# Multi-family Rental
# And
# Homeownership Development Guide
# City of Visalia

# 2014

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# Article II. Purpose

Visalia is a participating jurisdiction (PJ), where the use of U. S. Department of Housing and Urban Development (HUD) funding is received directly through the federal government, rather than through the County of Tulare or State of California.

These policies and procedures were written to assist staff with reviewing and underwriting projects, evaluating the development and fiscal capacity of developers and ensuring that there is adequate need for projects based on neighborhood market conditions. These policies were developed with the use of HUD guidelines and other resources, which assisted in preparation of this guidance, which should be referred to for additional details of regulations and procedures. CPD Notices, HOME fire notices and other helpful tools are also recommended reviewing material.

Before committing funds to a project, the City will evaluate the project in accordance with HOME regulations and guidelines that it has adopted for this purpose and will not invest any additional HOME funds, in combination with other governmental assistance, than is necessary to provide affordable housing.

It is the intent to work with local developers and non-profit agencies, including the City's certified CHDO in providing affordable rental and homeownership housing for Visalia residents.

These policies and procedures were updated for the City's projects with its Community Housing Development Organization (CHDO) Developer homeownership projects. The City has and will continue to conduct underwriting and subsidy review of CHDO homeownership projects. The analysis is documented, reviewed and approved by memo, which acknowledges the sources, uses, property, costs, market and reasonableness in order to move forward with the purchase, rehabilitation and resell of individual properties. The guide includes Home-assisted projects by which a Developer (CHDO) seeks to acquire, develop or rehabilitate and sell units to qualifying homebuyers, whether a scattered site or within a designated subdivision or target area, if applicable.

If the down payment assistance is linked to a development project or is geographically targeted, it will be administered by the nonprofit developer for use by the eligible borrower. The City's Loan Agreement will outline the down payment/closing cost assistance loan terms, eligibility requirements for the borrower and loan amount.

For HOME-funded direct homebuyer assistance that is not part of a HOME-funded development activity and HOME-funded homeowner rehabilitation activities have separate policies and procedures and are not part of this policy and not included herein.

The guide includes resources related to eligible uses of HOME funds, HOME requirements, project underwriting, examining market conditions, and what documentation is required from a Developer, such as marketing, intakes/applications process and samples, income certifications, leasing and other related requirements.

# Article III. Definitions

**Accessibility** - Section 504 of the Rehabilitation Act of 1973 (24 CFR 8), the Americans with Disabilities Act, State and City Code and/or other local requirements.

**Acquisition Costs:** means costs directly related to acquiring title in fee simple absolute to a Developer property, including the purchase price, due diligence costs, and title and escrow costs. (pertains to CHDO homeownership project definitions)

**Affirmative Marketing** - Direct marketing efforts or outreach to those populations, which may need special consideration in regards to receiving HOME funded services, housing, or economic opportunities, without regard to race, color, national origin, sex, religion, familial status or disability. Procurement activities must encourage the use of minority and women-owned businesses consistent with 24 CFR Part 92 §351. Multi-family projects (five or more units) are required to practice affirmative marketing in advertising vacancies per the Fair Housing Act 42 USC 3601.

**Affordability period (§92.252(e), §92.254(a)(4)):** All HOME-assisted rental and homebuyer projects are subject to an affordability period, depending on the type and amount of investment. As a part of the underwriting process for rental projects, a PJ must ensure that projects will remain financially viable and the assisted units will meet the property standards and affordability requirements for not less than the applicable affordability period, beginning at project completion.

**Agreement**: An agreement entered into by Grantee and Developer for the purpose of funding and carrying out HOME-eligible project.

**Appraised Value –** The value the property should sell for in the marketplace, as estimated by a professional appraiser. Appraised Value further means the value of a property established through an appraisal that is: (i) made in conformity with the appraisal requirements of the Uniform Relocation Authority Act (49 CFR 24.103) and, (ii) completed within five (5) business days of the final offer made for the property.

**Capitalization Rate (Cap Rate)** - A measure of the return on investment used by appraisers, property developers and/or lenders. It is the market cash flow rate of return available on an investment into real estate, as a result of owning and operating a property

**Capture Rate**. Also known as "The share of renter households seeking housing of that type, in that location, and at that price range, that need to be "captured" (i.e., leased) by the proposed property in order for it to succeed. For example, a capture rate of 5 percent would indicate that 5 percent of the potential, eligible renters in that market would need to become tenants". (HOME and Low Income Housing Tax Credit Guidebook)

**Cash Flow** – Cash available for the property owner after vacancy, expenses, and debt service payment have been deducted from gross income.

**Community Housing Development Organization (CHDO)** - A private non-profit 501(c)(3) organization which meets a variety of criteria, including having among its purposes the provision of decent, safe and sanitary housing that is affordable to low-income individuals, as evidenced in its charter, articles of incorporation, resolutions or by-laws. A CHDO must include low-income residents on its board, as well as in an advisory capacity. Other criteria are outlined in the HOME 24 CFR Part 92. The pre-2013 Rule requires that a nonprofit organization, in order to qualify as a CHDO, must be organized under the Internal Revenue Code of 1986 (IRC) at 501(c) (3) or 501(c) (4). The 2013 Rule expands this definition to include:

(1) a subordinate of a central organization under IRC 905 (this was previously permitted in practice, but is now codified); or

(2) a wholly-owned entity that is regarded as an entity separate from its owner for tax purposes (e.g., a single member limited liability company that is wholly-owned by an organization that qualifies as tax-exempt), when the owner organization has a tax exemption ruling from the IRS under section 501(c)(3) or 501(c)(4) of the IRC. The nonprofit must meet the other qualifying criteria outlined in the CHDO definition. (HUD)

The type of CHDO must also be determined. There are three types of CHDO's as defined by the 2013 HUD HOME Final Rule as follows:

> CHDO "Owner" – As defined at §92.300(a) (2) The CHDO is required to own (in fee simple absolute or long-term ground lease) multifamily or single family housing that is rented to low-income families, in accordance with §92.252. The CHDO must own the HOME project during development and throughout the period of affordability, and is required to oversee all aspects of the development process. At a minimum, the CHDO can own the property and hire a project manager or contract with a development contractor to oversee all aspects of the development. Under the 2013 Rule at §92.300(a) (2), a CHDO is also permitted to acquire housing that is in standard condition (and meets the property standards at §92.251) provided it owns the housing throughout the affordability period. (HUD).

CHDO “Developer”- A CHDO that is a “developer” of rental housing is defined at §92.300(a) (3). The CHDO is the owner (in fee simple absolute or long-term ground lease) and developer of the project and must be in sole charge of all aspects of the development process, including obtaining zoning, securing non-HOME funds, selecting contractors, overseeing the progress of work, and determining reasonableness of costs. The CHDO must own the HOME-assisted housing during the development process and throughout the period of affordability. (HUD)

CHDO “Sponsor” The 2013 Rule provides two definitions of a “sponsor” of HOME-assisted rental housing:

HOME 24 CFR 92.300 (a) (4) clarifies the requirement for CHDO’s to maintain effective project control when acting as “sponsor” of rental housing. A CHDO “sponsors” rental housing when the property is “owned” or “developed” by:

- A subsidiary of the CHDO (in which case the subsidiary, which may be a for-profit or nonprofit organization, must be wholly owned by the CHDO);
- A limited partnership (in which the CHDO or its wholly owned subsidiary must be the sole general partner); or
- A limited liability company (in which the CHDO or its wholly owned subsidiary must be the sole managing member).

If the limited partnership or limited liability company agreement permits the CHDO to be removed as sole general partner or sole managing member, respectively, the agreement must require that the removal be “for cause” and that the CHDO must be replaced by another CHDO. In addition, HOME funds must be provided to the entity that owns the project.

HOME 24 CFR 92.300 (a) (5) codifies the pre-2013 Rule definition of “sponsor.” States, that a CHDO “sponsors” HOME-assisted rental housing in situations in which the CHDO owns and develops the housing and agrees to convey the housing to a private nonprofit organization (that does not need to be a CHDO but cannot be created by a governmental entity) at a predetermined time after completion of the project development.

Such arrangements typically occur when a CHDO has development expertise and the nonprofit organization has the capacity to own and operate the housing. The CHDO is required to own the property before the development phase of the project and is required to select the nonprofit organization before entering into an agreement with the City that commits HOME funds to the project. The nonprofit organization assumes the CHDO’s HOME obligation (including any repayment of loans) for the project. If the property is not transferred to the nonprofit organization, the CHDO sponsor remains liable for the HOME assistance and the HOME project. (HUD)

To qualify as a CHDO, the City Staff, responsible for administering the HOME Program, must; certify the CHDO, each time it commits funds to a specific project as per 24 CFR 92.300 (a), that a non-profit meets the definition of "community housing development organization", document that the organization has the capacity to own, develop, or sponsor housing (as required by the revised definition of CHDO in §92.2). (HUD) A recommendation to certify the CHDO, with a specific project, will be presented to City Council for final approval/certification.

**Debt Coverage Ratio (DCR)** - A ratio of the project's Net Operating Income (NOI) divided by the debt service payment. DCR reflects the project's ability to repay its debt.

**Developer:** A HOME developer subject to a HOME Agreement funded by a HOME project

**Eligible Homebuyer (Purchaser)** means a person or family who (i) qualifies as Low Income (up to 80% ami), and as defined below, (ii) will occupy the renovated house as his primary residence, (iii) has completed a City of Visalia approved application, (iv) meets the applicable income requirements, and (v) has completed at least eight hours of pre-purchase counseling through a counseling agency certified by HUD.

**Grantee:** The City of Visalia, Entitlement, Participating Jurisdiction

**Homebuyer unit sale (§92.254(a)(3)):** For homebuyer development projects subject to the HOME Rule, if there is no ratified sales contract within nine months of the construction or rehabilitation completion, the ownership unit must be converted to HOME-assisted rental housing pursuant to §92.252. For homebuyer development projects subject to the 2012 or 2013 Appropriations requirements (P.L. 112-55) and (P.L. 113-6), there must be a ratified sales contract within six months of the construction or rehabilitation completion. As a component of the underwriting process, the City must carefully review the project development, market study and sales plan submitted by the Developer to ensure that there is sufficient demand for the homeowner units to meet these timelines.

**HOME deadlines:** The HOME program imposes several additional regulatory deadlines that may affect the underwriting process:

- **Acquisition/demolition (§92.2):** When reviewing the development and marketing plan submitted by the Developer, the City must ensure that any acquisition of standard housing will occur within six months of the contract or purchase agreement date, and construction is scheduled or reasonably can be expected to start within 12 months of the agreement date.
- **Project completion (§92.205 (e)(2), (§92.2):** The City must complete the projects within four years of the date funds are committed to the project. Therefore, the underwriting

analysis and project plan must ensure that funds are available and construction is scheduled within this timeframe.

**Homeownership –** ownership in a fee simple title.

**Leverage** – The ratio of total project dollars from other sources as compared with City HOME funds as compared to total project dollars from other sources. Leverage of public resources is the ratio of resources from government sources or programs to the resources from non-government sources.

**Loan-to-Value (LTV)** - The ratio of the debt on a property to the value of the property

**Low-Income Families** – means families whose annual incomes do not exceed 80 percent of the median area, as determined by HUD, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. An individual does not qualify as a low-income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612.

**Maximum per unit subsidy limits (§92.250):** The amount of HOME funds that a City may invest on a per-unit basis in affordable housing may never exceed the per unit dollar limits for elevator-type projects that apply to the area in which the housing is located. For information on maximum per unit subsidy limits, see CPD Notice 15-003, or successor notices. These limits will vary by the number of bedrooms in a unit.

The maximum subsidy limits apply to all HOME-assisted units. Under no circumstances may the level of per unit HOME investment exceed the maximum subsidy limits; therefore, underwriting cannot be completed without knowledge of these limits. Also, §92.205(c) imposes a minimum subsidy of $1,000 per unit.

**Participating Jurisdiction (PJ):** means a jurisdiction (as defined in HOME regulation 24 CFR 92) that has been so designated by HUD in accordance with §92.105. The City of Visalia is a PJ.

**Project Budget:** The budget pro forma attached to a HOME Agreement showing projected development costs and funding for Developer's entire project.

**Project Development and Operating Budget:** A development sources-and-uses budget that includes all committed funding along with all acquisition, construction and soft costs for a particular property (project) along with a cash flow projection for rental operations over a period indicated by HOME Regulations. The Developer must submit this budget to the Grantee prior to committing to a project.

**Project Funding:** Any and all governmental and private funds, including Developer's cash, projected to be used to pay the costs to carry out the project, up to the point of the completion of construction and or rehabilitation and rent-up for rental projects or resell of a homeownership property.

**Project Property Budget:** means the budget pro forma attached to a HOME Agreement showing projected acquisition, rehabilitation or new construction costs and funding for the Developer's property.

**Property:** A property that will be constructed, and or rehabilitated pursuant to Developer's agreement with Grantee.

**Qualifying Single-Family Property**: means a single family residence that: (i) is vacant, including infill lots requiring new construction or reconstruction of a single family dwelling that can begin construction within 12 months of commitment of funds; (ii) has been determined by the City to be in need of reconstruction, which can begin within 12 months of commitment of funds; (iii) has been foreclosed and is owned by the foreclosing entity; (iv) is a voluntary sale by current owner; (v) has been determined by the City to be in need of renovation; (vi) can be acquired with HOME funds by December 31, 2016, or later if mutually agreed upon by City and the Developer in memo written form, and fully rehabilitated with an after rehab value not exceeding the current 95% figures, (vii) has a total estimated cost that is reasonable; and (viii) can reasonably be expected to be completed or rehabilitated and resold in no event later than nine months after a notice of completion has been provided for a newly constructed property or rehabilitation has been completed.

**Qualifying Purchase Price:** means the price that can be paid to acquire title in fee simple absolute to the Developer property when proceeds from a loan of HOME funds are used to finance such acquisition. The Qualifying Purchase Price is the price that: (i) is equal to or less than the appraised value, and (ii) meets the requirements of HOME funds including URA requirements (49 CFR 24.103).

**Rehabilitation Costs:** means costs incurred to rehabilitate a Subject Property after its acquisition, including material and labor, permits and fees, holding costs and other soft costs.

**Rental Unit:** A dwelling unit in a development.

**Renter:** The renter of a HOME-assisted housing unit.

**Reservation of CHDO Funds:** §92.300(a)(1) redefines "reservation of funds" to a CHDO as occurring when a PJ enters into a written agreement with the CHDO committing HOME funds to a specific project to be owned, developed, or sponsored by the CHDO. This revision conforms to the revised definition of "commitment" at §92.2. A reservation requires a "commitment" of funds to a specific project, which is to be undertaken by a CHDO.

**Soft Costs"** means costs associated with the property acquired, more particularly, funds used to conduct an appraisal for acquisition and in preparation of resell, conduct flood elevation evaluation, to reduce the costs associated with maintain flood insurance by the homebuyer. Soft Costs must be reasonable and approved by the City prior to requesting services.

**Uniform Physical Condition Standards (UPCS):** means uniform national standards established by HUD pursuant to 24 CFR 5.703 for housing that is decent, safe, sanitary, and in good repair. Standards are established for inspectable items for each of the following areas: site, building exterior, building systems, dwelling units, and common areas. These standards are newly adopted for HOME rehabilitation, acquisition, and tenant-based rental assistance projects in accordance with revisions made to the property standards requirements at §92.251. In the near future, HUD will issue guidance on the specific inspectable elements of UPCS that will apply to HOME rehabilitated projects. These new requirements become effective on January 24, 2015 (18 months after the publication date of the Final Rule). (HUD).

**Very low-income families:** means low-income families whose annual incomes do not exceed 50 percent of the median family income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. An individual does not qualify as a very low-income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612.

# Article IV. Introduction

## Section 4.01 City Higher Degree of Oversight

Under the 2013 HOME Rule, HUD emphasizes the need to have a higher degree of oversight. The rule under 24 CFR 92.251 imposes requirements for the City to review and approve construction-related documents prior to construction, and to monitor construction progress. Additionally, the City must review and approve written cost estimates, construction contracts and construction documents.

Oversight also includes conducting construction initial, progress and final inspections to ensure that work is being completed in accordance with the applicable codes, the construction contract, and construction documents. Additionally, Developer shall provide a copy of the City's Building Inspection report reflecting approval. Qualified building staff will conduct inspections. This relates to existing homeownership housing in need of rehabilitation as well.

Once the project has been completed, the Developer shall provide the City with tenant selection information for rental projects as referenced herein below. Projects that are acquired, constructed, reconstructed or rehabilitated and resold, the Developer must also work with the City for the new homeowner eligibility and underwriting of a loan for its resell.

Financial oversight is also required during the affordability period as per 24 CFR 92.504. At least annually, the City must examine the financial condition of HOME-assisted rental projects with ten (10) or more HOME-assisted units, to determine the continued financial viability of the project. In relation to Homeownership projects, the City must also monitor loan repayments and ownership.

Monitoring of HOME-assisted units will be conducted during the affordability period and is referenced herein below.

## (a) City Council Approval

Once a draft or final contract has been developed, it will be placed on the agenda of the City Council. All projects and their accompanying contracts must be approved by the City Council.

Additionally, when Tax Credit projects are part of the funding, generally, a letter of support from the Council is requested as a threshold requirement.

If additional HOME funding for new projects is requested by a certified CHDO, and if available, must meet the needs identified in the 5 Year Consolidated and Annual Action Plan, and requires City Council approval. An agreement would be created or amended to reference such funding including its use.

## (b) Structured Multi-Family Project Loan

HOME project funding will be structured as construction and/or permanent loans that define terms of repayment. Loans will generally be structured, with an interest rate, with repayment through residual receipts or other terms negotiated between the City and Developer. Such financing may include terms for repaying the Grantee certain amounts of net cash flow after approved operating costs and debt service have been paid and the Developer has received a reasonable amount of net revenue. Additionally, if the property is sold or transferred or there is a default of terms, the loan shall become due and payable. For the Grantee (City of Visalia), any such payments will constitute program income.

### (i) Loan Amounts

Developers are to make a specific loan request to the City. The request should be the difference between:

(a) the Developer's equity plus commercially available debt or other capital contributions; and

(b) the project costs.

As a policy, the City desires to provide enough funding to each approved transaction to increase the availability of affordable units at approved standards without over-subsidizing the project or increasing the risk associated with too much leverage in a project.

The final loan amount will be determined during underwriting, and will reflect the amount needed to achieve sustainable affordability for the project. Loan requests may be adjusted up or down to achieve the minimum, for example ( 1.20X debt to income coverage ratio (net operating income before debt ÷ debt = 1.20)) required by underwriting guidelines.

### (ii) Security

Documents are required by the City and its attorneys including without limitation, a deed of trust, promissory note, financing statement, assignment of all contracts, leases and rents, and a recorded land use restriction agreement will be required for every loan. Also, land use restrictions running with the land will be recorded in higher priority than any first lien made by a commercial financial institution, and will remain in force despite bankruptcy, sale or other adverse action taken by any party against the property. Dependent upon the project receiving tax credits the loan may be considered for second position. Subordination agreements from or to existing lenders may be required.

### (iii) Legal

Once a contract has been developed, the City will request outside legal counsel to prepare the proper legal documents for the loan.

## (c) Structured Homeownership Development Project Loan

HOME project funding will be structured as a loan that defines the terms of repayment. The approved Developer shall use the HOME funds for the acquisition, construction, reconstruction and rehabilitation costs if an existing dwelling, for Qualified Single-Family Properties under the

Single-Family Project in a manner consistent with Section 92.206 of the HOME Regulations. Costs for acquisition, construction, reconstruction and rehabilitation shall only be for work approved by the City pursuant to the applicable HOME Regulations or later approved in writing by the City if a modification of the scope of work is necessary. The City will review and approve written cost estimates, construction and/or rehabilitation contracts, documents and any other Single-Family Project construction or rehabilitation plans (i.e. work write-ups and cost estimates).

For example, if a CHDO is acquiring an existing single family dwelling, to rehabilitate and resell, a Deed of Trust, Note and Loan Agreement is prepared with the detailed terms. Upon completion of the rehabilitation or construction, homeowners may require/need gap assistance therefore, additional eligibility of the borrower, including income, first mortgage qualifications and ability to repay through the underwriting policies will occur. Generally the transaction would be structured, with an interest rate, with repayment terms established by the City and Developer. Such financing may include terms for repaying the Grantee certain amounts of net cash flow after the owner has obtained a first mortgage loan. Additionally, if the property is sold or transferred or there is a default of terms, the loan shall become due and payable. For the Grantee (City of Visalia), any such payments will constitute program income.

### (i) Homeownership Loan Amounts

Developers are to make a specific loan request to the City. The request should include all costs associated with the transaction/project.

As a policy, the City desires to provide enough funding to each approved transaction to increase the availability of affordable homeownership opportunities at approved standards without over-subsidizing the project or increasing the risk associated with too much leverage in a project.

Upon finalizing projects costs for the Homeownership projects, the approved Developer may utilize up to 10% of the total acquisition & rehabilitation cost of the Qualifying Single-Family Property for down payment assistance. No additional funds will be provided. A Deed of Trust, Note, Truth In Lending and Affordability Covenant with "Recapture Provisions" shall be created by the City for the new homeowner for a term of thirty (30) years, at a simple interest rate of two-percent (2%) that starts accruing in year 11 of the term of assistance. The terms shall include deferred payments for the initial 10 years of the term of assistance and the loan shall be fully amortizing with monthly payments for years 11-30 of the term of assistance.

