOME assisted unit **for projects scoring less than 90 points** or \$30,000- \$35,000 per HOME assisted unit **for projects scoring 90 points or more.** 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 for projects scoring less than 90 points and \$175,000 for projects scoring 90 points or more** (see chart below).
- 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 90 Points	\$25,000	\$125,000
Non-CHDO Project- Score of 90 Points or More	\$30,000	\$150,000
CHDO Project- Score of Less Than 90 Points	\$30,000	\$150,000
CHDO Project- Score of 90 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 DPL will be forty (40) years with zero interest and no monthly payment. During the final year of the loan, the borrower may request an extension of up to forty (40) years in order to preserve the affordability of the housing. During the term of the Affordable Housing Restriction, the affordability requirements will remain in effect regardless of a transfer occurring during its term or whether the loan is repaid. 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, if necessary for tax credit underwriting purposes, the interest rate on the Note and Mortgage will generally be the Applicable Federal 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 at least 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". The Consortium generally will require additional documentation and justification from the applicant when soft costs exceed 15% of total development costs.

### **C. Ineligible Costs**

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

- Initial operating reserves;
- 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 visit-ability standards is strongly encouraged (contact the Cape Organization for Rights of the Disabled- 508- 775- 8300 or see <http://concretechange.org>.)

In addition, attainment of the minimum Energy Star construction standards on new construction projects is strongly encouraged.

#### **G. Site and Neighborhood Standards**

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. The Consortium's 2010-2014 Consolidated Plan identified census tract 124 in Hyannis as an area with a concentration of minority and low income households.

Any new construction rental projects proposed in census tract 124 must satisfy the site selection criteria in CFR 983.57(e)(3) in order to be eligible for funding.

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.

## **H. Income Targeting**

1. 100% of HOME funds are invested in dwelling units that are initially 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](http://www.capecodcommission.org).

## **I. 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.

**For projects with fewer than 5 HOME-assisted units, all rents may be at the High HOME level.**

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](http://www.capecodcommission.org).

**J. Long-Term Affordability and Monitoring**

All HOME-funded rental housing units must contain long-term affordability restrictions. The restriction will include both a HOME period of affordability followed by a County period of affordability. The length of the County period of affordability will be dependent upon the amount of development project assistance received. Rental projects receiving assistance under the rental housing development program are subject to the following affordability restrictions:

Amount of HOME Project Funding	HOME period of affordability- years	County period of affordability- years	Total period of affordability- years
Less than \$50,000	20	20	40
\$50,000-\$99,999	20	30	50
\$100,000-\$149,999	20	50	70
\$150,000 or more	20	79 or longest period allowed by law to achieve perpetuity	99 or longest period allowed by law for perpetuity

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 Consortium, 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 that could result in the recapture of the full amount of the HOME project subsidy.

Every 1-3 years, depending upon project size, the Consortium 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.

Finally, the Consortium will require annual project income/expense reports and/or audits in order to assess the project's financial health.

### **K. Affirmative Marketing and Resident Selection**

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. In general, those policies and procedures should be comparable to those required by DHCD's Affirmative Fair Housing Marketing Plan guidelines.

Resident Selection: Applications for HOME funds should also 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.

### **L. Consortium Funding Priorities and Scoring**

The Consortium has established the following scoring system to reflect its funding priorities and those contained in the 2010- 2014 Consolidated Plan. Applications for HOME funds need to score at least 55 70 points to meet the threshold requirement for further consideration of the funding request. Projects that score 90 points or higher are eligible for an additional \$5,000 per unit, up to an additional \$25,000 per project (see chart on p. 2).

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:



12. At Least 15% of the Units Targeted To Serve **Homeless Individuals or Families**, Special Needs Groups, and/or Persons with Disabilities- 10
13. Inclusion of certified Minority/Women's Business Enterprise (MBE/WBE) members on the development team (maximum of 5 points):
  - Project sponsor, general contractor, and/or management agent- 5
  - Architect, attorney, development consultant, syndicator- 2
14. Project involves permanent displacement of income eligible households- (-10)
15. 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
16. Total development costs per gross square feet (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: 55-70**

**MAXIMUM POINTS: 159-169**

### **M. 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 physical 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.

Equal Opportunity and Section 3: 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.

In addition, all applicants of awards of \$100,000 or more will need to develop a Section 3 plan that provides that to the maximum extent feasible that low income residents and low income businesses will have opportunities to work at or provide supplies or services to the project that is being funded.

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:

1. Experience of the Applicant and of Development Team Members in Projects of Similar Size and Type.
2. Financial Strength of the Applicant to Adequately Carry Out the Project and the Project's Financial Feasibility.
3. Readiness to Proceed and Ability to Close on and Expend HOME Funds Within 12 Months of Award.
4. **The applicant is in Good Standing with respect to prior HOME Consortium funding awards, including but not limited to having no unresolved Findings from annual project monitoring reviews.**
- ~~4~~ 5. Project Score.

While the above are the primary criteria, the Consortium reserves the right to consider other factors- geographic balance, population served, etc.- in making its funding awards. 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**

**One copy of the application is** Applications (~~2 copies~~) are to be mailed, e-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- including Exhibits- 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 Consortium reserves the right to seek additional information from any and all applicants, to select finalists and to schedule interviews.

The Consortium 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 Consortium 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.