The Developer will transfer the Subject Project property to an Eligible Purchaser subject to the obligations of the Developer to the City which is contained in a Note and Deed of Trust between the Developer and City as required by an Agreement. City agrees to allow approved Developer to transfer those obligations to an Eligible Purchaser at the close of escrow on a Qualifying Single-Family Property. The Developer and City shall ensure that the Eligible Purchaser executes appropriate documentation necessary to preserve the period of affordability for the Subject Property as required by the HOME regulations.

### (ii) Homeownership Security

Documents are required by the City and its attorneys including without limitation, a deed of trust, promissory note, financing statement, assignment of all contracts, affordability covenant, recorded restriction agreement will be required for every loan. The affordability covenant will be recorded and will remain in force until paid in full, sale or other adverse action taken by any party against the property. The loan may be considered for second position. Subordination agreements from or to existing lenders may be required. Further details are within the policy and will be included within an agreement with the approved developer.

### (iii) Legal

Once a contract has been developed, the City will request outside legal counsel to prepare the proper legal documents for the loan.

# Section 4.02 HOME Regulations

HOME regulations that apply are located at 24 CFR 92. The City is a Participating Jurisdiction (PJ) and receives HOME funding directly from HUD. The City does not receive its annual allocation through the State of California nor the County. The HOME program was created under Title 11 of the National Affordable Housing Act of 1990.

HUD requires the City to “underwrite all HOME projects whether or not the projects are assisted with other governmental assistance. The subsidy layering and/or underwriting must demonstrate that it is not investing any more HOME funds, alone or in combination with other funds, than are necessary to provide quality, affordable, and financially viable housing for at least the duration of the affordability period. The subsidy layering and underwriting guidelines are located under 24 CFR 92.250 (b) (1), (2), and (3)” (HUD). These regulations may change from time to time, therefore it is recommended to review HUD’s HOME Program regulations website.

## (a) Allocation

The City receives a minimal amount of HOME funds on an annual basis. The Projects and Programs are determined through public participation through the 5-Year Consolidated Plan preparation. Priorities, High, Medium and Low are identified during the community participation period and during the preparation of the ConPlan. Additionally, through community input and City Council input, the needs are implemented through projects and programs. Needs are also identified in the Housing Element.

It is the City's goal to work with its local non-profits, CHDO's and developers to address these needs. Refer to the City's 5 –year Consolidated Plan, Action Plan and Amendments.

The City will review proposals presented by CHDO's, non-profits, developers and determine if the proposal meets the needs of the community, meets HUD requirements and available funding sources. The City has the option to send out a Request for Proposal (RFP), receive proposals and/or engage its local non-profits.

Note: Additional HOME funds may not be provided to the project after a one-year period. This is considered "double dipping" and is not allowed under HOME rules. In addition, if an existing project is being considered, if HOME funds were previously provided, the request for additional funds will be denied, due to the HOME rule.

## (b) Program Income

HOME Program Income will not be retained by the Developer.

## (c) Match

Projects must provide a minimum of 25% nonfederal (Match) financing. Regulation is found within regulation 24 CFR 92.218 through 24 CFR 92.222.

## (d) Eligible HOME Costs:

HOME funds may be utilized toward development costs, which include, but are not limited to the following:

- Hard Costs (examples) Specific regulation is 24 CFR 92. 206 (a)
  - Acquisition of land (for a specific project) and existing structures
  - Site preparations or improvement, including infrastructure
  - Rehabilitation, costs to meet the property standards for rehabilitation projects
  - Materials and labor
- Acquisition costs (example) Specific regulation 24 CFR 92.206 (c )
- Soft Costs (examples) 24 CFR 92.206 (d)
  - Appraisals
  - Architectural/engineering fees, including specifications and job progress
  - inspections
  - Environmental reviews
  - Builder or developer fees (based on a percentage of hard construction costs)

## (e)Project Deadlines

HOME funding requires that construction begin within 12 months of commitment. Also, under 24 CFR 92.205€ (2), the regulation states projects to be completed within four (4) years from the date the written agreement is executed (project commitment). Therefore the project must be completed prior to this timeline. The Developer timetable production schedule must reflect a completion date. Intermediate benchmarks, progress reports and appropriate enforcement mechanisms shall be part of the project agreement.

Although HUD HOME Investment Partnership funding has these timelines, additional requirements, such as commitment and expenditure deadlines, are applicable and may affect the terms of the HOME commitment and expenditures project timeline.

A rental project is considered complete when construction is completed and the units are ready for occupancy. The project must have all necessary title transfer requirements and construction work complete, a certification of occupancy, and comply with all HOME requirements, including property standards, and then final draw may be requested.

The Developer must submit beneficiary data in accordance with 24 CFR 92.502. The data must be submitted within 120 days of the final drawdown, the Developer must continue to submit documentation related to occupancy, within this period, and until all units are occupied.

Homeownership projects require resell to a new "owner occupant" buyer within nine months, of notice of occupancy or notice of completion. If a homeowner property is not sold, it must be rented and follow HOME Rental regulations.

## (f) Community Housing Development Organization (CHDO)

In relation to HOME CHDO funding, the City must reserve funds for projects owned, sponsored, or developed by Community Housing Development Organizations ("CHDOs"), a designation for non-profits specializing in housing development that meet specific HOME requirements. The required minimum CHDO set aside is 15 % of the City HOME allocation. These amounts may change, depending on loan payoffs and/or funds recovered from projects that do not move forward. Additionally, if CHDO funding is utilized by a certified CHDO through a separate type of program, the policies, procedures are made separate of this guiding document.

To be designated as a certified Community Housing Development Organization (CHDO), with the City of Visalia, along with an eligible, viable project, the non-profit must abide by HOME regulations under 24 CFR 92.300. The CHDO must have the capacity, demonstrating they have experienced and qualified staff to undertake the project. The CHDO must complete the CHDO checklist and submit their qualifications for the City to review. The City will make a determination that the CHDO either qualifies or does not qualify as a certified CHDO. If qualified, the CHDO certification will be presented to City Council along with the proposed project.

### (i) Community Housing Development Organization (CHDO) Pre Development Loans

Under HUD's HOME Rules, a Predevelopment loan may be provided to a Developer, of, no more than 10% of the total set aside reserved for the project. The City may consider a predevelopment loan, however, the authorized amount, will be incorporated into the total HOME loan commitment. The HOME Pre-development loan made may be modified to be included in (rolled into) the loan Agreement, Promissory Note, Deed of Trust and Regulatory Agreement, in the aggregate HOME amount approved for the project if the project moves forward.

The Pre-Development Loan will be made as a "Deferred Repayment Note" for a period of up to twenty-four (24) months. No interest shall accrue on the Pre-Development Loan. This is considered a "project-specific seed money loan", to cover preconstruction project costs that the City determines to be customary and reasonable, including, but not limited to the costs of obtaining firm construction loan commitments, architectural plans, drawings, and specifications, zoning approvals, engineering studies, and legal fees, and any fees allowed under the HOME regulation related to HOME/CHDO Predevelopment/Seed Money loan under 24 CFR 92.301 (b).

The Developer must repay the loan to the City from construction loan proceeds or other project income or it may be wrapped into the final HOME assistance project commitment as referenced above. The City may waive repayment of the pre-development loan, in whole or in part, if there are impediments to project development that the City determines are reasonably beyond the control of the CHDO.

If a waiver is considered, evidence, reasonably satisfactory to the City Manager, must be provided, indicating that there are objective impediments to the Project that are reasonably beyond the control of the Developer or Site, that causes the Project to be infeasible pursuant to 24 CFR 92.301 (b) (3)

In order for the City to consider providing a Pre-Development loan to the Developer, the following requirements apply:

- A NEPA document must have been completed with Grant Authority
- The Developer must have evidence of Site Control. This can be an option to purchase or sales contract or Deed.

- The Project Proposal must be submitted, as per the Multi-Family Development Policies
  - Includes preliminary financial commitments,
  - Capable development team
- The Developer is a certified CHDO with the City
- Documentation of Funding Sources and Detailed cost of Uses
- Costs must meet HOME regulations
- Documentation related to the costs associated with the requested Pre-Development Loan
  - If authorized, invoices and proof of payment must be submitted prior to payment of pre-development loan.
- The Project must be one that the City is in support of, and will be presented to the City Council for a Conditional or Firm Commitment of HOME funding
- Project must be submitted to Site Plan Review and complete the process with a "Revise and Proceed" status
- If Planning Commission is required, documentation shall be provided in relation to reason (i.e. Zoning Change, Conditional Use Permit, etc.), with a timeline of completing the process.

## (g)HOME Funds and Public Housing

The HOME regulations under 24 CFR 92.213, address the use of HOME funds with public housing funds. As per HUD's guidance, "These provisions are based on a longstanding legal interpretation of the three programs' authorizing statutes: the National Affordable Housing Act (HOME); section 24 of the Housing Act of 1937 (HOPE VI); and section 9 of the 1937 Act (public housing Capital and public housing Operating Funds). This provision clarifies existing policy. This section addresses three issues, the details of which are outlined below:

1. HOME funds cannot be used, alone or in combination with Capital Funds, for public housing units. HOME units cannot receive public housing Capital Fund or Operating Fund assistance.
2. HOME funds can, however, be used to develop a new unit that will serve as public housing, if that unit also receives HOPE VI funding and no Capital Funds (section 9) are used to develop the unit. Such a unit may receive Operating Fund assistance.
3. HOME funds may be used in a project that also contains public housing units, provided that HOME funds are not used in the public housing units and the HOME units are separately designated.
4. General rule prohibiting the use of HOME funds in public housing. §92.213(a) prohibits:
   i) the use of HOME funds for public housing modernization or operating assistance,
   ii) a HOME-assisted unit from receiving Operating Fund or Capital Fund assistance under section 9 of the Housing Act of 1937 during the period of affordability, and
   iii) the use of HOME funds for public housing units, whether funded under section 9 of the 1937 Act or another source." (HUD)

Additional requirements apply, therefore the HOME regulations must be referred to for the most recent and detailed requirements.

### (h) Faith Based Organizations

In reviewing proposals, the City will be sure that faith-based organizations receive equal consideration. It should be noted that HOME funds and activities must be separate, in terms of time and location, from explicitly religious activities. As per HUD's HOME regulation, under 24 CFR 92.257, provisions that govern the use of HOME funds by faith-based organizations have been revised to conform to 24 CFR 5.09, which provide guidance.

### (i) Minority and Women Owned Businesses

The City will take all necessary affirmative steps to assure that small minority firms, women owned business enterprises', and labor surplus area firms are used when possible.

Under Executive Orders 11625, 12432, and 12138, The City must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, in all contracts. (See 24 CFR 85.36(e).)

### (j) Debarred contractors:

HOME funds may not be used to directly or indirectly employ, award contracts to, or otherwise engage the services of any contractor or Subrecipient during any period of debarment, suspension, or placement of ineligibility status. PJs should check all contractors, subcontractors, lower-tier contractors, and subrecipients against the excluded parties list maintained on the Federal System for Award Management.

## Section 4.03 Development Standards

### (a) New Construction Standards

HUD requires new construction projects to meet State and local codes, ordinances, and zoning requirements, as referenced in 24 CFR 92.251 (a) (1) and (2). Additionally the project must meet the following additional standards:

a) Accessibility requirements as applicable, in accordance with Section 504 of the Rehabilitation Act, the Americans with Disabilities Act and the Fair Housing Act
b) Disaster mitigation standards, in accordance with Federal, State and local requirements or as established by HUD where they are needed to mitigate the risk of potential disasters (such as earthquakes, flooding)

c) Review and approval of written cost estimates, construction contracts and construction documents
d) Conduct construction progress and final inspections

## (b) Rehabilitation Standards

HUD also requires rehabilitation projects to meet standards, as referenced in 24 CFR 92.251 (b) which includes Health and safety, lead based paint, accessibility, disaster mitigation, state and local codes, ordinances and zoning requirements, construction documents and cost estimates, as referenced under regulations. Additional emphasis is made on regulation related to the useful life of major systems.

As per HUD regulations 24 CFR 92.251 (b) (1), under the HOME 2013 Final Rule, for rental housing, the City must estimate the remaining useful life of systems, based on age and current condition, and, to the extent that it is less than the period of affordability, the City must ensure, through underwriting, that a replacement reserve is established and annual payments to the replacement reserves are adequate to replace or repair major systems as needed.

HOME funds cannot be used to fund replacement reserves; however, larger HOME subsidies can be initially provided to reduce debt payments and overall operating expenses, making more operating revenue available to fund replacement reserves in relation to rental projects. This is not standard practice of the City, therefore would need to be negotiated by the Developer as well as meet all the HOME and HOME CHDO requirements under 24 CFR 92.208 (a), as well as 24 CFR 92.300(e ) and (f), where limitations are referenced and apply.

In relation to the requirements, the City will require the Developer to provide documentation either through a qualified third party, or other HUD approved party, of the estimated remaining useful life of major system with their proposal. Major systems include structural support, roofing, cladding, and weatherproofing (e.g. windows, doors, siding, gutters, plumbing, electrical and heating, ventilation, and air conditioning.) This must be provided with a capital needs assessment for projects with 26 or more units. If the remaining useful life is less than the affordability period, the City will require, as per HUD regulations, replacement reserve deposits to ensure that the project's major systems and physical needs can be adequately maintained and addressed throughout the affordability period. The City will review the documentation provided, research and utilize local, state and national best practice in regards to estimating labor and materials. RS Mean and/or Association of General Contractors (AGC) may also be utilized as a guide and comparison in costs and useful life.

In relation to homeownership projects, the Developer shall also review 24 CFR 92.251 (b) (1), specifically references that the City's standards must require upon project completion, each of the major systems to have a remaining useful life for a minimum of 5 years or for such longer period specified by the City, or the major systems must be rehabilitated or replaces as part of the rehabilitation work.

The City and Developer shall refer to HUD's HOME Regulations, State and Local Building Code for the most recent requirements for both rental and homeownership projects.

# Section 4.04 Other HOME Requirements

In addition to HOME program requirements, other Federal requirements may apply. These include, but are not limited to, some of which are referenced herein, such as the payment of wage standards under the Davis Bacon Act, relocation benefits payable to the tenants under the Uniform Relocation Act, the testing and/or mitigation of lead-based paint hazards, and accessibility requirements of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973 and written rehabilitation standards.

Guidance regarding Rental Housing Programs can be located at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/abc/activities/rentalprograms

## (a) Environmental Review

Grantee is responsible for completing and or reviewing Tier 1 environmental assessments. Developer will work with the City in complete all required environmental review documents, letters, etc. The Developer is responsible for Tier 2, site-specific environmental review, using the following steps:

1. Complete the Grantee's ER form.
2. Prepare letters to the appropriate agencies; provide drafts to City for review. The City will confirm that the forms and investigations have been completed appropriately and then sign the letters. The Developer is responsible for submitting to the appropriate agencies.
3. Submit the completed ER form to Grantee.
4. When Grantee has given written approval or denial of the ER, inform the seller. If the ER is denied, abandon the transaction. Approval must be obtained before providing ANY HOME funds and prior to closing the purchase of the property.

## (b) Unit Accessibility

Developers must abide by accessibility requirements of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973 as applicable.

## (c) Conflict of Interest:

The conflict of interest provision of §92.356(b) is revised to specify that the type of covered conflict is a financial benefit or interest. The current regulation indicates the following:

*"Conflicts prohibited. No persons described in paragraph (c) of this section who exercise or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a HOME-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person"* (Office)

Refer to the specific regulation when determining if there is a conflict of interest. Additionally, Conflict of interest provisions at 24 CFR 92.356 9F) (1) prohibit certain person from occupying HOME-assisted housing. Refer to the regulations for the most recent requirements.

### (i) Financial Interest or Benefit

The conflict of interest provision of §92.356(b) was revised to specify that the type of covered conflict is a financial benefit or interest. It further specifies that covered familial relationships are limited to immediate family members. These changes align the HOME conflict of interest provisions with the CDBG regulations.

This change narrows the interpretation of the previous regulatory language. For instance, it is common for State and local governments to designate elected or appointed officials to serve on the boards of nonprofit organizations that may provide affordable housing within their communities. Under the pre-2013 Rule, an official might have a personal interest in this appointment, and if interpreted broadly the previous regulations might have prohibited this type of arrangement. The change in the Rule clarifies that in such situations, if the public official does not receive a salary or any other financial compensation for serving on the board, the official's interest would be a personal one only. This kind of public participation often is beneficial and should not be discouraged.

### (ii) Occupancy of HOME-Assisted Units

The conflict of interest provisions at §92.356(f)(1) prohibit certain persons from occupying HOME-assisted housing. This provision was revised to clarify that immediate family members of an officer, employee, agent, elected or appointed official or consultant of an owner, developer, or sponsor are prohibited from occupying a HOME-assisted affordable housing unit in a project. The amendment further clarified that the restriction on occupancy applies during the period of affordability only, and not to the entire period of ownership by the entity that received the HOME assistance. HUD, from time to time, issues additional guidance on the issue of conflict of interest; therefore the regulations should be reviewed.

## (d) Ongoing Property Standards/Monitoring

When HOME funds are invested in a project, HUD requires, under, 24 CFR 92.251, that ongoing property inspections be conducted throughout the affordability period.

At a minimum, standards must ensure that the housing is maintained as decent, safe, and sanitary housing in good repair.

### (i) Construction Monitoring Inspections

The Grantee's and Developer's roles and responsibilities are as follows:

Developer is responsible for monitoring the quality, completeness and conformity to specifications of all work performed by third party contractors, and if Developer is the general contractor, all work performed by Developer's personnel or subcontractors. Additional requirements will be included in project agreements.

The City reviews plans through Site Plan Review prior to plans being submitted. Thereafter qualified City Staff tasked with reviewing plans will review the submitted plans and process according to the City's procedures. Qualified City building staff will conduct progress inspections to monitor construction press and ensure that work is done in accordance with the project's approved work write up or plans. Additionally, under the 2013 HOME Rules, higher degree of oversight by the City is required as referenced within HOME Rule 2013, 24 CFR 92.251.

The City will review the documentation provided, research, utilize local, state and national best practice in regards to estimating labor and materials, and consider cost of living increases. RS Means and/or Association of General Contractors (AGC) may also be utilized as a guide and comparison in construction costs and useful life.

For existing rental housing, that is not recently rehabilitated or newly constructed, which will be acquired for rental housing, without rehabilitation, the property must meet the applicable standard for rehabilitation at 24 CFR 92.251 (b). The City must document compliance based upon a current inspection that is conducted no earlier than 90 days before the date of commitment of HOME assistance, in accordance with the City's inspection procedures. If the property does not meet these standards, it cannot be acquired with HOME funds unless it is rehabilitated to meet this standard.

### (ii) Rental Project Monitoring

Monitoring includes the City conducting on-site inspections of HOME-assisted rental units, to determine compliance with the property standards of 24 CFR 92.251 and to verify the information submitted by the owners in accordance with the requirements of 24 CFR 92.252, which is no less than, three (3) years for projects containing 1 to 4 units; every two years for projects containing 5 to 25 units; and every year for projects containing 26 or more units. Inspections must be based on a sufficient sample of units, as per HUD's HOME regulation, 24 CFR 92.504 (d),

For each inspection visit, the City must determine how many HOME-assisted units must be inspected in the project (site, building exterior, building systems, dwelling units, and common areas, within these parameters. For projects with 1 to 4 units, the inspectable items for each building with HOME-assisted units and 100 percent of the HOME units must be inspected. For projects with more than four HOME-assisted units, the inspectable items for each building with HOME-assisted units and at least 20 percent of the HOME assisted units in each building, but not fewer than four units in each project and one HOME-assisted unit in each building. These rules may change upon HUD revising HOME regulations. Refer to HOME regulations for the most recent requirements.

Properties must, at a minimum, be maintained to meet all applicable State and local codes. Under the 2013 Rule, Housing Quality standards have been replaced with UCPS as the standard, in the absence of State or local codes. Housing must be free of all health and safety defects and the City must identify life threatening deficiencies that the owner must correct immediately, as well as the housing must meet the lead-based pain requirements in 24 CFR 35,if applicable to the properties age, if rehabilitation is involved. An example of the inspection checklist for existing rental projects is included as Appendix "H". The Monitoring policy will include the most current forms.

All other monitoring requirements are referenced within this policy. As an additional guide for the Developer HUD provides guidance related to ongoing, long term compliance at: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/library/modelguides/2009/2009homerentalpj

### 1) Monitoring of Rental Unit Deadlines Initial Occupancy of Vacancy

Under 2013 HOME Rules, 24 CFR 92.252 was revised to adopt two deadlines within which HOME-assisted rental housing must be occupied by low-income households:

- Within six months from the date of project completion, if a rental unit remains unoccupied, the City must provide to HUD information about current marketing efforts and, if appropriate, an enhanced plan for marketing the unit so that it is leased as quickly as possible.
- Within 18 months from the date of project completion, if efforts to market the unit(s) are unsuccessful and the unit(s) are not occupied by an eligible tenant,

HUD will require repayment of all HOME funds invested in the unit. A unit that has not served a low- or very low-income household has not met the purposes of the HOME program. Therefore, the costs associated with the unit are ineligible. The City will require that the Developer meet the timelines and provide documentation to comply with the regulations. An example "Annual project compliance Report" is attached, as Appendix "G". The Developer will be required to provide the following:

- Submit marketing effort documentation on a monthly basis
- Developer shall also submit an updated occupancy data on a monthly basis.

### 2) Annual Rent Review & Approval

Developers must abide by HOME Rent requirements. Annually, the City will review rents, approve and confirm that HOME funds are invested as per HUD's requirements, to ensure that the Developer/owner complies with the HOME limits and that rents do not result in undue increases from the previous year.

### 3) Rental Monitoring Fees

Effective August 23, 2013, under 24 CFR 92.214 (b) (1) (i), HUD permits the City to charge fees to cover the cost of ongoing monitoring and physical inspection of HOME projects during their period of affordability. As per HUD 2013 HOME Rule, Section by Section, "Charging monitoring fees is standard industry practice in other programs that require ongoing inspections, including the Low-Income Housing Tax Credit program". (HUD). The amount of the monitoring and inspection fees must be included in the cost of the project (reflected in project operating pro forma), as part of the project underwriting and must be based upon the average actual cost of monitoring HOME-assisted rental property. The City and Developer shall document how the cost is determined.

Staff will review HUD's HOME guidelines for compliance in HOME Rental Project, such as "A Guide for Property Owners 2009" and Chapter 6 Monitoring for HOME Compliance and Property Performance-

### (iii) Owners hip Projects Monitoring

The City's written procedures for inspections and implementation shall be incorporated into the City's Monitoring policy.

## (e)Section 3

Section 3 requirements apply, See Section 3 Plan for thresholds and completion of forms.

## (f) Davis Bacon Act

HOME rules indicate that twelve (12) units or more require the use of federal wage determinations. The Davis Bacon wages and requirements are found at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/sech/13441

## (g)Displacement and Affirmative Marketing

Developers are encouraged to propose projects that prevent or minimize displacement of occupants, such as acquisition of vacant properties or properties being voluntarily sold by an owner-occupant; rehabilitation projects that require only temporary relocation; and new construction projects. If a project includes relocation, federal Uniform Relocation Act (URA) and Section 104(d) requirements must be met. Additionally, **projects must have an Affirmative Fair Housing Marketing Plan.**

## (h) Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended

The Uniform Relocation Act (URA) applies to all occupied residential and/or commercial property assisted with federal funds. The URA protects all tenants in occupancy at the time of application for federal funds. You may not deny tenancy to current tenants - including refusal to renew a lease unless the tenant has violated the lease. The URA also protects tenants occupying or vacating units following application unless proper procedures are followed.

Within a contract with a Developer, it should be made clear what the requirements are, in relation to funding utilized. If necessary, City staff may direct the Developer to the regulations and sample notices for URA protected tenants. URA guarantees that after the project is completed, tenant's initial rent, including the estimated average monthly utility costs, will not exceed the greater of: (a) tenant's current rent and average utility cost, or (b) 30% of tenant's average monthly gross household income.

Temporary relocation results when a tenant cannot reasonably enjoy their unit due to construction. The tenant must be provided with suitable temporary housing at no additional cost and have the opportunity to reoccupy a suitable unit in the building within 12 months of temporary relocation.

Permanent relocation can occur when tenancy is terminated to avoid URA impact, or when a tenant moves prior to receipt of a URA notice, cannot occupy a suitable unit in the building after project completion, is temporarily relocated for more than 12 months, or otherwise moves permanently as a direct result of the project. You must provide tenants with notices and comparable replacement housing, as well as pay displaced tenants' moving expenses and replacement housing costs. The Developer must contact City staff as soon as possible, if the project will temporarily or permanently, relocate tenants.

# Article V. Rental Projects

Developer will provide documentation so that the City may evaluate the project, funding, market, need and other factors pertaining to the use of HOME dollars. The City must evaluate the project proposal prior to the Developer acquiring the proposed property and may utilize procedures to assist in such evaluation. The City may also evaluate the project proposal after the site has been acquired, only if an environmental review (NEPA) has been conducted with Grant Authority. The Developer must provide a copy of evidence that other necessary funding has been obtained. If the Developer has applications to other funding programs which is required for this project (i.e. conventional construction, permanent loans, other subsidies and loans, low income housing tax credits), information should be included to demonstrate that the proposed structure is expected to meet relevant program requirements and provide a high likelihood of being funded. The Developer must also indicate its "role" in relation to CHDO requirements, checklists and that the appropriate loan documentation is prepared, if the project has a HOME commitment authorized.

## Section 5.01 Rental Project Proposal Underwriting

If a project or program requires the City to conduct the analysis, consulting services may be considered. A market analysis may be conducted by a third party and reviewed by City Staff. If a Developer conducts a market analysis, or they have a third party conduct the analysis for a tax credit project, staff may review the independent study. In all cases, a review will be required by City Staff, which may include review by Finance, Planning and or Housing.

A determination will be made by the City (Grantee) that the project is either feasible or not feasible in relationship to the following factors:

- The construction plans and specifications meet program requirements and will result in a marketable affordable rental unit.
- The sources of HOME and other acquisition/construction and permanent financing (if required) are firmly committed and adequate to fund all costs of the project.
- The projected revenues and costs in the operating budget are realistic and projected net operating income is adequate to cover debt service (if any) and also provide an adequate debt service coverage ratio.
- The proposed rental amounts and rental income are achievable as demonstrated by market data provided by the Developer.
- Staff will review capture rates, penetration and absorption rates
- A loan will be provided at an interest rate reasonable to the market, and the HOME investment will be returned through Residual Receipts
- A proposed payment to the City for City Staff to monitoring the project shall be included in the Developer's proposal should be considered, if allowed under HUD, HOME Rules. As Rules may change from time-to-time.
- Staff may review additional information as required by HUD and or City's request.

Final review may begin when HOME funds, are considered, for a project and a preliminary pro-forma, sources, uses, and a market study is submitted, along with any additional information that is helpful in determining the next steps of considering a partnership. When a tax credit project is involved, considerable amount of documentation must be provided. HOME funds cannot be committed until the following steps are completed. The summary assessment will be acknowledged and confirm compliance, with documentation included in the file. Tools, available through the HUD website may assist with preparation of the report analysis.

Consideration of the project must be a financial viable transaction. The Multifamily Rental Toolkit includes an underwriting model, which assists the City staff (Grantee of the HOME funds) in evaluating applications. The Developer may consider utilizing the program as well so that it is consistent in referencing information about the project. Another approach that can also be utilized is if the Developer is applying for Tax Credits. Then, review of the State Housing Credit Allocating Agency's format may be reviewed, as it is a familiar format to most parties, and sufficiently comprehensive.

## (a) Rental Project Development Underwriting Review Format

The Developer will need to provide a "Property and Project Information Package" to the City which includes the following;

1. Description regarding the need for the project

2. A complete and clear project description providing location-specific information including address or legal description and zoning, as well as a delineation of all activities included in the overall scope of the project
3. Summary of the project financing, including the project development budget and operating budget.
    a. The Development Budget (including all sources and uses, as referenced above) requires line item, detail of activities to be paid with proposed City –source HOME and non-HOME funds
    b. As per HUD HOME 2013 Final Rule, the Operating Budget shall show income and expenses, specifically show income for HOME, indicate whether utilities are included in the rents, and operations budgets must be reasonable and demonstrate project feasibility.
4. The total cost of the project with the total HOME funding requested
5. A list of proposed funding sources and uses identifying federal and nonfederal funds Note: applications with an excessive reliance on federal funds may be rejected
6. Pro forma extending through the application period of affordability
7. Development Timetable (See Appendix “A”)
8. Market data indicating that the proposed rental amounts for a project are achievable. This data may be in the form of a market study or a compilation of rental amounts being charged for similar multi-family rental units in the immediate vicinity of the project. Dependent upon the size, nature of the project, an outside market study may be requested for review.
9. Developer shall provide copies of supporting management and operating expenses documentation for:
    a. New Construction Projects: copies of the year-end operating information from three (3) comparable developments that have been in operation for at least five (5) years.
    b. Existing properties: copies of audited financial operating expense statements for at least three (3) stabilized years.
10. Unit breakdown by building, including unit sizes, type and the proposed unit rents
11. Number of HOME units in the project. Identify the location of the HOME unit(s) on the site and floor plans, and designate whether the HOME unit(s) will be either floating or fixed. Floating units must be of comparable size and type
12. Site Control Evidence; may include an option to purchase
13. A preliminary appraisal indicating the as-is property value.
14. Evidence that the property is vacant.
15. Preliminary new construction plans, material specifications, or estimated timeline of when plans will be completed.
16. For existing rental units proposing rehabilitation, a capital needs assessment must be provided.
    a. Requires the scope of rehabilitation work
    b. Replacement reserves deposits must be sufficient to ensure the useful life of essential building components throughout the period of affordability

17. Provide documentation of Site Plan Review (Site plan and floor plans reviewed by Site Plan Review committee)
18. Detail cost for replacement items and reserves
19. Evidence that zoning suitable to the project
20. National Environmental Policy Act (NEPA) required

The underwriting review will include the following information:

- Summary about the Project
- Need
- Developer Capacity
    - Development Entity & Capacity
    - Prior Development History
    - Development Team
    - Current Operational Capacity
    - Financial Strength
- Project Description
- Timeline
- Review Neighborhood Market Analysis
    - Location & Market Dynamics
        - City/County Characteristics
        - Property Location
        - Neighborhood Market
        - Competition
        - Trending
        - Demand
        - Capture Rate
        - Market Penetration
        - Absorption Rate
        - Physical Character & Issues
- Proposed Financial Structure
- Underwriting
    - Affordability
    - Assisted Units/Rents
    - Market Units/Rents
    - Vacancy Loss and bad Debt
    - Other Income
    - Operating Expenses
    - Property Management Fee
    - Real Estate Taxes
    - Proposed Reserve Deposit
    - Other Proposed Reserves
    - Resulting Net Operating Income (NOI) for Debt Service

    - Debt Service
- Risk
    - Market
    - Construction
    - Developer
    - Property Management
    - Community Opposition
    - Surrounding Production
- Optional Consideration
- Overall Conclusion

Based upon guidance through HUD resources, some of the key areas relates to market assessments to consider, are generated by asking questions such as, "How is it going to happen?"

### (b) Developer Capacity

The City believes that capacity is important when considering working with a Developer. Accordingly, the City will look at the total number of successful projects a Developer has completed as well as the size of these projects. The City reserves the discretion to refuse funding a project that goes over a high percentage of a Developer's largest previous project. This will be discussed with the Developer and considered in the evaluation of the project funding request.

### (c) Management Capacity

The City believes that property management skill is critical to the long-term success of an affordable housing rental project. A proposed property manager, whether in-house or third party, will be analyzed to determine experience and skill with respect to multifamily property operation. This analysis will include the financial results of Developer's previous rental projects.

### (d) Property Acquisition

Eligible properties must meet the following criteria:

1. Must be located in the City limits and will be indicated in the agreement.
2. Must have no substantial adverse environmental factors as determined by an environmental review (NEPA).
3. Must have projected rent amounts that are affordable to HOME-qualified renters as described under HOME regulations, but also sufficient to pay operating expenses and debt service

4. The terms of the Loan Agreement executed for each project (property or multiple properties) will determine how the Developer and Grantee share in any additional net revenues
5. Must be acquired with a valid deed free and clear of all encumbrances. Purchases with any other form of deed or with any lien, deed restriction, land lease or other encumbrance must be approved in writing by Grantee prior to Developer making an offer.
6. **NOTE: NEPA must be completed prior to acquiring property.**

### (i) Property Investigations

Developer is responsible for property investigations. Developer will identify potential properties for acquisition by researching public records, obtaining proprietary data, contracting with real estate brokers and/or other effective methods. Prior to making an offer, Developer will complete the following tasks:

1. Inspect the site conditions and structures and complete a preliminary construction cost estimate in format that is acceptable to the Grantee;
2. Complete a Project Development and Operating Budget that includes all proposed HOME-funded expenses for acquisition, site work, construction, rehab (if applicable), holding costs, marketing costs, initial lease-up costs and reserves, developer fee, and other soft costs; as well as a cash flow projection showing projected rent collections and expenses over at least a fifteen-year period.
3. Obtain an independent appraisal or opinion indicating the as-is market value of the property to determine the cost-reasonableness of the asking price or proposed offer price.
4. Verify and document in a property file that the property is vacant and has no personal possessions onsite.
    a. Documentation should include a signed and dated inspection report, photos, and notes from interviews with neighbors (if available) indicating the approximate last date of occupancy.
    b. If information from neighbors is not available, documentation should include data from a utility company or the Post Office indicating the date of terminating service.
    c. The seller must complete a form stating that the property meets all requirements of the URA. See Section III regarding relocation requirements and protections for tenants in occupied properties;
5. If an occupied property is pursued with Grantee's written approval, send occupants who may be displaced a "General Informational Notice" (GIN) as required by the Uniform Relocation Act (URA).
    a. A GIN informs such persons that in the event they are displaced by this project they may be eligible for relocation assistance and payments under the URA (and/or in some cases section 104(d) relocation assistance). GINs should be

provided to property occupants early in the property acquisition process and prior to making an offer.

6. Provide Grantee with a complete relocation plan prior to making an offer.

### (ii) Site Control

Applicants must provide firm evidence of site control in the form of fee simple title or deed to the property, or a purchase sale agreement signed by both the buyer and seller before the application is submitted.

According to 24 CFR §58.22, limitations on activities pending clearance, any applicant or any participant in the project development process may NOT commit HOME or non-HOME funds until the environmental review has been completed and approved by HUD. This restriction includes acquisition using any source of funds in advance of application to the HOME program if HOME funds are intended to be invested in the project. Applicants that intend to acquire land in advance of application and/or award must complete an environmental review and have it approved by HUD before the land is acquired, regardless of the source of funds used for acquisition.

An option agreement for a proposed site is allowable prior to the completion of the environmental review. It is recommended, but not required, that the option agreement be contingent on a favorable environmental review determination and the cost of the option is a nominal portion of the purchase price.

The option agreement must be executed before the application is submitted.

## (e)Rental Development Need (analysis) Guidelines

As per HUD, a Participating Jurisdiction (PJ), (City of Visalia) may procure the services of a third party to undertake these evaluations. However, the City is ultimately responsible for the day-to-day management and oversight of its HOME program in accordance with §92.504(a). If a third party is conducting the analysis, the City's staff, needs to be authorized in IDIS, or needs to be delegated by someone who has the certification right within the City, because the City is swearing that the assessment and underwriting has been completed prior to committing funds. In order to show that the assessment and underwriting has been completed, documentation must be included in the file for HUD Monitoring review.

Projects are considered when they are part of the 5-year consolidated Plan/Action Plan, and/or Amendments authorized, which have identified the needs of Visalia. The 5-year Plan provides guidance on the neighborhoods targeted, type of housing, and type of households served, including income levels. When utilizing HOME funds, 24 CFR 92.202 requirements must also be reviewed to confirm that site and neighborhood standards are followed. HUD recently amended 24 CFR 92.202 to update the regulatory citation to the site and neighborhood regulations, as they have been moved to 24 CFR 983.57 (d) for existing and rehabilitated housing site as well as 24 CFR 983.57 (e) (2) and (3). For new construction projects. This includes State and local building regulations.

If designing an overall program, understand where the target areas are and what types of rental housing rental is for sale and what is delivered to each of those target areas. It is important to understand market trends in the context of program design.

It is important to assess the market as many times as necessary to assess the demand for specific individual projects.

When reviewing a specific project the key questions to ask are the following:

1) Is there a need for the type and number of housing units been convincingly demonstrated? The City would not support a project that is unable to lease-up in the required timeframe.
2) There are places where there has been pent-up demand for rental units that - where there has been constant demand. There are other places where it is going to be a slower slug through to get those units leased up. In addition, you need to know well in advance how many units are in demand.

### (i) Physical Character and Issues

Explain the physical characteristics of the project and the surrounding area. This would include census data, the specifics about the project development, potential renters, income and other pertinent information.

### (ii) Rental Housing Demand

It is important to understanding that demand includes understanding demographic trends. Households are the measure of demand for housing. Looking at the housing supply includes construction trends and vacancy rates. How has this supply changed in the last few years? How many potential renter households (target market) might want to live in the project? What unit features/amenities are desired by the target market? Moreover, how much is the target market willing to pay? (HOME and Low Income Housing Tax Credit Guidebook)

Also, very important, is understanding the context, in which the proposed development is located, understanding the immediate area surrounding the development, and the neighborhood, including evaluating how the area surrounding the project compares with the rest of the City and where it lies within the larger market. Understanding that broader market context. (I.e. is the project in a small town where there has been a lot of construction and foreclosures in recent years? Or is the project in an area that has been fairly stable over time? )

For example, if a project involved a multifamily two-story building, an existing comparable configured project would be used as a comparison. How comparable are they? Are the comparable units constructed recently or are they older, and in need of major rehabilitation? How is the comparable performing? Is the comparable a market rate development or subsidized? What is the occupancy rate and is there a waiting list? Knowing what the market rates are, knowing how comparatively affordable or unaffordable they are to the targeted market, assists with identifying competition and if they are already meeting part of the demand. All these questions assist in identify the effective demand.

### (iii) Rental Housing Supply

It is important to define the area from which the project would be expected to draw its residents. The preliminary study must present available indicators of demand and information about competitive supply and market conditions within this area

It is important to analyze the supply of housing and the availability of the competing units. The analysis will include information about where the project is in the market cycle, where it is in the broader market area, neighborhood and the City. Evaluation of any challenges in terms of investment levels and investment trends will be reviewed. In terms of the rental stock, understanding how many units have been added to the marketplace or how many demolitions have occurred as well will be reviewed. The staff reviewing or completing the analysis will need to know what is in place and what is planned within a short period. The question is, “Is there going to be competition in rental units for the market that is being targeted?” and “Is that demand now in synch? The guidance of the Home and Low Income Housing Tax Credits reflects upon, “Is there a match between demand and supply? Is there too much supply? What existing rental properties will the target market consider? Are there other competing properties that are under construction, or proposed, that the target market would consider? And, what features (such as, unit size, number of bathrooms, appliances) and amenities (such as, parking, swimming pool, or laundry facilities) do the competing properties have”? (HOME and Low Income Housing Tax Credit Guidebook) In short, what are the competing properties and how do they compare to the project.

### (iv) Rental Housing Trends

Writing a trend analysis summary requires you to briefly describe each component of the report and provide a summative statement regarding the findings of the report. Trending includes the information that follows, such as rent, occupancy, and absorption rates, but also includes information about the population and job growth. For example, have vacancy rates increased or decreased within the project census tract or area? Has the population of County, City, quadrant, Census Tract and neighborhood increased over the past year, 5 years and ten years?

### (v) Rental Projects-Vacancy Rates

In relation to vacancy levels, there is a certain level of vacancy that's needed in order to just allow mobility within our housing market. The average vacancy rate or level is 5%. This allows people who are in one neighborhood to move to another neighborhood. Similarly, another factor affecting the understanding of overall demand for housing is the occupancy level.

### (vi) Rental Projects-Absorption Rate

Homeguides.sfgate.com, shares the process with us. "Absorption rates provide information on the leasing rates of a rental market or an individual property over a time period known as the absorption period. They are most telling when compared to the rates from other time periods or other properties Comparing absorption rates reveals the demand for a property or the trend in a market, for instance, whether rental activity is increasing or decreasing, which is invaluable to lenders, builders, brokers and other real estate professionals. Developers also project absorption rates to forecast cash flow when preparing pro forma (forecasting) financial statements.

1. Determine the total number of apartment units available for rent. Assume 300 units for this example.
2. Determine the absorption period (time) for your study. Assume 2 months, April 1 to May 31, for this example.
3. Determine the number of units rented during the absorption period. Assume 75 units rented for this example.
4. Divide the number of units rented (75) during the absorption period by the total of units available for rent: 75 divided by 300 equals 0.25. The absorption rate in this example is 25 percent of available units rented from April 1 through May 31." (Media, 2013)

### (vii) Rental Projects-Capture Rate

A capture rate looks at the percentage of the market that a project will have to "capture" to be successful. To assist with calculating the Capture and Absorption Rates, herein, is a copy of the Home and Tax Credit guidance, Exhibit 2-2.

**Exhibit 2-2: Key Elements of the Market Study (continued)**

**Capture Rate**

- What share of renter households seeking housing of this type, in this location, and at this price range, need to be "captured" (i.e., leased) by the proposed property in order for it to succeed? (This capture rate is usually stated as a percentage.)
- Is the capture rate low enough to suggest that the property is likely to succeed and lease up quickly?

The PJ needs to understand its neighborhoods and housing markets to understand the capture rate. Generally, the capture rate may need to be higher for populations with a greater number of options than it would need to be for those who might have fewer options. For example, a property would need a low capture rate for a deeply subsidized apartment, whereas it might need a higher capture rate for a unit that will be rented at or near market.

**Absorption Rate**

- What is the number of units per week or month that the property can be expected to "absorb" (i.e., lease) once the property begins accepting residents? For example, if the property is 60 units, and the expected *absorption rate* is ten units per month, it should take six months for the property to lease up.

To determine if the project's absorption rate is sufficient, the PJ should compare the absorption rate with how quickly the property ***must*** lease up in order to be financially successful. To continue the example, if the property is 60 units, and in order to succeed, the property must lease up in four months, an absorption rate of 15 units per month is needed.

$$\frac{\text{NUMBER OF UNITS}}{\text{TIME REQUIRED FOR LEASE UP}} = \begin{array}{c}\text{ABSORPTION RATE}\\ \text{(UNITS PER MONTH)}\end{array}$$

Once the capture rate is identified, confirm that is in line with the market. The higher the cap rate, the more cash flow it produces. On the contrary, the lower the cap rate, the less cash flow. As per HUD's guidelines, the "property would need a low capture rate for a deeply subsidized apartment" (46) (HOME and Low Income Housing Tax Credit Guidebook)

## (viii) Rental Market Penetration

To measure the amount of market penetration, staff would evaluate the area outside of the primary and even secondary market area. The depth of the rental market should be assessed which is identifying the "capture rate" or the "penetration rate". This includes assessing an area, such as a number of blocks, census tract or the community. The size of the geography is not as important in terms of this assessment as it is how many households, specifically rental households, who are in the geography, who are likely to be attracted to the proposed project or who would be aware of the project. To identify the penetration rates, divide the number of units in a specific affordability classification (income category) by the number of renter households (i.e. one, 2, 3, 4 household size, referencing the income level 30%, 50% or 60%) that can afford or qualify for a unit at that price. The penetration rate will reflect the extent in which the household(s) groups are adequately served by the existing supply.

A market penetration rate below 5% may be considered a viable project, but, the lower the penetration rate, the stronger the indication that there may be some demand for your project within that market area.

## (f) Maximum per-unit HOME funded subsidy

The rental amount for a HOME assisted unit may not exceed the 221 d (3) for Visalia AMI. Refer to 24 CFR 92.250. Note: This provision will be the subject of an interim policy to be announced by HUD due to the discontinuance of the 221(d) (3) Mortgage Insurance Program. Until then, as of January 2014, HUD clarified under the 2013 HOME Rule that the maximum HOME per-unit subsidy may not be increased above 240 percent of the base limits authorized by 221 (d) (3) (ii) of the National Housing Act.

### (i) Affordability Requirements:

With the use of HOME dollars, affordability covenants are required. Mechanisms to secure affordability include the use of deed restrictions, covenants running with the land or other mechanisms approved by HUD. The mechanism to secure the affordability will be recorded in accordance with State recordation laws. Refer to the HOME regulations for confirmation of any changes under 24 CFR 92.252 € (1) (ii). When the project includes Tax Credits, a 55 year affordability covenant is recorded and placed upon the property. An example of standard HOME covenant periods follow, however, the City may increase the time. For example:

- New construction projects: 20 years affordability period for HOME-assisted unit(s)
- Acquisition/rehabilitation of existing housing: affordability period is determined by the amount of HOME assistance per unit:
  - $15,000/unit = 5 years;
  - $15,000-$40,000/unit = 10 years;
  - >$40,000 = 15 years

Please note that any property currently under a HOME long-term affordability period is not eligible for additional HOME funding.

## (g)Rental Projects-Fixed or Floating Units

For properties with both assisted and non-assisted units, the Developer must select “fixed” or “floating” units at the time of project commitment.

HUD’s requirement includes the following:

- **Fixed**: When HOME-assisted units are “fixed,” the specific units that are HOME-assisted (and, therefore, subject to HOME rent and occupancy requirements) are designated and never change.
- **Floating**: When HOME-assisted units are “floating,” the units that are designated as HOME-assisted may change over time as long as the total number of HOME-assisted units in the project remains constant.

The floating designation gives the owner some flexibility in assigning units and can help avoid stigmatizing the HOME-assisted units.

If the floating designation is used, the owner must ensure that the HOME-assisted units remain comparable to the non-assisted units over the affordability period in terms of size, features and number of bedrooms.

The designation of the fixed or floating HOME –units in the rental project must be made and documented within the written agreement. In addition, the determination about which specific units are HOME-assisted or non-assisted must be made no later than the time of initial occupancy.

## (h) Tenant Income Requirements

2013 HOME Rules, 24 CFR 92.203 (c) indicates that the Participating Jurisdiction (City) select a single definition of income for each of its rental housing projects. Determining which definition to utilize, on a project-by-project basis in rental housing, enables the City to coordinate the requirements of HOME with other funding sources while ensuring that all applicants in the project are treated equitably. It has been standard practice for Visalia to utilize 24 CFR 5.609 income definitions for its other programs.

Also noted, under 24 CFR 92.203 (d) (1), that when determining the annual income of a household to establish eligibility, all persons in the household, including non-related individuals must be included. This is an amendment clarified under the 2013 New HOME Rules. If Part 5 (24 CFR 5.609) income definition is utilized, which is the City's standard for other programs, the income of a minor child is not included. See the income definitions for details.

Additionally, under 24 CFR 92.203 (a) (1) (i) and (a) (2), HUD requires the City to examine at least two months of source documentation in addition to the established requirements under 92.203 (a).

Also, when determining annual income of a household, the Developer/and City must also count the income of all persons in the household, including nonrelated individuals, as referenced under 24 CFR 92.203 (d).

## (i) Prohibited Developer Fees Charged to Tenants

Under the 2013 HOME Rule, 24 CFR 92.214 (b) (3) has been added to clarify that the City must prohibit the project owner/Developer from charging fees to tenants that are not reasonable or customary, such as a monthly fee for access to pay laundry facilities. This provision was added to clarify allowable fees, including reasonable application fees to prospective tenants, parking fees in neighborhoods where such fees are customary, and the cost of non-mandatory services such as meal or bus service.

### (j) Confidentiality of Client Data

Developer will observe all Privacy Act requirements.

### (k) Monitoring, Reporting and Recordkeeping Requirements

Staff is responsible for monitoring rents, financial records and other required documentation as per HUD HOME rules. Developer is responsible for providing access to such documentation.

#### (i) Inspection Schedule

The first on-site ongoing inspection is required within 12 months after project completion, and an inspection must be conducted at least once every three years thereafter, however, may occur annually dependent upon the number of units within the project. Refer to HOME regulations for the specific inspection period.

#### (ii) Deficiencies

If any deficiencies are identified for any inspectable items, based upon the City's inspection procedure, a follow-up onsite-inspection is required within 12 months. For non-hazardous deficiencies, the City can either conduct an on-site inspection or accept third party documentation, such as a paid invoice for work completed. Health and safety deficiencies identified during must be corrected immediately. The City must adopt a more frequent inspection schedule for these properties.

Property owners must submit an annual certification to the City that each building and all HOME-assisted units in the project are suitable for occupancy. (See Attachment "G")

#### (iii) Vacated or Over income HOME Rental Units

The owner/developer shall follow the HOME regulations in relation to subsequent rents during the affordability period, adjustments, tenant income, over-income and tenants who no longer qualify as low-income families. The regulation can be found at 24 CFR 92.252, and should be referred to for the most up-to-date requirements.

## Section 5.02 HOME Rental Project Subsidy Layering

HUD has provided Grantees with a tool that can be used in completing subsidy-layering reviews. The excel workbook may be used by both the City and the Developers, to evaluate the feasibility (sources and uses) and viability (case flow) of a proposed HOME multi-family rental project. However, from time to time, HUD makes changes to the site where templates may not be available. Therefore, the Developer may review the website and may utilize a similar form. Under HOME Rules, 24 CFR 92.250 (b) HUD requires underwriting of all HOME projects. The Subsidy Layering Worksheet should be completed by entering:

1. Data from the application, and award of funds;
2. Data from a tax credit application
3. Data from the Proforma, Sources & Uses, Cash Flow, Rents and other pertinent documentation submitted
4. Data from the Cost Certification Audit on actual development costs; and
5. The Grantee's determinations on these costs. Any necessary reduction in funding may be indicated on the Worksheet.

The HUD resource website is http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/underwriting/template

## (a) Development Cost Review

Development costs include detailed costs associated with acquisition, site work, construction, architectural and engineering fees and other owner costs. Additionally, the interim financing costs, permanent financing fees, expenses, developer fees and initial project reserves are referenced. The project administration and management costs as well as other development costs not listed. Under this review, it indicates the cost per unit and by square footage.

Underwriting review of the proposed property manager's budgets and cash flow is necessary. Operational issues that will be considered in undertaking a cash flow analysis are:

- Gross potential rent income for HOME-assisted and non-assisted units
- Rent loss
- Vacancy loss
- Concession loss
- Bad debt loss
- Other income
- Marketing expenses
- Payroll expenses
- Property Management fee
- Other administrative expenses
- Utility costs
- Non-housing services costs
- Security costs, if applicable
- Normal repair costs
- Real estate taxes
- Property insurance
- Liability insurance
- Capital expenditures
- Net operating income
- Debt service and
- Asset management costs

## (b) Maximum HOME Expenditure Per Dwelling Unit

Developer must receive written approval of a property-specific Project Budget prior to any expenditure. Developer may spend no more than the HUD limits as referenced below for Visalia area.

Due to the discontinuation of the Section 221(d)(3) mortgage insurance program, alternate maximum per-unit subsidy limits must be used for the HOME Program. HUD is required to undertake rulemaking to establish new maximum per-unit subsidy limits for the HOME Program because it is no longer updating and publishing limits for the Section 221(d)(3) mortgage insurance program. Until a new rule can be published, HUD published a Notice establishing an interim policy that Field Office staff and participating jurisdictions (PJs) must follow directing PJs to use the Section 234-Condominium Housing basic mortgage limits, for elevator-type projects, as an alternative to the Section 221(d)(3) limits in order to determine the maximum amount of HOME funds a PJ may invest on a per-unit basis in HOME-assisted housing projects. This interim policy remains in effect until the effective date of the new final rule provisions, amending the existing provisions of 24 CFR 92.250(a).

The Section 234 program insures blanket mortgages for the construction or substantial rehabilitation of multifamily projects to be sold upon completion as individual condominium units. Overtime, these limits issued by HUD have been identical to the Section 221(d)(3) limits. Consequently, substituting the Section 234 basic mortgage limits for the Section 221(d)(3) limits is consistent with the intent of NAHA and the implementing provisions of the HOME Final Rule.

HUD’s Office of Multifamily Housing updates the Section 234 basic mortgage limits annually and publishes them in the Federal Register. The Office of Multifamily Housing also establishes high cost percentage exceptions (HCP) for specific areas. To ensure consistency with the provisions of section 212(e)(1) of NAHA and 24 CFR 92.250(a), the HOME maximum per-unit subsidy limit that HUD can approve for a PJ cannot exceed 240 percent of the Section 234 basic mortgage limit (i.e. 100 percent of the basic mortgage limit plus up to 140 percent in high cost areas). For a PJ whose HCP has been increased above the 240 percent, the CPD Division must cap the HOME per-unit subsidy limit at 240 percent of the Section 234 basic mortgage limit.

Participating jurisdictions should contact the CPD Division in their local HUD Field Offices to obtain the maximum HOME per-unit subsidy limits that apply to their jurisdictions. PJs should not calculate their own HOME per-unit subsidy limits by using the High Cost Percentages and the Section 234 basic mortgage limits that are published in the Federal Register by HUD's Office of Multifamily Housing.

The per-unit subsidy requirements are described in the HOME regulations at 24 CFR 92.250. The minimum HOME investment in rental housing or homeownership is $1,000 times the number of HOME-assisted units as described in the HOME regulations at 24 CFR 92.205(c).

The maximum is also based upon elevator and non-elevator limits. See HUD limits and regulations for more details. Attached, as an example, is **Appendix "B", Home Investment Partnerships Program Multi-Family Underwriting Template.**

## (c) Tenant Income Eligibility Requirements

Income eligibility is dependent upon the funding source and their requirements. HOME funds and their regulations must be reviewed to determine the maximum allowed, which may be dependent upon the number of units in the development.

## (d) Designating HOME-Assisted Units

### (i) Fixed and floating units:

For properties with both assisted and non-assisted units, the program administrator must select "fixed" or "floating" units at the time of project commitment.

#### 1) Fixed

When HOME-assisted units are "fixed," the specific units that are HOME-assisted (and, therefore, subject to HOME rent and occupancy requirements) are designated and never change.

#### 2) Floating

When HOME-assisted units are "floating," the units that are designated as HOME-assisted may change over time as long as the total number of HOME-assisted units in the project remains constant.

- The floating designation gives the owner some flexibility in assigning units, and can help avoid stigmatizing the HOME-assisted units.
- If the floating designation is used, the owner must ensure that the HOME-assisted units remain comparable to the non-assisted units over the affordability period in terms of size, features and number of bedrooms.

## (e) HOME Rent and Tenant Occupancy Requirements:

Projects proposing fewer than five HOME-assisted units should use the current year HUD Section 8 Fair Market Rents (the rents are located on the HUD website: http://www.huduser.org/portal/datasets/fmr.html).

For properties with five or more HOME-assisted units, at least 20 percent of HOME-assisted units must have rents which are no greater than thirty (30) percent of the tenant's monthly adjusted income, OR thirty (30) percent of the annual income of a family whose income equals 50 percent of median income (Low HOME Rent).

### (i) Rent Structure

In a tiered rent structure, household income limits should be matched with affordable rental amounts. Refer to the HOME regulations as to what is allowed and required.

Maximum rental amounts will be readjusted annually by the City based on the income limits prevailing for the location of the rental housing, which are published on HUD's website. Developer will adjust the maximum rental amount within 30 days of publication of new income limits and apply the maximum amount to all homes all new leases executed after that time. To determine the affordable rental amount, Developer will follow these procedures:

1) For each home, a household size will be assumed based on the numbers of bedrooms in the home, as follows:
   a) studio, one person;
   b) 1-bedroom, one person,
   c) 2-bedroom, two persons;
   d) 3-bedroom, three persons;
   e) 4-bedroom, four persons.
2) Developer will identify the income limit for the appropriate household size and maximum allowed percentage of area median income from the HUD income limits.
3) The resulting income amount will be multiplied by 30% to represent an affordable housing payment.

   Using a schedule of utility allowances, the Developer must utilize the HUD Utility Schedule Model. Rent Limits include both the rent and utilities or the utility allowance. This is a new 2013 HOME Rule under 24 CFR 92.252 (a). Specifically stating that HOME rent limits includes both rent and utilities or utility allowance.

### 1) Minimum Rents

We learn from HUD that experienced underwriters recommend restricting the rents used in underwriting to the lesser of

(a) 95% of the maximum use-restricted rent level, or

(b) 95% of the market rent identified in a market study or rent comparability study.

HUD warns that Grantees should be alert to rents underwritten dramatically below these levels (escalating the amount of gap financing required) without corresponding restrictions on those rents. That is, if the maximum rent is $500, allowing a rent of $400 to be used in the underwriting will reduce the amount of mortgage proceeds and will in turn increase the amount of gap funding required, without necessarily providing a guarantee that the rents will remain at the underwritten level.

Dependent upon the number of units, the dollars invested and the income levels of renters required, the HOME "Low" rent amount would be utilized. See below.

### 2) Maximum Rents

Rents should not exceed

(a) the maximum use-restricted rent level, or ("High" HOME rents)

(b) the market rent identified in a market study or rent comparability study.

### 3) Market Rents

Disregard for market rents can lead to project failure, when rents (particularly for higher levels of area median income (AMI)) are underwritten without thought to whether they are achievable. Note, that in underwriting units can be limited by market rents, while still set-aside at HOME qualifying income levels. Project term negotiations along with HOME requirements will assist in determining if units will be at market rate.

For example, a HOME unit is set aside for households at or below 50% of AMI and the 50% rent is $753 for a 3BR. The market rent for this unit is $1,037. The rent would be underwritten at not more than $753, but the unit would be restricted to occupancy by qualifying (under 50% AMI) households.

### 4) Rent Loss

Rent Loss includes both vacancy loss (rents not collected because there is no tenant) and collections loss (rents not collected because the tenant did not pay). An industry rule-of-thumb is to underwrite rent loss at the greatest of the following:

(a) 5%;

(b) the property's recent actual rent loss experience; or,

(c) the local market's recent, historical rent loss.

### (ii) Determining Rents for HOME Rental Units

The City will follow the requirements of the program funding and ensure compliance with HOME funding, as per HUD regulations 24 CFR 92.252 (a) and (b).

Every HOME unit is subject to rent limits designed to make rents more affordable throughout the period of affordability. Under HOME, rent limits are referred to as “HOME Rents”, and represent the maximum rent that can be charged for a HOME-assisted units. There are two types of HOME rents as follows:

- HIGH HOME Rents: Maximum high HOME rents are the lessor of:
    - Fair Market Rents (FMR’s for existing housing
    - Thirty percent (30%) of the adjusted income of a household whose annual gross income equals sixty-five percent (65%) of the area median income.
- LOW HOME Rents: For properties with five or more HOME-assisted units, at least twenty-percent (20%) of HOME-assisted units MUST have LOW HOME rents, which are no greater than the lessor of:
    - Thirty-percent (30%) of the tenant’s monthly adjusted income
    - Thirty-percent (30%) of the annual gross income of a household whose income equals fifty-percent (50%) of the area median income

If a project has a Federal or State project-based rental subsidy and the tenant pays no more than thirty-percent (30%) of his or her adjusted income toward rent, the maximum rent may be the rent allowable under the project-based rental subsidy program. For example, projects that include other sources of subsidy, such as LIHTC funding, may utilize other rent standards, such as thirty percent (30%) of Fifty and Sixty-percent of AMI. Staff will work with applicants to determine the appropriate rent levels.

If the tenant pays utilities individually, the project must determine a utility allowance for each unit size. The maximum rent that a tenant can pay is the HOME maximum minus the utility allowance. New guidance per the newly implemented HOME Final Rule for determining utility allowances can be found here: http://www.huduser.org/portal/resources/utilallowance.html

The City would refer to the numbers provided as a guideline, to calculate project or property rents as shown in Table VI below, you must refer to HUD HOME Rents and FMR, most recent data.

The HOME Program Guidelines and restrictions stipulated by HUD regulations include rent and income limits. HUD annually publishes HIGH and LOW rent limits, and the FMR’s as well as income limits per county or Metropolitan Statistical Area. The HUD published or calculated HOME rent limits are defined to include unit rent and utilities. They can be found at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm.

Income limits may be found at http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income

| TABLE VI (Example only) | | | | | | |
|---|---|---|---|---|---|---|
| Calculating High and Low HOME Rents Visalia MSA Example: 2013 (07/2013) | Eff. | 1 BR | 2 BR | 3 BR | 4 BR | 5 BR |
| Fair Market Rent (FMR) | $575 | $590 | $768 | $1,132 | $1,316 | $1,513 |
| For Reference Only | | | | | | |
| LOW HOME Rent Limits | $507 | $543 | $652 | $753 | $840 | $926 |
| HIGH HOME Rent Limits | $575 | $590 | $768 | $945 | $1,035 | $1,123 |
| For Reference Only | | | | | | |
| 50% Rent Limit | $507 | $543 | $652 | $753 | $840 | $926 |
| 65% Rent Limit | $640 | $687 | $826 | $945 | $1,035 | $1,123 |

Rents are set to be affordable to households at specific levels (Very Low Income, Low Income, etc.). Rents are adjusted higher for larger units and lower for smaller units according to formulas set by the Federal government. Rent limits for assisted housing are for gross rents. The actual rents charged to tenants are calculated by subtracting utility allowances from the gross rents.

### (iii) Utility Allowances

Recently, HUD revised the HOME regulations under 24 CFR 92.252 (d) , where the City shall determine an individual utility allowance for each HOME rental project, either (1) by using the HUD Utility Schedule Model, or (2) by otherwise determining the allowance based upon the specific utilities used at the project.

The HUD Utility Schedule Model was developed by HUD and enables the user to calculate utility schedules by housing type after inputting utility rate information. The IRS uses this model to determine utilities for the LIHTC program. The model can be found at the website located at: http://huduser.org/portal/resources/utilmodel.html.

The City will direct the Developer's to the utility allowance "HUD Utility Model Instructions" also included within the policy and referenced as "**Appendix "C".** HUD may revise the model from time to time, so it is imperative to utilize the most recent instructions as referenced within HUD's website,

The Developer shall provide the most recent utility costs for calculation purposes. The City is no longer permitted to use a single utility allowance (such as that established by the local PHA), due to more projects constructed or rehabilitated to higher energy-efficiency standards. The PHA model may not represent actual utility costs and is difficult to justify.

## (f) Underwriting Operating and Finance

### (i) Developer Fee

As per HUD guidance, Developer fees on multifamily properties are generally in the range of 10% to 15% of total development costs. This means, for a project that costs $1M to build (incorporating site acquisition, construction, and soft costs), the Developer fee would be in the range of $100,000 to $150,000. This fee covers all of the Developer's time, un reimbursable costs, and risk—of course, no developer fee is collected on failed attempts to develop projects.

When sources are inadequate, developers will sometimes defer a portion of their fee, hoping to collect it from the future cash flow of the property. Experienced funders recommend structuring transactions to either pay the Developer fee in full, or to permit only a small portion of the total fee to be deferred. Extensive fee deferral means the sponsor did not get paid, and a financially weak sponsor is a risky sponsor. However, when working with tax credit projects, developer fees may be deferred.

As referenced in "HOME and the Low –Income Housing Tax Credit Guidebook". If a portion of the Developer fee cannot be paid from Sources of Funds, that portion of the fee is called a deferred developer fee and is paid from future cash flow, refinancing proceeds, and sale proceeds. In order to include a deferred developer fee within LIHTC basis, the project sponsor must be able to demonstrate a reasonable expectation that the deferred fee will be repaid, with interest, during the 15-year LIHTC compliance period. Obviously, if the deferred developer fee has a high position in the cash flow waterfall, the likelihood of repayment is greater than if it has a lower position in the waterfall. The deferred developer fee may be recovered from the Developer's share of operating cash flow.

### (ii) Initial Reserves

Some transactions will offset aggressive underwriting (i.e., low coverage and cushion) with generous reserves. In principle, coverage, cushion and reserves should be balanced against each other. Underwriting considerations that address the funding and use of reserve accounts, including the reserve for replacement, operating deficit reserve, and debt service reserve should be conducted. The City will be alert to over-and under-funding of these accounts. The amount funded must match the amount in the application, or the City and Developer will work together to make adjustments to the amount through the subsidy layering process.

Initial project reserves are funds set aside from the permanent financing to cover possible losses or shortfalls in the cash flow. HUD recommends at least $250 per unit; however, under the HUD underwriting template, the formulated dollar amount per unit is referenced, in comparison to $720 per unit. Staff recommends that, as part of the analysis, projects completed recently, for example, a tax credit project, be reviewed for their reserves, as a comparison and confirmation of a reasonable per unit cost is required.

Before the project is in operation, developers fund the initial reserves. Once the project is operating, cash from reserves will be withdrawn when needed and replaced on an ongoing basis.

- Initial Rent-Up Reserves allow the project to maintain a positive cash position even though not all of the units are leased.
- Initial Operating Reserves protect against any shortfalls in income. For example, funds from the operating reserve would help the project continue to operate through a temporary increase in vacancy.
- Initial Replacement Reserves establish a fund for replacement of major building components that will occur over the life of the project. For example, replacement reserve funds may fund the replacement of a building's roof or plumbing system.
- Use the Other Initial Project Reserves Costs field to enter costs related to initial reserves that are not represented by the other items in this category.

Under the New 2013 HOME Final Rule, these requirements were revised to include financial review of the project, as per 24 CFR 92.504 (d) (2), which assists in confirming project financial viability, or the need for action to correct problems that threaten a project’s financial viability.

### (iii) Operating Expense Review

Operating expenses include annual management, operations, maintenance expenses, as well as utility costs. It reflects an estimated annual percentage of the gross income. The Average Capital Needs test along with adequacy of reserve for replacement will be reflected within this table. As a comparison, if similar projects have been completed recently, compare the proposed projects operating expenses to those and their total operating expenses to determine if they are reasonable. As a secondary guideline, the California Tax Credit applications submitted are posted on their website, which reflect submitted project information including these costs.

### (iv) Inflation

Inflation assumptions for both revenues and expenses are essential to determining whether a property will over time, witness its performance improve or deteriorate. Generally, underwriting relies on assumptions of 2% to 2.5% annually for revenue and 3% to 3.5% annually for expenses; these assumptions are generally reasonable and are consistent with the practice of many experienced underwriters and lenders. See the discussion below on debt service coverage ratio.

### (v) Rent increase

Rent increase information allows comparison of rent increases and operating expenses. The average ranges between 2.5% to 3.0%. The Developer provides their estimated increase percentage within their operational statement.

### (vi) Capital Needs for Operation

The test for adequacy of reserve for replacement shall be referenced under the operating expenses.

### (vii) Replacement Reserve Deposit

HUD has shared that projects rarely have enough reserves to meet their long-term capital needs and require later intervention; amounts greater than $500 risk overfunding the reserves. Grantees has the option to consider whether to permit initial deposits to reserves as a development expense and how these initial, one-time deposits offset or affect ongoing deposit requirements. The Replacement Reserves estimate should be based on a capital needs assessment, whenever possible.

### (viii) Financing Sources Review

Reviewing sources and uses assists in identifying the necessary contribution to the proposed project. Financial sources can include a contribution from the Developer, deferred developer fees, tax credits and other amortized debt.

#### 1) First Mortgage Characteristics

Under HUD guidelines, Grantees should ensure that the proposed first mortgage is viable. First, independently determine the debt service payment based on the principal, interest and amortization period in the application and lender commitment. Compare your calculated payment to the payment used in the applicant's underwriting. Second, ensure that the terms in the commitment correspond with those used in the underwriting. Ensure that the mortgage term (when it becomes due) does not jeopardize the period of affordability.

### 2) Junior Loan Characteristics

Reference a junior loan, such as the HOME funds proposed, with an interest rate and term of repayment. Deferred Payment loan option is also available in the analysis.

### 3) Equity- Developer Investment

The amount of equity invested in a project is an important demonstration of the Developer's commitment to a project's success. The more equity invested in a project, the more lenders may be willing to provide financing on favorable terms. The Developer may defer their payment over the first ten to fifteen years.

### 4) Project Characteristics

It is important to discuss with the Developer the number of years they plans to own the property before selling it and using the sale proceeds to pay off the first mortgage. In most cases, the Developer will wait until the end of the HOME affordability period before selling.

### 5) Lenders Appraised Value for the Project

The appraisal is an estimate of what the project will be worth in the first year of operations. This information will be used to compute loan to value ratio, a ratio used by lenders to assess the proportion of funds the lender can expect to recover in the event of foreclosures.

### 6) Capitalization Rate

Capitalization rate is a measurement of return on invested capital that can be used to calculate the value of a project. The capitalization rate is equal to the net operating income of a project divided by the sales price of the project. For example, a capitalization rate of 0.12 indicates a 12 percent return on the sale price in a single year.

Consult with realtors familiar with your regional housing market or with project market studies to determine a reasonable capitalization rate for your project.

The capitalization rate calculates the value of the project for each year of the operating pro forma tab of the underwriting template.

As an example, first, you will need to know how much the net operating income of the building is

The process is as follows:

6. How much is collected in rental income, including laundry income.

7. Once the total gross income for the past 12 months, if possible, is identified, then identify, for the previous 12 months:
    - Expenses, including fixed expenses such as taxes, insurance, etc. and revolving expenses, such as gas, electric, management, water, repairs, maintenance, etc.
8. Include projections to cover vacancies, credit loss, replacement reserves, etc.
9. Once income and expenses for the previous 12 months of operations are identified, and then subtract the expenses from the income.
10. Now that the net operating income is identified, divide that number by the price of the property to get your cap rate.
    - For example, if you had a $60,000 NOI and the owner was asking $1,000,000 for the property, you would get a cap rate of 6% (.06).

## 7) Debt Service Coverage Ratio

A debt service coverage ratio ('DSCR', or 'debt service cover' or 'coverage', or 'debt cover') expresses the relationship between debt, and funds available (after operating expenses) to pay the debt. A debt cover of 1.0 (or 1:1) indicates that every dollar of funds available after paying operating expenses is needed to pay debt, with nothing left over. A debt cover of 1.20 (or 1.2:1) indicates that for every $1.20 of funds available, $1.00 pays debt, and $0.20 remains as cushion or cash flow. Lenders always require a certain amount of cushion; a conservative DSCR is generally higher. The minimum typically is 1.15. However, in some cases (particularly on properties which have a small margin of rents over expenses), the relationship between income and expense inflation causes the coverage to diminish over time. When the proforma demonstrates a declining debt cover, it may be necessary to permit an initial debt service coverage ratio of greater than 1.50, so that at Year-20, the coverage is sufficient to pay debt service and maintain an adequate cushion.

> [Note: As part of its underwriting process, the City should require an adequate debt service coverage ratio to help ensure the long-term financial viability of the rental property or properties. The debt service coverage ratio is the result of this equation: Annual Net Operating Income (after operating expenses but before debt service) divided by annual debt service. The minimum 1.15 ratio creates at least a 15% "cushion" over and above debt service payments. If future rent collections or market conditions are uncertain, the Grantee may wish to require a higher ratio. A 1.15 ratio is the minimum typically required by many multi-family lenders. ]

## 8) Allowed Rental Project Property Management Fee and Marketing Costs

The average Developer fee ranges between 5% and 7%; however, in cases where social services are conducted onsite, it may require additional responsibilities of the property manager to coordinate the events. The Developer fee is a percentage of the gross rents and identified as a property management fee, either to be drawn by the Developer directly if the Developer is the property manager, or paid to a third-party manager. It is a prudent investment in the project, when the Developer defers the payment of such fees up to 15 years.

### 9) Real Estate Taxes

The Developer will include information related to the estimated real estate taxes due for the proposed site. It will also reflect a per unit costs. It is important to discuss with the Developer if they are applying for a tax exemption, so that it may be reflected properly in the evaluation and project viability.

### (ix) Third Party Rent Market Study Review:

When a third party market study is submitted, or an existing market report is supplied by the Developer, or review of one that the City has asked to be contracted for, there are several key things that are considered when estimating the demand for rental housing, and the current supply of rental housing:

- How is the market area defined?
- What are those sites' locational advantages and disadvantages, within not only its neighborhood, but also, the proposed site?
- How does the proposed site compare with competing sites a block or two away?
- How does the proposed site compare within adjacent neighborhoods?
- What are the options that people have?

These details should be included in the market analysis in an organized and convincing way. Meaning, the analysis should have a conclusion in support of or not in support of the project. Competing properties tell us about the property feasibility and operation. Additionally, it assists with estimating how fast the proposed project is likely to lease-up or how fast it will likely take.

A demographic analysis at the local level, as well as a broader area should be included in the study. For example, the neighborhood compared to the census tract; the proposed site census tract compared to a neighboring census tract; the city compared to the county. Key information would include income-eligible households, and the characteristics of the households are likely to be detracted to that element.

Staff may review projects that are being built in the neighborhood, which may reflect a loss in population. This doesn't necessarily mean that there's no demand for new housing in the area, in fact if it's declining, it may be that the condition of the housing in an area is poor that replacement housing may be in need.

### (x) Review of Rental Project Subsidy Layering

HUD provides guidance on affordable housing practices. Staff will continue to evaluate suggested practices. As such, layering is the process of ensuring that an asset ultimately received the amount of funding it needed, and not more. Underwriting—at the front end of the process—determines the maximum loan or grant amount, based on projected development costs. Subsidy layering—once the development is complete—looks at the actual costs that were incurred and determines whether the award should be reduced. The Grantee completes the Subsidy Layering Review (SLR) based on a post-completion Cost Certification from the sponsor's accountant. A post-completion SLR is not required, but it is a best practice. The following illustrates a simplified subsidy layering review: Simplified Subsidy Layering Review (SLR)

| | | | |
|---|---|---|---|
| **---USES -- EXAMPLE** | | | |
| Application (Projected Sources / Uses) | Cost Certification (Actual Sources / Uses) | | Difference |
| Building Acquisition | $1,215,000 | $1,215,000 | $0 |
| Hard Costs (Rehab) | $2,000,000 | $1,932,441 | ($67,559) |
| Soft Costs | $290,350 | $299,221 | $8,871 |
| Developer Fee | $235,000 | $235,000 | ($0) |
| TOTAL USES | $3,740,350 | $3,681,662 | ($58,668) |
| **---SOURCES --** | | | |
| First Mortgage | $1,800,000 | $1,800,000 | $0 |
| HOME Funds | $990,000 | $990,000 | $0 |
| Deferred Developer Fee | $50,000 | $0 | $50,000 |
| Total 'non-HOME Sources | $2,840,000 | $2,790,000 | $50,000 |
| Gap (Source – Uses) | $900,350 | | |
| HOME Funds AWARDED | $900,350 | | |
| HOME FUNDS NEEDED | $891,662 | | |
| REDUCTION IN AWARD (TO BALANCE) | | | ($8,688) |

In the scenario above, used the following steps:

- Start with Uses, and establish the actual Uses by referring to the Proforma. In this example, actual Uses were $58,668 lower than projected.
- Add all Sources except City's (i.e., the Grantee's) considered 'non-HOME sources' because they do not include funds from whoever is doing the subsidy layering (yet). You want to determine the actual Gap in financing.

- Subtract actual total Uses ($3,681,662) from actual non-HOME Sources ($2,790,000). In this example, the actual non-HOME Sources were $50,000 lower than projected, because the Developer did not defer the fee it had projected would be necessary. In other words, the Developer reduced fee deferral to absorb some of the cost savings.
- Final actual total Uses were $3,861,662, and final non-HOME Sources (before City funds) were $2,790,000. Thus, the project needed gap funding, in the amount of $891,662, rather than the amount awarded of $900,350 (a difference of $8,688).
- The City would reduce the final disbursement accordingly, or would require the Developer to return $8,688.

### (xi) Development Cost Review

Development costs include detailed costs associated with acquisition, site work, construction, architectural and engineering fees and other owner costs. Additionally, the interim financing costs, permanent financing fees, expenses, developer fees and initial project reserves are referenced. The project administration and management costs as well as other development costs not listed. Under this review, it indicates the cost per unit and by square footage.

Underwriting review of the proposed property manager's budgets and cash flow is necessary. Operational issues that will be considered in undertaking a cash flow analysis are:

- Gross potential rent income for HOME-assisted and non-assisted units
- Rent loss
- Vacancy loss
- Concession loss
- Bad debt loss
- Other income
- Marketing expenses
- Payroll expenses
- Property Management fee
- Other administrative expenses
- Utility costs
- Non-housing services costs
- Security costs, if applicable
- Normal repair costs
- Real estate taxes
- Property insurance
- Liability insurance
- Capital expenditures
- Net operating income
- Debt service and
- Asset management costs

### (xii) Identifying Proposed Rental Development Project Deficiencies

At this point in the process, the City has accomplished a great deal. It has already made all key decisions regarding the form and timing of its project; it has received applications, and performed an initial review for completeness. Based on its program design decisions, review of requirements for transactions can be referenced in the file. Just as available source documents may be a basis for a checklist, any new requirements should be included as HOME rules change. It assists in identifying deficiencies in the documentation provided and/or applications which need to be resolved. Requesting responses, clarifications and concessions before awarding funds can be more effective than trying to resolve issues after award of funds, at closing, or after funding.

Based on the review, a letter should be drafted for each application. A good approach is to draft a single template deficiency letter, which contains all possible deficiencies, and then to individually edit the letters by deleting deficiencies which do not apply (and fine-tuning or customizing those that remain). This process can reduce the workload while better ensuring consistency in your treatment of applicants.

To ensure quality and consistency in the process, the response letter should be reviewed by the Department Head for any deficiencies in the letter. Any letters rejecting applications on the basis of incompleteness should be issued as well.

## Section 5.03 Responsibility for Rental Marketing and Leasing

Developer is fully responsible for marketing and leasing the units to qualified households. A marketing plan MUST be submitted and reviewed by City Staff, As per 24 CFR 92.252 and 92.253, leases are required for all HOME-assisted rental units, consistent with 24 CFR 92.209 (g) as well as the recommended lease agreement. A Draft Marketing Plan may be submitted along with the request for funding. It must be noted that units must be occupied before the HUD established deadlines. Developer shall submit, on a monthly basis, to the City, an update of marketing efforts and occupancy status, per HUD-HOME funded unit.

### (a) Marketing Plan

Prior to marketing the first completed rental units, Developer must provide Grantee with a marketing plan. The marketing plan will include the following elements:

- i) Methods of affirmative outreach to residents of target areas;
- ii) Other means of advertising for rent, including such means as rental housing listing services, advertising, flyers, etc.; printed materials and advertisements must include equal opportunity language;
- iii) Approved language for use in flyers, advertising and listings regarding income qualifications of renters and advertised rental rates;
- iv) Method and timing of prequalifying prospective renters in terms of HOME income eligibility;
- v) Policy for managing a waiting list of potential renters;
- vi) Sample form of tenant lease.

# Section 5.04 Rental Projects:-Tenant Applications and Income Certifications

Developer is responsible for the following tasks except that tasks to be carried out by Developer or a rental management company. Developer will obtain and transmit to Grantee all income certification documentation along with the page(s) of each signed lease indicating the renter's name and the address of the property. Any other requirements will be listed within the specific agreement.

## (a) Tenant Application for a HOME Rental Unit

Each prospective renter must complete **Appendix "D", City of Visalia Rental Property Tenant Application Form**. The application may be used by the Developer. Income and Rent information must be updated on an annual basis or more often if HUD makes changes. If Developer has provided an application, it must be reviewed by City Staff to confirm that it meets all the requirements of the funding source.

The information obtained in the application will be used, along with verifications to determine a household's eligibility to lease a City funded unit. While online and paper forms may be filled out in advance by Applicants, the application will be completed in a face-to-face meeting with a qualified representative of Developer.

### (i) Evidence of Employment, Residence, Income and Assets

Developer will require Applicants to bring evidence to the intake and application interview in order to make an initial determination of eligibility. HUD recommended documentation necessary to confirm that the borrower is income eligible under HOME regulations, 24 CFR Part 5. **(See Appendix "E" Income Worksheets and Definitions)** If the Developer provides their own certification, it must be reviewed and approved by the City.

### (ii) Certifying the Incomes Eligibility of Prospective Renters

Developer will use the HOME 24 CFR Part 5.609, methods described in **Appendix "F", Tenant Income Certification/Recertification Form** to verify and certify the income-eligibility of Applicants. Required documentation (copies of driver's licenses, 3 months minimum of most recent paystubs, 2 years income taxes, etc.) will be kept in the files of the Developer or Developer's management agent and copies sent to the City as may be described elsewhere in this Manual or a developer agreement. The income certification may be no more than six months old at the time that the renter and Developer enter into a lease. If older, the Applicant must be recertified.  An Applicant whose application fails to meet the eligibility requirements will be given a written notice of denial as described below.

### (iii) Lease Requirement for Rental Units

A lease agreement is required for all HOME –assisted rental units, as per 24 CFR 92.252, 92.253 HOME regulation, and consistent with 24 CFR 92.209 (g).

### (iv) Lease Term

Under 24 CFR 92.253 (a), HOME regulations indicate that all HOME assisted rental housing, the written lease must be for a period of at least one year, unless a shorter period is mutually agreed upon.

### (v) Tenant Selection Requirements

Tenant Selection requirements apply when HOME funds under 24 92.253 (d) are utilized in the development of rental projects.  An owner of rental housing assisted with HOME funds must adopt written tenant selection policies and criteria.

Tenant selection procedures describe the methods and procedures for taking applications and screening tenants at the property. A clear intake process and an applicant-screening plan are essential to rental program operations.

Tenant selection procedures should be consistent with the purpose of providing housing for low-income and very low-income families, and be reasonably related to HOME Program eligibility and the tenant's ability to perform the obligations of the lease as per HUD HOME regulations 24 CFR 92.253.

Below are guidelines for developing fair tenant selection procedures owners and managers can use to develop fair tenant selection procedures:

- Tenant selection procedures should specify the criteria that will be used to select tenants.
- Tenants should be selected based on objective criteria. These criteria should be related solely to program qualification and the tenant's ability to pay the rent and abide by the terms of the lease, such as household income, housing history, credit history, and/or lack of criminal record. Property owners/managers must apply selection criteria consistently to all applicants, in accordance with fair housing laws.
- Tenant selection criteria should expressly prohibit bias in the selection process. This includes prohibiting discrimination and favoritism toward friends or relatives, or other situations in which there may be a conflict of interest.

- Tenant selection criteria can give preference to persons with special needs only when the HOME Program has approved the preference within the project agreement.
- Tenant selection procedures must state that owners/managers will provide a written explanation of the grounds for rejection to all rejected applicants. This notice must be made promptly.
- The tenant selection procedures should specify that there is a waiting list, and describe how it will be maintained. Owners/Managers must select tenants in the chronological order of application, to the extent practicable.
- The tenant selection procedures should describe the HOME requirements that impact tenants and tenant selection in terms that are clear and easy to understand. Specifically, the procedures should describe:
    1. How vacant units will be filled;
    2. HOME unit occupancy requirements;
    3. Nondiscrimination policies and the affirmative marketing procedures;
    4. Marketing strategy for accessible units;
    5. Tenant selection records that must be maintained; and
- CHDO tenant participation plan, if applicable.
- As a sample strategy, many properties use either a first-come, first-served procedure, or a lottery system for selecting among otherwise qualified applicants. These strategies ensure that tenant selection is fair and equitable.
    1. **First-come, first-served:** Qualified applicants are selected on a first-come, first-served basis. To ensure fairness, the date and time of application should be stamped on the application by the intake staff. The owner/manager's policy should include a definition of when an application has been "received," clarifying whether a partial application is received, or if the application must be complete to be counted as received.
    2. **Lottery:** Sometimes demand for a program is so great (particularly at initial lease-up) that the owner/manager may elect to select tenant applicants by lottery. To the extent that all applicants are eligible, this process is as fair and open as necessary.
- NOTE: State and federal fair housing laws prohibit discrimination in housing based on race, color, creed, religion, sex, national origin, physical or mental disability, familial status, age, or marital status.

### (vi) Special Needs

Owners/managers may only give preference to persons with special needs (such as the elderly, homeless, or persons with disabilities) if authorized by the HOME Program to do so. Although HOME funds can be invested in housing for persons with disabilities, civil rights laws (which confer certain protections on persons with disabilities) in most cases prohibit owners from discriminating based upon the nature of a disability. Consequently, in most cases, HOME-assisted housing for persons with disabilities must be equally available to all persons with disabilities. Owners/Managers may offer and advertise non-mandatory services that may be appropriate for persons with a particular special need or disability. Under 24 CFR 92.253 (d) (3) Iii), the regulation indicates that preferences may be given to disabled families who need services offered at a project, if certain conditions are met:

1. The preference must be limited to the population of families (including individuals) with disabilities whose disabilities significantly interfere with their ability to obtain and maintain housing;
2. Such families are not able to obtain and maintain themselves in housing without appropriate supportive services; and
3. Such services cannot be provided in a non-segregated setting.

If the HOME Program allows an owner to give preference to persons with special needs, then this must be included in the HOME Program's contract with the Grantee and the Grantee's written agreement with the owner. The owner should explain this preference in its tenant selection procedures.

While a limitation or preference is permitted, as referenced under 24 CFR 92.253 (d) (3) Ii), it must not violate nondiscrimination requirements listed in 24 CFR 92.350. Reference should also be made to 24 CFR 92.504(c) ) (3) and 24 CFR 92.253 (d) (4).

### (vii) Student exclusion

As per HUD's HOME regulation, under the definition of "Low-Income Families and Very Low Income Families, specifically excludes certain students from participating independently in the HOME program. The HOME program adopted the Section 8 Housing Choice Voucher (HCV) program restrictions on student participation, which is found at 24 CFR 5.612, which exclude any student that:

1. Is enrolled in a higher education institution
2. Is under age 24
3. Is not a veteran of the U. S. military
4. Is not married
5. Does not have a dependent child(ren)
6. Is not a person with disabilities
7. Is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible on the basis of income.

Excluded students are prohibited from receiving any type of HOME assistance, including renting HOME assisted rental units, receiving HOME tenant based rental assistance, or otherwise participating in the HOME program independent of their low-or very low-income families.

### (viii) Prohibited Lease Terms

Under 24 CFR 92.254 (b) (9) lease terms that require a tenant to accept supportive services, with the exception for residents of transitional housing, is prohibited. This rule was recently added and emphasized under the 2013 HOME Rules.

Prohibited lease clauses should be specified, and should be updated to prohibit owners and landlords from requiring tenants to accept supportive services, with an exception for residents of transitional housing.

### (ix) Termination of Tenancy

Owners may only refuse to renew or terminate the lease of a tenant residing in a HOME – assisted unit, if there is good cause, as referenced under 24 CFR 92.253 (c ). Good cause id defined as: repeated violation of lease terms; violations of federal, State or local law; or for completion of the tenancy period for transitional housing. The 2013 HOME Rule added that a tenant's failure to participate in any required supportive services of transitional housing is a permissible basis for terminating a tenancy or refusing to renew a lease. The provision ensures that transitional housing can be made available to individuals who use the transitional housing for its intended purpose.

Additionally, an increase in a tenant's income does NOT constitute good cause for termination of, or refusal to renew, a lease. Terminating the occupancy of a tenant whose income increases could result in creating a disincentive for tenants to increase their incomes, in fear that they could lose their housing, as this was not the intended HOME program policy; therefore, HUD clarified this under the HOME 2013 Rules.

The requirement of 30-day written notice to the tenant in the event of lease termination or non-renewal remains unchanged.

# Article VI. Homeownership Development Projects

The City must adopt subsidy layering and underwriting guidelines as per HUD, to ensure that it does not invest any more HOME funds (alone or in combination with other funds) than are necessary to the project and to ensure that the owner's/developer's profit or return on his/her investment is appropriate and reasonable, given the size, type and complexity of the project.

As a policy, the City desires to provide enough funding to each approved transaction to increase the availability of affordable homeownership opportunities at approved standards without over-subsidizing the project or increasing the risk associated with too much leverage in a project.

# Section 6.01 Developer Role

For HOME-assisted homebuyer projects, the housing is "developed" by the CHDO if it is the owner (in fee simple absolute) and developer of new housing that will be constructed or existing substandard housing that is owned or will be acquired by the CHDO and rehabilitated for sale to low-income families, in accordance with §92.254. To be the "developer," the CHDO must arrange financing for the project and be in sole charge of construction.

As part of its set-aside funds, the CHDO can provide direct down payment assistance to a buyer of the housing it has developed with HOME funds in an amount not to exceed 10 percent of the amount of HOME development funds. In this role, the CHDO is not a Subrecipient. Final terms will be included in the specific Developer Loan Agreements.

## (a) Homeownership Developer-Community Housing Development Organization

City Council has authorized the use of HOME, HOME-CHDO funding through the Action Plan, and public hearing processes. The City has been working with its non-profit Certified Community Housing Development Organization (CHDO) for the use of HOME funding toward acquisition, construction, reconstruction and/or acquisition and rehabilitation of vacant, infill and existing single family properties, in order to provide affordable housing to qualifying owner occupants.

The CHDO acts as a Developer which makes a specific loan request to the City. The request should include all costs associated with the transaction/project and estimated resell price.

## (b) Developer Agreements

The Developer must comply with various provisions of a loan agreement that apply during the development period as well as HOME regulation, Building requirements and resell provisions. The provisions may include timely submission of construction progress reports, copies of draw requests, project and/or developer financing statements, prevailing wage compliance reports, homebuyer application and documentation, and other documentation as required.

Upon finalizing projects costs for the Homeownership projects, the approved Developer may utilize up to 10% of the total acquisition & rehabilitation cost of the Qualifying Property for down payment assistance. No additional funds will be provided.

The City agrees to allow the approved Developer to transfer those obligations to an Eligible Purchaser at the close of escrow on a Qualifying Single-Family Property. The Developer and City work together to ensure that the Eligible Purchaser executes appropriate documentation necessary to preserve the period of affordability for the Subject Property as required by the HOME regulations. Documents include, but are not limited to, a Note, Deed of Trust, Truth In Lending and Affordability Covenant, with "Recapture Provisions", which is created by the City for the new homeowner for a term typically thirty (30) years with interest. The terms and interest rate will be determined and included within a separate development, loan agreement with the Developer as well as the borrower as referenced.

Provisions must be set forth in the written agreement with the CHDO, including the role of the CHDO, the actual sales prices of the housing or the method by which the sales prices for the housing will be established, project proceeds, which must be returned to the City of Visalia, rather than retained, transfer of obligations, up to 10% toward gap financing, and other provisions as required under HOME regulations.

## Section 6.02 Eligible Homeownership Activities

With the City's approval, Community Housing Development Organizations (CHDO's) may use HOME funds for all eligible HOME activities. However, only certain types of activities count toward the minimum 15 percent set-aside.

Eligible set-aside activities include the following when carried out by a CHDO acting as an owner, sponsor or developer:

- Acquisition and/or rehabilitation of homebuyer properties;
- New construction of homebuyer properties; and
- Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds.

The HOME funds may be used toward acquisition and rehabilitation costs for Qualified Single-Family Properties in a manner consistent with Section 92.206 of the HOME Regulations. Allowed uses include acquisition of vacant, infill properties, involving new construction and/or reconstruction of affordable housing on those properties.

The activities may include demolishing a primary structure on a property if it has been determined by the City that the Subject Property is substandard and the property will be reconstructed with the same or increased living space and rooms (bedrooms/bathrooms).

### (a) Ineligible Uses of Set-aside Funds

As it relates to a CHDO, using HOME funds, the following are in-eligible uses:

- Non-development activities
- Ex: CHDO loaning the HOME funds to a project they are not involved in owning, sponsoring or developing for rental, OR
- Ex: CHDO does not meet the definition of homebuyer developer (e.g., not owning land, property, etc.), essentially a turnkey organization
- • Tenant-based rental assistance
- • Homeowner rehabilitation
- • Down payment and closing cost assistance when not associated with unit construction or rehabilitation

### (b) In-Eligible Stand-Alone HOME Activities

HOME funds may not be used to acquire property or demolish structures on land for which there is not an immediate, planned HOME-eligible use. Specifically under 24 CFR §92.205(a)(2) it clarifies current HOME policy specifying that the acquisition of vacant land or demolition with HOME funds may be undertaken only for a particular affordable housing project on which construction will begin within 12 months, as established in paragraph (2) of the definition of commitment in 24 CFR §92.2.

In the project review and selection process, for any proposed project that involves acquisition of vacant land or demolition activities, Staff will evaluate whether it is reasonable to expect that construction will begin within 12 months of project commitment, before committing HOME funds. Staff will also track the construction start of projects that involve acquisition of vacant land or demolition.

## Section 6.03 Eligible HOME Costs

HOME funds may be utilized toward development costs, which include, but are not limited to the following:

- Hard Costs (examples) Specific regulation is 24 CFR 92. 206 (a)
  - Acquisition of land (for a specific project) and existing structures
  - Site preparations or improvement, including infrastructure
  - Rehabilitation, costs to meet the property standards for rehabilitation projects
  - Materials and labor
- Acquisition costs (example) Specific regulation 24 CFR 92.206 (c )
- Soft Costs (examples) 24 CFR 92.206 (d)
  - Appraisals
  - Architectural/engineering fees, including specifications
  - Work write ups

- inspections
- Environmental reviews
- Builder or developer fees (based on a percentage of hard construction costs)
- Homebuyer Counseling

### (a) In-Eligible Homeownership – HOME Costs

Statutory liens, including "back taxes", clear tax liens or other liens that are associated with acquisition costs, must be paid by the seller. The City, Developer and/or CHDO cannot use HOME funds to repay taxes or fines that the City levied (i.e. Weed Abatement, Code Enforcement). Additionally, the regulations should be reviewed for the additional non-eligible costs associated with HOME funding, under 24 CFR 92.

The City or Developer may not charge servicing, origination or other fees to cover costs of program administration.

### (b) Ineligible Fees:

The City cannot charge, and must also prohibit their subrecipients and community housing and development organizations (CHDOs) from charging, fees to program participants (low-income beneficiaries) to cover any costs of administering the program, such as, but not limited to:

- Underwriting fees;
- Loan origination, loan processing, or loan servicing fees; or
- Construction management fees

## Section 6.04 Subsidy Limits

The PJ will evaluate the project, according to its established underwriting and subsidy layering requirements, to determine financial viability before making a funding commitment for funds for acquisition, new construction, reconstruction, or acquisition and rehabilitation. Subsidy Layering also applies to homebuyer units with multiple government funding awards. Refer also to General Requirements: Project Underwriting and Subsidy Layering.

HOME regulations have a minimum and maximum investment allowed (24 CFR 92.205(c)), which is also utilized for underwriting and subsidy layering evaluations.

The per-unit subsidy requirements are described in the HOME regulations at 24 CFR 92.250.

### (a) Minimum HOME investment

The minimum amount of HOME funds is $1,000 multiplied by the number of HOME-assisted units in the project (so long as the homebuyer needs a minimum of $1,000 per unit under the City's underwriting guidelines.

- If each homebuyer is a separate project (i.e., set up in the Integrated Disbursement and Information System (IDIS) as a separate activity), then each must receive at least $1,000 of HOME funds.
- For two- to four-unit properties, the $1,000 per-unit HOME minimum is averaged across the units. Using cost allocation, the City would need to determine if any of the units are considered HOME rental and follow all the rental rules. See HUD Notice CPD-98-02 for further information.
- The minimum only relates to the HOME funds, and not to any other funds that might be used for project costs.

### (b) Maximum HOME subsidy

The per-unit HOME subsidy limit varies by City which HUD determines and issues the maximum per-unit subsidy limits annually. The City must use the HUD-published limits.

While some City's provide assistance to developers, the amount can be above the fair market value up to the total development cost (otherwise known as the development subsidy) – this amount is NOT used in a recapture provision. This is not the same as the direct HOME subsidy which is the amount below the fair market value could be in the form of a reduction in purchase price or a soft second mortgage to a homebuyer.

## Section 6.05 HOME Homeownership Value Limits

Section 215(b) of NAHA requires that the initial purchase price or after-rehabilitation value of homeownership units assisted with HOME funds not exceed 95 percent of the area median purchase price for single family housing, as determined by HUD. Historically, HUD used the FHA Single Family Mortgage Limit (known as the 203(b) limits) as a surrogate for 95 percent of area median purchase price. However, statutory changes require the 203(b) limits to be set at 125 percent of area median purchase price. Consequently, PJs can no longer use the 203(b) limits as the HOME Program homeownership value limits (i.e., initial purchase price or after rehabilitation value).

In Section 92.254(a)(2)(iii) of the Final Rule published on July 24, 2013, HUD established new homeownership value limits for HOME Participating Jurisdictions (PJs). This new Rule was effective August 23, 2013.

### (a) Newly Constructed Housing

The new HOME homeownership value limits for newly constructed HOME units is 95 percent of the median purchase price for the area based on Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing. Nationwide, HUD established a minimum limit, or floor, based on 95 percent of the U.S. median purchase price for new construction for nonmetropolitan areas. This figure is determined by the U.S. Census Bureau. HUD has used the greater of these two figures as their HOME homeownership value limits for newly constructed housing in each area.

### (b) Existing Housing

The new HOME homeownership value limits for existing HOME units is 95 percent of the median purchase price for the area based on Federal FHA single family mortgage program data for existing housing and other appropriate data that are available nationwide for sale of existing housing in standard condition. Nationwide, HUD has established a minimum limit, or floor, based on 95 percent of the state-wide nonmetropolitan area median purchase price using this data. HUD has used the greater of these two figures as their HOME homeownership value limits for existing housing in each area.

### (c) City's Determined Limits

In lieu of the limits provided by HUD, a City may determine 95 percent of the median area purchase price for single family housing in the jurisdiction annually in accordance with procedures established at § 92.254(a)(2)(iii). The City must submit these limits as part of its Consolidated Plan/Annual Action Plan.

The effective date of the 2017 Homeownership Value Limits is March 1, 2017. These limits remain in effect until HUD issues new limits.

## Section 6.06 After Rehabilitation Property Value

To use HOME funds, the value of the HOME assisted property after rehabilitation must not exceed 95 percent of the median purchase price for the area, as published by HUD for existing single family housing, or as determined locally through market analysis.

## (a) Determining after rehabilitation value:

To establish project eligibility, after-rehabilitation value must be established prior to any work being performed. The after-rehabilitation value may be established by one or more of the following methods:

- **Estimates of value**: Estimates of value by the City may be used. Project files must contain the estimate of value and document the basis for the value estimates.
- **Appraisals:** Appraisals, whether prepared by a licensed fee appraiser or by a staff appraiser of the PJ, may be used. Project files must document the appraised value and the appraisal approach used.
- **Tax assessments**: Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation.

Using HUD-published after-rehabilitation value limit vs. conducting local market analyses: When deciding which option to choose, HUD indicates that the City should consider if the HOME affordable homeownership limits seem consistent with local housing values, they provide a simple and credible methodology for the PJ.

Acquisition of Qualifying Single-Family Properties, including estimated rehabilitation (after rehab value), may not exceed ninety-five percent (95%) of the median purchase price for the area.

# Section 6.07 §92.251 Property Standards

(§92.251): All properties assisted with HOME funds are subject to minimum property standards at project completion

The 2013 Rule provides additional specificity to the rehabilitation standards requirements in order to ensure that adequate improvements are made to support the long-term viability of HOME-funded rehabilitation projects. For new construction and rehabilitation, the 2013 Rule requires a higher degree of oversight by the PJ. It imposes requirements for the PJ to review and approve construction-related documents prior to construction, and to monitor construction progress.

## (a) New Construction Projects standards

§92.251(a)(1) requires new construction projects to meet State and local codes, ordinances, and zoning requirements. This requirement is not new. In the absence of an applicable State or local code for new construction, HOME-assisted projects must meet the International Code Council's (ICC's) International Residential Code or International Building Code, whichever is applicable to the type of housing being developed. In the pre-2013 Rule, PJs were directed to use one of the three national model codes, whose issuing groups merged to form the ICC. (These were the Building Officials and Code Administrators International, Inc.; International Conference of Building Officials; and Southern Building Code Congress International, Inc.)

§92.251(a)(2) incorporates or specifies additional standards:

• Accessibility requirements as applicable, in accordance with Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and the Fair Housing Act. These requirements are not new.

• Disaster mitigation standards, in accordance with State and local requirements or as established by HUD, where they are needed to mitigate the risk of potential disasters (such as earthquakes, hurricanes, flooding, and wildfires). This is a new requirement.

§92.251(a)(iv) and (v) adds requirements for PJs to improve project oversight for new construction. PJs must:

• Review and approve written cost estimates, construction contracts, and construction documents.

• Conduct construction progress and final inspections to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents.

## (b) Homeownership Rehabilitation Projects standards

The rehabilitation standards must address the following (the new requirements are so noted): o Health and safety. The rehabilitation standard must specify the life threatening deficiencies that must be addressed, including, but not limited to:

- Lead-based paint requirements, in accordance with 24 CFR part 35.
- Accessibility requirements as applicable, in accordance with Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and the Fair Housing Act.
- Disaster mitigation standards, in accordance with State and local requirements or as established by HUD, where they are needed to mitigate the risk of potential disasters (such as earthquakes, hurricanes, flooding, and wildfires).
- State and local codes, ordinances, and zoning requirements. In the absence of a State or local building code that applies to rehabilitation, the PJ must use the International Existing Building Code of the ICC.

- Uniform Physical Condition Standards (UPCS), in accordance with 24 CFR 5.703. UPCS is an inspection protocol that is used to evaluate the condition of housing. The City must use this inspection protocol to establish minimum property condition standards for rehabilitation standards. Note, in general UPCS includes a more comprehensive list of inspectable items and areas than Housing Quality Standards, which applied to rehabilitation in the absence of State and local codes in the pre-2013 Rule.

– In relation to homeownership projects, including rehabilitation, the Developer shall also review 24 CFR 92.251 (b) (1), specifically references that the City's standards must require upon project completion, each of the major systems to have a remaining useful life for a minimum of 5 years or for such longer period specified by the City, or the major systems must be rehabilitated or replaces as part of the rehabilitation work.

### (i) Construction and Standards

HUD requires the City to define its housing rehabilitation standards that will apply to assisted activities. The "City Assisted Standard Work Specifications for Housing Rehabilitation Projects" was updated January 2014, in addition to maintaining compliance with up to date Building Code regulations. However, as the Building Code changes, the most recent code will apply as the rehabilitation standard is updated accordingly.

HUD has encouraged grantees to strategically incorporate modern green building and energy efficiency improvements (sources(s)) to provide for long-term affordability and increased sustainability and attractiveness of housing and neighborhoods. The City will consider these improvements, keeping cost to an affordable minimum. The costs are carried over to the homeowner.

Repair work must meet all current code revisions and applicable local codes, rehabilitation standards, ordinances at the time of completion except for, certain components of the house that are sound and were built to code prescribed at the time, when no repair or alteration will be made to that component. All structural code violations are eligible; however, priority will be placed on those code items that are health and safety in nature. The City's Neighborhood Preservation Division will require elimination of code deficiencies that are non-structural in nature. Non-structural code deficiencies identified must be corrected prior to disposition of City owned property.

### (ii) Lead Based Paint Requirements

As part of the program funding requirements, grantees are required to certify and ensure that their activities comply with the same lead regulatory requirements that apply to the HOME program. These requirements are in the Lead Disclosure Rule (24 CFR part 35, subpart A), and the Lead Safe Housing Rule's provisions for rehabilitation (subpart J), and for acquisition, leasing, support services, or operation (subpart K), and the accompanying procedural requirements in subparts B and R. For more information regarding compliance with the Lead rules, visit https://www.hud.gov/program_offices/healthy_homes/lbp/hudguidelines

If the home is a pre-1978 unit prior to initial inspection, paint testing will be completed by a certified Lead-Based Paint (LBP) inspector/assessor and a termite inspection will be completed. Code deficiencies will be corrected and if presumption is used or lead hazards are found they will be properly treated according to HUD regulations (Section 6.1.E & F) and cleared by a certified LBP inspector/assessor. Note: HOME funds must comply with the regulation implementation Title X of the 1992 Housing and Community Development Act (24 CFR Part 35).

The lead-based paint regulation consolidates all lead-based paint requirements for federal assisted housing. The purpose of the regulation is to identify and address lead based paint hazards before children are exposed to lead. The regulation is divided into subparts. Subparts that apply to the HOME program, Part 92 include: Subparts A, B, J, K, M, and R. For recordkeeping requirements related to Lead-Based Paint refer to 24 CFR 35.175.

Federal HOME guidelines, "Building Home" Chapter 10 provides information for the four approaches to addressing lead-based paint in federal funded programs as listed below as Table I:

TABLE I

| Lead Hazard Evaluation | Lead Hazard Reduction | Options |
|---|---|---|
| **Approach 1. Do No Harm** | | |
| • Paint testing performed on surfaces to be disturbed. | • Repair surfaces disturbed during work.<br>• Safe work practices used when working on areas identified as lead-based paint.<br>• Clearance performed. | • Presume lead-based paint is present and use safe work practices on all surfaces being disturbed. |
| **Approach 2. Identify and Stabilize Deteriorated Paint** | | |
| • Visual assessment performed to identify deteriorated paint. | • Paint stabilization of identified deteriorated paint.<br>• Safe work practices used<br>• Clearance performed. | • Perform paint testing on deteriorated paint. Safe work practice requirements only apply to lead-based paint. |
| **Approach 3. Identify and Control Lead Hazards** | | |
| • Paint testing performed on surfaces to be disturbed.<br>• Risk assessment performed on entire dwelling. | • Interim controls performed on identified hazards.<br>• Safe work practices used.<br>• Clearance performed. | • Presume lead based paint and/or lead based paint hazards are present and perform standard treatments. |
| **Approach 4. Identify and Abate Lead Hazards** | | |
| • Paint testing performed on surfaces to be disturbed.<br>• Risk assessment performed on entire dwelling. | • Abatement performed on identified hazards.<br>• Interim controls performed on identified hazards on the exterior that are not disturbed by rehabilitation.<br>• Safe work practices used.<br>• Clearance performed. | • Presume lead-based paint and/or lead-based paint hazards are present and perform abatement on all applicable surfaces – deteriorated, impact, friction, chewable surfaces, and surfaces to be disturbed. |

Also provided, as Table II, is a summary of required activities to address lead-based paint, which is dependent on the determined level of evaluation.

TABLE II

| Category | Required Activities |
| --- | --- |
| Notification | All of the following notices must be provided as appropriate:<br>▪ Pamphlet<br>▪ Disclosure<br>▪ Notice of Lead Hazard Evaluation or Presumption<br>▪ Notice of Lead Hazard Reduction Activity |
| Lead Hazard Evaluation | One or more of the following may apply:<br>▪ Visual Assessment*<br>▪ Paint Testing<br>▪ Risk Assessment (or Lead Hazard Screen) |
| Lead Hazard Reduction | One or more of the following may apply:<br>▪ Paint Stabilization<br>▪ Interim Controls (or Standard Treatments)<br>▪ Abatement<br>The following always apply:<br>▪ Safe Work Practices (as described in Exhibit 10-6)<br>▪ Clearance |
| Ongoing Maintenance | This requirement may apply:<br>▪ Inspect and maintain lead hazard reduction work. |
| Response to Children with Environmental Intervention Blood Lead Level (EIBLL) | These requirements may apply. If they do, all of the following steps must be taken:<br>▪ Sharing and Comparing Information<br>▪ Risk Assessment<br>▪ Interim Controls or Abatement<br>▪ Notices and Disclosure |

* A visual assessment is not considered a form of evaluation in the regulation; therefore, there is no requirement for a Notice of Lead Hazard Evaluation associated with this activity.

Units constructed prior to 1978 will be inspected according to HUD regulations (24 CFR 35).

As a guide the Summary of Lead-Based Paint Requirements by Activity are shown herein.

| | Homeowner and Rental Rehabilitation (Subpart J) | | | TBRA (Subpart M) | A,L,SS,O (Subpart K) Homebuyer and Special Needs[1] |
| --- | --- | --- | --- | --- | --- |
| | <$5,000 | $5,000 – $25,000 | >$25,000 | | |
| Approach to Lead Hazard Evaluation and Reduction | 1. Do no harm | 3. Identify and control lead hazards | 4. Identify and abate lead hazards | 2. Identify and stabilize deteriorated paint | 2. Identify and stabilize deteriorated paint |
| Notification | Yes | Yes | Yes | Yes | Yes |
| Lead Hazard Evaluation | Paint Testing | Paint Testing and Risk Assessment | Paint Testing and Risk Assessment | Visual Assessment | Visual Assessment |
| Lead Hazard Reduction | Repair surfaces disturbed during rehabilitation | Interim Controls | Abatement (Interim Controls on exterior surfaces not disturbed by rehabilitation) | Paint Stabilization | Paint Stabilization |
| | Safe work practices Clearance | Safe work practices Clearance | Safe work practices Clearance | Safe work practices Clearance | Safe work practices Clearance |
| Ongoing Maintenance | Rental Only | Rental Only | Rental Only | Yes | Yes (if ongoing relationship) |
| EIBLL Requirements | No | No | No | Yes | No |
| Options | Presume lead-based paint.<br>Use safe work practices on all surfaces. | Presume lead-based paint and/or hazards.<br>Use standard treatments. | Presume lead-based paint and/or hazards.<br>Abate all applicable surfaces. | Test deteriorated paint.<br>Use safe work practices only on lead-based paint surfaces. | Test deteriorated paint.<br>Use safe work practices only on lead-based paint surfaces. |

All paint tests that result in a negative finding of lead-based paint are exempt from any and all additional requirements. If defective paint surfaces are found, they will be properly treated or abated. A State-certified Inspector/Assessor will perform all paint testing, risk assessments, and clearances. A trained supervisor may oversee interim controls; however, a certified supervisor and workers will perform all abatement. Additional disclosures will need to be provided to the new buyer.

Developer and City should also be aware of Environmental Protection Agency's (EPA')Renovation, Repair and Painting Rule (RRP), which requires renovation firms to be certified in lead safe work practices.

### (iii) Historic Preservation Requirements

All properties will be evaluated as to whether or not the property is on the Local, State Historic Places Register and/or the National Register of Historic Places. If so, any rehabilitation must be done in accordance with the standards set by the State of California or U. S. Secretary of the Interior, as applicable and be presented to the local Historic Preservation Committee held with the Neighborhood Preservation Division. City staff will initiate clearance through the State Historic Preservation Office (SHPO) for structures older than 50 years old. The City has a programmatic agreement with the State Historic Preservation Office, which identifies exempt properties. Additional information related to these requirements can be found at Title 42, Chapter 69, Section 5320.

## (c) Newly Constructed or Recently Rehabilitated Housing

§92.251(c)(1) requires that housing that has been newly constructed or rehabilitated within one year of the date of commitment of HOME funds meet the applicable property standards [§92.251(a) for new construction and §92.251(b) for rehabilitation]. If the property does not meet the applicable standard, it cannot be acquired unless it is rehabilitated to meet the rehabilitation standards at §92.251(b). PJs must document this compliance based on a review of approved building plans and certificates of occupancy and a property inspection that is conducted no earlier than 90 days before the commitment of HOME funds. This provision differs somewhat from the pre-2013 Rule in which housing that was acquired (without rehabilitation) with HOME funds needed to meet State and local codes, or in their absence, Housing Quality Standards. However, documentation of compliance with these property standards was not prescribed, and inspections were not required.

## Section 6.08 Selecting Homeownership Projects

When selecting projects to receive HOME funds, the City must use guidelines to evaluate all proposed HOME-assisted projects prior to committing its HOME funds. These guidelines include, but are not limited to, how the City will:

- Examine the sources and uses of funds for the project to determine that the costs are reasonable to provide quality affordable housing throughout the affordability period. This is often referred to as "sustainable underwriting."; and
- Assess, at minimum, the current market demand in the neighborhood in which the project will be located; and
    - The level of review in the market assessment may vary, depending on project scale and complexity.
- Evaluate the qualifications of the Developer, including experience and financial capacity; and
- Verify that there are firm written financial commitments for the project.

## Section 6.09 Underwriting and Subsidy Layering

The City is required to undertake a subsidy layering and underwriting analysis of all development projects to which it provides HOME funds toward homeownership projects, with some exceptions described below. These specific requirements described below are in the 2013 Rule, and apply to projects with HOME funds committed on or after August 23, 2013. HUD issues additional guidance when applicable, which shall be included and/or followed by the Developer.

The City shall be entitled to determine whether the costs are reasonable pursuant to the requirements of 24 CFR §92.250(b)(1),(2), and (3). These requirements are intended to ensure the appropriate targeting of HOME funds, the cost reasonableness and the long-term viability of HOME-assisted projects, and successful and timely project completion.

These requirements includes, but are not limited to providing the City with an assessment of the current market conditions and demand of the neighborhood in which the project will be located, to confirm there is adequate demand for each project, and to determine whether there are firm financial commitments for the project, if other non-Home sources are included in the project.

Any expenditure that is not authorized by an Agreement or is found to be ineligible under the HOME Regulations will be disallowed, and funds must be returned to the City within thirty (30) days of discovery by the City or the Developer.

### (a) Exceptions

For reference, the subsidy layering and underwriting requirements do not apply as follows:

- For owner-occupied housing rehabilitation projects, The City is not required to conduct an underwriting review unless the HOME funds are provided in the form of an amortizing loan. Further, a market analysis and evaluation of developer capacity is not required. An assessment that the anticipated project costs are reasonable is required.
- For down payment assistance projects that do not involve development activity, a market analysis or evaluation of developer capacity is not required. Note, there are additional requirements in §92.254(f) for the city to establish underwriting criteria for the purpose of determining a buyer's financial qualifications prior to providing HOME assistance to a buyer.

## Section 6.10 Homeownership Project Underwriting

Using the City's HOME CHDO funding, HUD requires the City to conduct an analysis. A market analysis may be conducted by a third party and reviewed by City Staff. If a Developer conducts a market analysis, or they have a third party conduct the analysis for a project, staff may review the independent study. In all cases, a review will be required by City Staff, which may include review by Finance, Planning and or Housing.

A determination will be made by the City (Grantee) that the project is either feasible or not feasible in relationship to the following factors:

- Evaluate the qualifications of the Developer, including experience and financial capacity.
- The sources and uses of funds for the project to determine that the costs are reasonable to provide qualify affordable housing throughout the affordability period.
- Assess, at minimum, the current market demand in the neighborhood in which the project will/is located. The level of review in the market assessment may vary, depending on project scale and complexity.
- The construction plans and specifications (if new construction) meet program requirements and will result in a marketable affordable home.
- Verify that there are firm written financial commitments for the project.
- Evaluate the Developers sales plan outlining their efforts to market and sell the home, including cash flow and timing of when and how the home will be sold.
- A loan will be provided at an interest rate reasonable to the market, and the HOME investment will be returned through the resale of the home.
- Staff may review additional information as required by HUD and or City's request.

Final review may begin when HOME funds, are considered, for a project and a preliminary pro-forma, sources, uses, along with any additional information that is helpful in determining the next steps of considering a partnership.

Consideration of the project must be a financial viable transaction. HUD is working on a homeownership development Toolkit for additional assistance as an underwriting model, which assists the City staff (Grantee of the HOME funds) in evaluating projects.

## (a) Project Market Demand/Assessment

The Developer must provide documentation which assesses the current neighborhood market demands for project(s).

For each project, the City must conduct, be provided or secure from a third party, an assessment of the proposed market area to determine that there is a need and market demand.

The market assessment must be conducted before the City enters into legally binding agreement for the project with a Developer.

The nature and scope of the market assessment is determined by the scale of the project under consideration. For example, the market assessment for in-fill unit will be different than an assessment for an existing property requiring acquisition/rehabilitation.

An accurate market assessment is the best way for the City to ensure that HOME units are sold. HOME has occupancy requirements; failure to sell units within specified time frames can put the City at risk for repayment if HOME-assisted units remain unsold. Specifically, any homebuyer unit that is not under ratified sales agreement to an eligible homebuyer within nine months of construction completion must be converted to rental housing or the HOME funds must be repaid. CPD Notice 15-11 shall be followed for guidance or if updated, the most recent regulations.

## (b) Project Viability

The project budget must include acquisition costs, hard and soft costs, including rehabilitation costs (in detail) along with developer fees.

Marketing and sales costs must also be reasonable and sufficient. The home project should reflect that permanent financing is affordable and reasonable and will ensure financial viability for the entire affordability period.

Estimates of the buyer's ability to obtain a first mortgage, with estimated income, and estimated subsidy should be included for review. This includes estimated cash flow, due to obtaining a first mortgage through a financial/loan company. With the appropriate documentation, the estimated net sales price could reflect estimated proceeds.

## (c) Developer Capacity Assessment

The City believes that capacity and financial soundness is important when considering working with a Developer and prior to committing HOME funds to a project. Accordingly, the City will look at the total number of successful homeownership type projects a Developer has completed. The City reserves the discretion to refuse funding a project if the underwriting does not comply with HOME funding, including reasonableness and HOME investment. This will be discussed with the Developer and considered in the evaluation of the project funding request.

### (i) Experience:

The Developer, currently a Certified CHDO, continues to have an evaluation conducted as a CHDO, which includes board, staff and financial capacity as well as experience in developing similar projects. As a general rule, the Developer should demonstrate experience in projects that are similar to the one proposed, in terms of size, scope, complexity, and type of development.

Assessment also includes reviewing documentation that reflects staff assigned to the project is experienced which shows an overall quality development team. The development team must demonstrate its capacity to market and sell of the unit as well. This may involve the addition of a realty professional to the team, or evidence that in-house staff have the capability to oversee the advertising, unit showing, intake, and processing of potential buyers. For CHDO projects, the PJ must certify that the CHDO has paid staff with experience relevant to the proposed project and role of the CHDO.

### (ii) Financial Capacity

Developer's financial resources are required in order to determine that the Developer has sufficient financial resources to carry out the project. The City needs to determine whether the Developer has:

- Adequate financial management systems and practices; and
- Sufficient financial resources to carry the project to completion- through resell of the home

When determining whether the Developer has the financial capacity to undertake the project, the City will examine financial statements and audits to determine the Developer's net worth, portfolio risk, pre-development funding, if applicable, and liquidity.

Developers with limited financial resources should only be considered for projects where cash needs will not exceed the Developer's net or liquid assets.

Some HOME developers may be subject to specific financial requirements. For instance, CHDOs and nonprofit subrecipients must have financial accountability standards consistent with 2 CFR 200.302 ("Financial Management") and 2 CFR 200.303 ("Internal Controls").

Other public entities seeking HOME funds as owners or developers of affordable housing may also be subject to the provisions of 2 CFR part 200 ("Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards") or other state and local requirements

## (d) Project Review

Before committing HOME funds, the City must evaluate a proposed project to ensure that funds are invested such that the project is likely to succeed over time. To verify this, the City must assess all of the assistance that has been, or is expected to be, made available to that project. The City should take into account all the factors relevant to project feasibility, which may include, but are not limited to: total development costs and available funds; impacts of HOME restrictions such as eligible costs, maximum subsidy limits, cost allocation, rates of return to owners, developers, sponsors, and recapture limitations for the homebuyer project. There are two types of documents which the City must review in order to assess and underwrite a project:

- A sources and uses statement; and
- An operating pro-forma. For homebuyer development projects, the pro-forma will take the form of a sales and revenue plan.

### (i) Project Sources and Uses

The City must review each homebuyer project's sources and uses statements to determine that:

The HOME Rule requires the City to examine the development budget, commonly referred to as the "Sources and Uses" statement. The underwriting guidelines require completion of a Sources and Uses statement, typically submitted by a developer as part of its application to the City. The

City must also identify the types of documentation necessary to verify the sources and uses indicated. The Sources and Uses of Funds statement must list:

- All Sources (both private and public) of funds with dollar amount(s) and timing of availability for each source, and
- All Uses of funds (for example acquisition costs, site preparation and infrastructure costs, rehabilitation/or construction costs, financing costs, professional fees, developer fees and other soft costs) associated with the project.

### 1) *Project Sources*

Sources include, but are not limited to:

- he anticipated sources of funds are firm financial commitments
- The City should review a letter of commitment for each funding source represented in the Sources statement (if other than HOME funding).
- If equity is committed by the Developer/owner, then evidence of available equity funds.

As part of the project sources review, the subsidy layering analysis requires the City to determine that the total amount of HOME assistance is reasonable and necessary. The development budget reflects costs that are (1) reasonable and (2) HOME-eligible costs. It should list:

- Determine all necessary financing is available to cover reasonable costs of development
- Review any conditions the Developer must meet in order to draw funds and the schedule upon which funds will be available. This will assist with when and which items HOME funds will be disbursed.
- If other funding sources- are they compatible or conflict with HOME requirements?
- The amount of HOME funds invested in the project is no more than necessary to provide quality affordable housing that is financially viable for the duration of the affordability period.
- The pro forma should represent, at a minimum, the term of the HOME affordability requirements, or longer if other funding sources require longer affordability terms.
- The level of profit/return to owner/developer is appropriate (not excessive) given the size, type, and complexity of project.

### 2) *Project Uses*

Uses are the project costs that are budgeted to be paid during the development phase. The City will review all costs of the project because the determination of the amount of HOME assistance needed is based on the gap between uses and other sources. Even costs not being paid with HOME funds must be necessary and reasonable, as the inclusion of excessive costs inflates the apparent need for public subsidy in a project.

In reviewing the Sources and Uses statement, the City should assess the detailed breakdown of costs, including all hard and soft costs of the project, and review documentation or explanations of the basis of the calculation.

The City requires applicants, in some cases a letter and memo with details of the project, to be provided. It will need to include project budgets in sufficient itemized detail to evaluate not only the sufficiency of the budget but also to evaluate whether project costs are reasonable both on a line item basis and in the aggregate.

If the documentation is not adequate and does not support the costs as stated, the City would request additional documentation, a second opinion and/or reference from the appropriate source (i.e., another construction cost estimator, another architect or lawyer), or deny the project HOME funding.

The City will need to request and review documentation for all line item costs in the budget, including:

- Acquisition documentation, such as purchase agreement, option or closing statement and appraisal or other documentation of value;
- Construction cost estimate, construction contract or preliminary bid(s);
- Rehabilitation costs;
- Contracts, quotes or other agreements substantiating key professional costs and the basis for estimating other soft costs and working capital items, including capitalized reserves, if applicable;
- Agreements governing the various reserves which are capitalized at closing (to verify that the reserves cannot be withdrawn later as fees or distributions);
- A third-party appraisal (to substantiate the value of the land and the value of the property after rehabilitation or the structure being built);
- “Reasonableness” of development costs should be based on all of the following factors:
  - Costs of comparable projects in the same geographical area;
  - Qualifications of the cost estimators for the various budget line items; and
  - Comparable costs published by recognized industry cost index services

Note that for homebuyer projects, some of the costs – such as realty fees, closing costs and some of the Developer fees – will not be incurred until the closing and might be paid out of closing proceeds. Also, since the development phase loans such as construction loans are repaid at time of sale from sales proceeds, the estimation of the period to sell and close on the units is an essential part of the analysis. Again, this is affected by the ready presence of buyers under agreement or in the counseling/screening pipeline. The City should make certain that the

Developer has projected interim financing interest and carrying costs to reflect the expected project absorption.

#### a) Site Control Information

Applicants must provide firm evidence of site control in the form of fee simple title or deed to the property, or a purchase sale agreement signed by both the buyer and seller before the application is submitted.

According to 24 CFR §58.22, limitations on activities pending clearance, any applicant or any participant in the project development process may NOT commit HOME or non-HOME funds until the environmental review has been completed and approved by HUD. This restriction includes acquisition using any source of funds in advance of application to the HOME program if HOME funds are intended to be invested in the project. Applicants that intend to acquire land in advance of application and/or award must complete an environmental review and have it approved by HUD before the land is acquired, regardless of the source of funds used for acquisition.

An option agreement for a proposed site is allowable prior to the completion of the environmental review. It is recommended, but not required, that the option agreement be contingent on a favorable environmental review determination and the cost of the option is a nominal portion of the purchase price.

The option agreement must be executed before the application is submitted.

### (ii) Developer's Sales Plan- Homebuyer Development Projects

In lieu of an operating pro-forma, the City must request a sales plan from homebuyer developers (which may also be evaluated as a component of the market assessment). This sales plan should indicate the Developer's anticipated cash flow and timing of when and how units will be sold. The City should evaluate the sales plan for timelines and cash flow as well:

#### 1) Cash Flow

Is the Developer counting on obtaining previous sales revenues before they begin construction on the next for-sale unit? If yes, does this cause concerns for the HOME timeliness requirements for the entirety of the project? How is the project affected if the first units are slow to sell or sell at a lower price than anticipated?

The City will require that proceeds be returned to the City as program income

### 2) Timelines

The City will analyze the speed that the Developer anticipates selling homes to determine if it is a timeline given the market.

Review the overall supply in the market and how many months of supply that represents (a 4 – 6 month supply is often considered a stable market.) The City could also examine listing times, and the foreclosure and shadow (delinquent but not foreclosed) inventories, and review whether there may be other affordable homeownership options in the pipeline if available.

The price, location, amenities and financing of units that are most directly comparable with the housing proposed will be reviewed. Pricing needs to be competitive and locational factors can offset the program advantages.

HOME regulations indicate that upon issuance of a Certificate of Occupancy following completion of construction or rehabilitation the property must be sold within nine (9) months. If the property is not sold within nine (9) months, it must be offered for rental to qualifying individuals or families in accordance with applicable HOME regulations.

### 3) HOME Deadlines

The HOME timelines require consideration when utilizing HOME funds for commitment and expenditure. Proceeds from the resale of a home will be returned to the City and becomes HOME Program Income. This must also be considered with HOME regulatory timelines.

## (e)Developer Profit and Returns

The HOME regulations at (§92.250(b) require that any profit or return on the owner's or developer's investment will not exceed the City's established standards. This analysis includes profit that is projected to flow to the Developer as operating cash flow from sales proceeds from homebuyer units (if not considered as program income by the PJ) and any other professional fees being paid to the Developer or related entities. The PJ's underwriting guidelines must include a standard for determining a limit for overall returns and cash flow distributions to ensure that owners do not receive excessive gains/profits from the project as a result of HOME and other public subsidies.

Developers and owners may financially benefit from HOME-assisted projects in several ways:

### 1) Developer Fees

Under HOME Regulations related to Fees.24 CFR §92.504(c)(3)(xi) is a new provision that requires the written agreement to prohibit owners from charging fees that are not customary.

For homeownership projects, the Developer cannot charge servicing, loan origination, processing, inspection, or other fees that represent the cost of providing HOME assistance.

These are fees charged by the Developer as a part of the project cost to compensate for the risk, time and effort to build and sell the property. Developer fees are allowed under the HOME program, but the City must review these fees and determine that they are reasonable. The City may set limits on the Developer fee that differ from other funding sources (e.g. LIHTC underwriting standards). This program has established a developer fee range of 10-15% that reflects the local market and considers the following:

- The scope and complexity of the project being developed;
- The size of the project;
- The relative risk the Developer is taking;
- The costs a developer will incur from the fee as compared to those being charged as project costs;
- The fees that are regularly and customarily allowed in similar programs and projects; and,
- Other fees the project is generating for the Developer and its related entities.

Under no circumstances the fees shall be more than fifteen percent (15%) of the total acquisition/rehabilitation cost.

### 2) Project Proceeds

At the discretion of the City, a CHDO may be authorized to retain some or all of the proceeds generated from a CHDO development activity. Proceeds would include interest on HOME loans or proceeds from permanent financing. Such proceeds are not considered program income and are not subject to HOME Program requirements. This is identified within the Loan Agreement with the Developer.

## Section 6.11 Request for Approvals

Once a property has been identified as a qualifying property that the Developer believes should be considered for inclusion, the Developer will submit an initial proposal to the City requesting initial approval. The initial written proposal must include the following, but is not limited to:

- The listing information that includes the property description which includes the Assessor's Parcel Number, physical address, legal description, and existing dwelling square footage, original listing price, age, square footage, and photos.
- Confirmation that it is within the City of Visalia city limits.

- The proposed purchase price and an estimated as-is market value of the Qualifying Property, which may be in the form of a residential purchase agreement.
- A checklist showing necessary rehabilitation that addresses: ADA Compliance, Mold issues, if applicable, Lead Paint issues, if applicable, Historic Property designation, if applicable, and Termite/Pest Inspections (to be conducted during due diligence period) as well as Flood.
- An estimate of the Acquisition Costs, Rehabilitation Costs or New Construction, Soft Costs and the costs of disposition of the Subject Property, which includes identification of the source of funds proposed for acquisition, rehabilitation, or new construction and disposition costs.
- An appraisal for the proposed property, or, at City's sole discretion, local market comparable sales data supporting the proposed purchase price followed by an appraisal within five (5) days of acceptance of offer by Developer to purchase the Project property.

## (a) Initial Conditional Approval

The Developer may be granted initial approval to as the project to move forward with, if the qualifying property identified if it meets applicable City and HOME qualifications. The City will endeavor to grant or decline initial approval in writing, within four business days of receipt of the complete initial proposal. If initial Approval is granted, the Developer and/or City will:

- reserve the estimated total HOME funds required by Developer to purchase and/or rehabilitate or construct the qualifying property,
- initiate the environmental review of the property pursuant to the National Environmental Policy Act "NEPA," and request a flood plain report.

This means the City's preliminary approval of a qualifying property which is conditioned upon the City's receipt of documentation confirming that if HOME funds are used to finance the purchase of the qualifying property, the purchase price does not exceed the qualifying Purchase Price and meets all other project/underwriting requirements. This would include if it is a property that is acquired with other funding, where HOME funds are proposed for use toward the construction of the qualifying property.

## (b) Developer's Negotiation with Seller

The Developer may make an offer to purchase the qualifying property subject to the City's initial approval. The purchase offer, and any subsequent purchase agreement, must have the City's final approval and include the following contingencies:

- Developer's receipt of evidence that the qualifying property is either a Foreclosed or Voluntary Sale, including but not limited to a completed HOME Voluntary Acquisition of Foreclosed Property letter or if a voluntary sale, completion and the Required Compliance Questionnaire from seller, in conformance with URA requirements (49 CFR Part 24, Section 104(D0 of the HCD Act 24 CFR Part 42, specific to HOME), the form of which will be provided to THE DEVELOPER by the City; and
- Developer's receipt of evidence that the appraised value of the qualifying property supports the inclusion of the property in the Project; and
    - The Appraisal must conform to HOME-URA requirements (49 CFR Part 24, Subpart "B"), and be submitted to City with final approval request; and
- Developer's receipt and approval of an environmental study that addresses the environmental impact of the renovation of the qualifying property in accordance with NEPA; and
- Developers receipt of a wood destroying pests and organisms report acceptable to the City; and
- Developer's receipt of a flood plain report acceptable to the City.

## (c) Unsuccessful Negotiations with Seller

If the Developer fails to reach an agreement with the seller to purchase the qualifying property, the Developer shall notify the City in writing as soon as practicable. Following receipt of such notice, or thirty (30) days after the date initial approval is granted, whichever occurs first, the City will discontinue reserving HOME funds for the purchase and/or rehabilitation/ construction of the qualifying property and will, if able, cancel the NEPA review.

## (d) Successful Negotiations with Seller

If the Developer enters into a purchase contract with the seller of the qualifying property that is the subject of an initial approval, the Developer shall cause the following actions to be taken as soon as practicable and submit documentation to City for final approval:

- A notice to be provided to the City advising that a contingent purchase agreement has been reached with the seller and that a proposal requesting final approval is forthcoming
- Provide evidence of completion of various due diligence aspects of acquisition process, including but not limited to home inspection reports, signed purchase agreements and other documents associated with the opening of escrow, and similar activities related to acquisition of HOME properties.
- A proposal requesting final approval to be submitted to the City, which shall include: (a) The purchase agreement; (b) An estimate of all costs associated with, the purchase, rehabilitation and sale of the Subject Property, including Acquisition, construction or

reconstruction Costs and Rehabilitation Costs, with the detailed scope of work, funding source and timeline for completion; and (c) Evidence that the property has been foreclosed and vacant for more than 90 days or (d) a voluntary sale by a willing seller has completed the necessary forms.

- The name, address and telephone number of the title company and escrow officer for the proposed acquisition;

## (e)Limitations on Availability of HOME Funds

If acquisition of a Qualifying Property has not occurred within forty-five (45) days of the date final approval is granted, the City may rescind the approval and any funds in escrow will be returned to the City pursuant to this Agreement. In addition, all HOME funds that have been reserved for that Qualifying Property will be released by the City and made available to another Qualifying Property.

## (f) Final Approval

Final Approval is required before the property may be included in the Project. To receive final approval, the following conditions must be satisfied:

- An inspector approved by the City has reviewed and approved the proposed acquisition, renovations and the rehabilitation budget or new construction or reconstruction plans.
- The City will grant final approval in writing within approximately seven (7) business days of receipt of: (a) a complete proposal, (b) an environmental report completed in accordance with NEPA that is satisfactory to the Director or designated City staff, (c) a wood destroying pests and organisms report acceptable to the Director or designated City staff, and (id) a flood plain report acceptable to the Director.
- If HOME funds used toward acquisition- For distributions from the City HOME Loan Account, for specific acquisition Soft Costs (Title Report, Natural Hazard Disclosure, Appraisal), City, at its sole discretion, may distribute funds directly to the Developer or may distribute those funds directly to Developer's payees, such as the Title Company. City will require that a W-9 form be completed by the recipient of the funds.

## (g)Developer Initial Loan Agreements"

Upon final approval, the Developer shall work with the City in preparing and executing the initial loan documents related specifically to the subject property. This means the City has approved of a Qualifying Property for inclusion in the Program/project, which approval is subject to the execution of Loan Documents.

## (h) Event of Default

Any material breach by the Developer of any representation, warranty or covenant hereunder, which is not cured within thirty (30) days after notice thereof given by the City or, where cure is not possible within thirty (30) days, whose cure is not commenced within thirty days and diligently prosecuted to completion shall constitute an Event of Default. Notwithstanding anything to the contrary contained herein, the City hereby agrees that any cure of any default made or tendered by one or more of the Developer's limited partners shall be deemed to be a cure by Developer and shall be accepted or rejected on the same basis as if made or tendered by Developer.

## (i) City's Remedies

Upon the happening of an Event of Default, the City may pursue any remedy allowed at law or in equity, including but not limited to, accelerating payment under the Note or applying to any State court for specific performance of this Agreement and the Regulatory Agreement.

# Section 6.12 Construction Documents and Work Write-ups

Under the HOME regulations 24 CFR §92.251(b)(2) it requires the City to review and approve work write-ups (i.e., plans and specifications) and written cost estimates. The City must determine that the work write-up or plans are in compliance with the City's written rehabilitation standards and that costs are reasonable. Compliance with the requirements necessitates these kinds of review and approval.

## (a) Reviewing cost estimates

The City shall review and approve written cost estimates, rehabilitation contracts, documents and any other Single-Family Project rehabilitation plans (i.e. work write-ups and cost estimates).

### (i) Sales revenues:

The City has established with the Developers the terms of proceeds, which properties resold, the sales proceeds will be returned as Program Income under the HOME rules. See Program Income –Project Proceeds for more information.

# Section 6.13 Inspections

The City shall conduct initial, progress and final inspections related to rehabilitation and/or new construction to ensure that work is done in accordance with the applicable codes, including HOME regulations. Inspections required

- Initial,
- Progress, and
- Final inspections

# Section 6.14 Requesting Reimbursements

Prior to any request for the distribution of any HOME funding for acquisitions, rehabilitation and/or new construction costs associated with the Project, the Developer shall have completed the submittals required which are identified within the Developer loan agreement

If the Developer has paid eligible acquisition, rehabilitation or new construction costs, the Developer shall submit to City a requisition sheet itemizing the specific acquisition, rehabilitation or new construction costs to be paid, along with invoices and any other documentation City may require verifying the nature of the expenditure. This includes information related to payees, their addresses, their federal identification numbers and amount that has been or shall be paid to each. This information is also needed for federal reporting purposes, such as Section 3, MBE/WBE and other HUD reports.

## (a) Processing of Request for Distribution for HOME Funding

All requests for distribution of HOME funding for qualifying properties shall be sent to the City's Community Development Department, attention Housing, at least its earliest possible convenience, and in any event, no less than fifteen (15) days prior to the desired date of distribution by the City.

The City shall expeditiously review the distribution request and supporting information, materials and documents required by the Agreement as they are received from the Developer.

The City's review shall include inspection of the property by City staff prior to authorizing the distribution request. Building Inspection reports provide a confirmation of various items of inspection (for reference). Upon submittal to City by the Developer of all supporting information, materials, and documents required by this Agreement, or acknowledgment by City of any waiver or deferral of any required submittals, City shall provide the Developer with a determination on the request for distribution. All authorizations for distributions from the loan funding shall be confirmed to the Developer in writing, and the Developer may not rely on the City for funding for the Project without first receiving said written determination from City. The City may deny any distribution request submitted by the Developer if, after review of the supporting information, materials or documents required therein, City determines that the request for distribution for a Project does not meet the requirements of HOME funding for the Project as identified in the Agreement, and shall provide said determination to the Developer in writing.

The City will make HOME funds available to the Developer pursuant to any Loan Documents that the City may, at its discretion require as set forth in the Agreement. Once City has approved the Developer's request for distribution of loan proceeds for a Qualifying Single-Family Property acquisition, City shall distribute the funds requested by the Developer directly to the escrow account which has been opened by the Developer for the acquisition, prior to the date set for the close of escrow.

## (b) Prohibition on Charging Staff "Soft" Costs to Beneficiaries

Under HOME regulation 24 CFR §92.206(d)(6) it was recently clarified that the City's, State recipient's or subrecipient's staff and overhead costs related to carrying out a project cannot be charged to, or paid by, low-income families. These costs can be charged as administrative or project costs. Examples of these costs are construction management fees, loan servicing fees, loan processing fees, and underwriting fees.

Note that City's, State recipients, and subrecipients are permitted to charge reasonable and customary fees commonly charged to a loan applicant in unassisted real estate transactions, such as the cost of credit reports and appraisals fees since these are customarily charged by a lender as part of a home purchase and paid to third parties performing services on behalf of the lender. City's, State recipients, subrecipients, contractors, project owners/developers are permitted to charge nominal application fees to applicants for assistance, pursuant to §92.214(b).

These revisions are consistent with pre-2013 policy. However, the eligibility of certain fees was not specified in the pre-2013 Rule.

## Section 6.15 Sale of Qualifying Properties

Prior to committing HOME funds to a project, the City needs to be sure to carefully review the required assessment of market demand to ensure that there is a market for the proposed project, at the proposed sale price. A thorough market assessment will provide sufficient information about comparable properties to ensure that there is a comparison of similar housing to the proposed housing in terms of size, number of bedrooms, amenities, etc.

During or prior to construction, the City should encourage or require Developers to maintain a ready pool of income-eligible homebuyers and/or "pre-sell" units to ensure this deadline is met. Pre-selling homes might involve developing the property except the final finishes such as paint colors and other interior design details.

### (a) Nine-Month Sale Deadline [92.254]

When utilizing HOME funds for homebuyer development projects, must sale the properties sold to eligible homebuyers within nine months of the date of completion of construction or rehabilitation.

Construction is completed when a certificate of occupancy is issued by a building official and/or the City's staff inspecting the property.

If there is no ratified sales contract on a home within nine months of the date of completion, the unit must be rented to an eligible tenant in accordance with the HOME rental requirements at §92.25

This possibility must be clearly addressed in the written agreement with the owner/developer of the property.

If the property is converted to rental housing, the Developer of a homebuyer property becomes the owner and property manager of a HOME-assisted rental project.

HOME rental housing requirements will apply to the property (related to leases, rents, income targeting, etc.) or the HOME funds must be repaid.

### (b) Long-Term Affordability [92.254(a)]

One of the purposes of the HOME Program is to increase the supply of affordable housing. As a result, the HOME Program ensures the long-term affordability of HOME-assisted properties by establishing a period of affordability. The period of affordability is the length of time the assisted property is considered HOME-assisted and must be the principal residence of a low-income household.

For homebuyer programs, the length of the affordability period varies depending on whether the City uses a resale or recapture provision to secure long-term affordability:

When the City uses a recapture provision, the period of affordability is based on the amount of HOME funds provided as direct assistance to a buyer.

The Affordability Period shall be fifteen years for properties that are acquired and rehabilitated. For properties that are acquired as vacant land requiring new construction, the term shall be twenty-years.

In both cases the term of affordability may be longer and will be included within the loan agreement with the Developer and eligible borrower.

Table below provides the affordability periods.

| **HOME Activity** | **HOME Investment per Unit*** | **Length of the Affordability Period** |
|---|---|---|
| Homebuyer* and rental housing acquisition and/or rehabilitation | Less than $15,000<br>$15,000 – $40,000<br>More than $40,000 | 5 years<br>10 years<br>15 years |
| New construction of rental housing | Any $ | 20 years |
| Refinancing of rental housing | Any $ | 15 years |

## (c) Resale and Recapture [92.254(a)(5)]

Resale and recapture provisions apply to the use of HOME funds in homebuyer development programs. Snohomish County will allow for the use of either resale or recapture provisions, as appropriate.

Resale or recapture provisions are triggered when, during the period of affordability, the housing ceases to be the principal residence of the buyer who was assisted with HOME funds. The resale or recapture provisions are triggered by any transfer of title, either voluntary or involuntary, during the established HOME period of affordability. Refer to the underwriting guidelines established and to the final loan documents, including, but not limited to Affordability Covenant and Note.

The Developer understands that the City must approve each property proposed for acquisition under the Project/ Program.

# Section 6.16 Homebuyer Underwriting Standards [92.254(f)]

HUD indicates that underwriting standards for homeownership assistance must address housing debt, overall household debt, the appropriateness of the amount of assistance, recurring household expenses, assets available to acquire the housing, monthly expenses of the household and financial resources available to the household to sustain homeownership.

The City works with the selected Developer to coordinate underwriting requirements for a second mortgage gap financing product for a property that has been acquired, constructed, reconstructed or acquired and rehabilitated to be sold to an owner occupied household as affordable housing.

This underwriting will include standards for the first mortgage and establish the terms for any subordination of the HOME loan. Resale of the property during the affordability period, and if applicable, qualification of subsequent buyers will be governed by the City's Guidelines for Resale and Recapture.

The underwriting guidelines must specify how the City and Developer will evaluate the buyer's ability and willingness to pay (if funds are loaned), and the appropriateness of the proposed amount of HOME subsidy. Specifically, the City and Developer/CHDO will review and evaluate the buyer's:

- Housing debt and overall household debt;
- Recurring household expenses;
- Assets available to acquire the housing;
- Monthly expenses of the household; and
- Financial resources available to the household to sustain homeownership.
- Any Other required documentation referenced within the guideline

The Developer will work with the borrower in completing the necessary underwriting and application form, submit them to the City prior to executing a home loan, which the City will review and finalize the recommendation. Underwriting guidelines are established between the City and the Developer and utilized when underwriting the borrowers' loan.

After receiving City approval, the Developer may proceed with the loan, keeping in communication with the City through escrow and closing. The subsidy layering review documentation for each homebuyer loan will be maintained in each borrower folder.

An example of the Homebuyer Underwriting Guidelines is included as Appendix “I” along with the Homebuyer/Developer Application, as Appendix “J”.

## (a) Income Eligible Determination

The HOME Rules indicates that the Participating Jurisdiction (City), select a single definition of income for each of homeownership housing projects. It has been standard practice for Visalia to utilize 24 CFR 5.609 income definitions for its homeownership projects/ programs. Specifically following 24 CFR 92.203 (2) (b) (1)

Also noted, under 24 CFR 92.203 (d) (1), that when determining the annual income of a household to establish eligibility, all persons in the household, including non-related individuals must be included. This is an amendment clarified under the 2013 New HOME Rules. If Part 5 (24 CFR 5.609) income definition is utilized, which is the City’s standard for other programs, the income of a minor child is not included. See the income definitions for details.

Additionally, under 24 CFR 92.203 (a) (1) (i) and (a) (2), HUD requires the City to examine at least two months of source documentation in addition to the established requirements under 92.203 (a).

Also, when determining annual income of a household, the Developer/and City must also count the income of all persons in the household, including nonrelated individuals, as referenced under 24 CFR 92.203 (d).

Homebuyer households assisted must have incomes at, or below, 80% of the area median income (AMI). Project Eligibility and Income limits are established by HUD; the City will provide current and updated limits.

When determining annual income for homebuyer assistance, income must be calculated in accordance with gross income as defined for purposes of reporting under 24 CFR 5.609 as referenced above.

The annual gross income of each prospective household must be determined at the time the home offer is made. A reexamination of income does not need to occur unless more than six 6) months have elapsed from the time of the initial determination to the provision of HOME assistance.

## (b) HOME Resell Value Requirements

HUD's Homeownership Value Limits shall be utilized as a ceiling resell purchase price (value limitations). In the case of acquisition of newly constructed housing, the new HOME homeownership value limits for newly construction HOME units is ninety-five percent (95%) of the median purchase price for the area based on Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing, which HUD established a minimum limit or floor. The most recent memo approved by the City Manager will be reviewed to identify the most current HOME homeownership value limits for both existing and newly constructed housing within the Visalia jurisdiction. Ultimately the appraised value (fair market value) shall not be exceeded when the property is resold to an income qualifying household.

## (c) Predatory lending

The City must have a policy to protect against predatory lending. Recent rulemaking by the Consumer Financial Protection Bureau (CFPB) resulted in guidelines about how federal agencies that insure or guarantee mortgages evaluate a buyer's ability to repay a mortgage. These guidelines are not specific to low-income borrowers and their ability to sustain a mortgage. HUD will issue guidance on preventing predatory lending that explains the CFPB ability-to-pay principles and will suggest additional considerations that would be appropriate to include in an anti-predatory lending policy applicable to low-income homebuyers.

## (d) Outreach-Marketing –Resell of Developed Home

Following the rehabilitation or construction of a qualifying property, the Developer shall use reasonable efforts to cause the Property to be sold to an Eligible Purchaser. The Developer shall be responsible for the outreach, marketing, screening and intake of potential clients, case file preparation and management. Before any sale can occur, the Developer shall provide the City with evidence satisfactory to the City that the following conditions have been met:

- Sales Price Valuation: (Need to reference that the property resale may not exceed 95% of the area median price- which an analysis was conducted of the local market.
- The sale price shall equal to or less than the total cost of development of the qualifying Property, including acquisition, rehabilitation or new construction, and soft costs, as documented by the Developer to the City and may not exceed the fair market value, which shall be confirmed through and appraisal, which shall be provided to City.
- Receipt by City of a completed, "HOME Borrower Application," the form for which will be provided to the Developer by City.
- Receipt by City of income documentation certified by the Eligible Purchaser and verification and eligibility is confirmed by both the Developer and City, including but not

limited to: (a) pay stubs (most recent 2 months), two (2) years of income taxes or other HUD or City approved documentation, (b) completion by Eligible Purchaser of HUD certified- Housing Counseling through a certified housing counseling agency.

- The Developer may utilize up to 10% of the total acquisition & rehabilitation cost of the qualifying Single-Family Property for down payment assistance.
  - No additional funds will be provided. A Deed of Trust, Note, Truth In Lending and Affordability Covenant with "Recapture Provisions" shall be created by the City for the new homeowner for a term of thirty (30) years, at a simple interest rate of two-percent (2%) that starts accruing in year 11 of the term of assistance.
  - The terms shall include deferred payments for the initial 10 years of the term of assistance and the loan shall be fully amortizing with monthly payments for years 11-30 of the term of assistance.
  - Should the loan repayment cause a financial hardship to the Eligible Purchaser, the City and/or its loan servicing agency will work with the Eligible Purchaser to establish a feasible repayment schedule based on the Eligible Purchaser's income at the time of repayment and upon the City's Housing Loan Policies
- The Developer shall transfer a Subject Project property to an Eligible Purchaser subject to the obligations of the Developer to the City contained in the Note and Deed of Trust between the Developer and City required by this Agreement.
  - City may agree to allow the Developer to transfer those obligations to an Eligible Purchaser at the close of escrow on a Qualifying Single-Family Property.
  - The Developer and City shall ensure that the Eligible Purchaser executes appropriate documentation necessary to preserve the period of affordability for the Subject Property as required by the HOME regulations.
- Where it is intended that any security document be recorded against a Qualifying Property, the Developer shall cause said document to be recorded in the Tulare County Assessor's Office.

## (e)Homebuyer Counseling [92.254(a)(3)]

Homebuyers receiving HOME assistance must receive pre- and post-purchase homebuyer counseling from a HUD approved housing counseling agency that has adopted National Industry Standards for Homebuyer Education and Counseling.

### (i) Homebuyer Counseling Fees

§92.214(b)(1)(iii) is a new provision that permits PJs, Subrecipient, and State recipients to charge homebuyers a fee for the cost of housing counseling. Note, the 2013 Rule imposes a new requirement at §92.254(a)(3) that all homebuyers that receive HOME assistance or purchase a HOME-assisted unit must receive housing counseling.

## Section 6.17 Escrow

If HOME funds are to be used to fund Acquisition Costs of a Qualifying Single-Family Property, the City must receive the good faith estimate, and an estimated closing statement. The City may deposit the funds to be used for that purpose with the escrow agent responsible for administering the closing of the acquisition of the Qualifying Single-Family Property (the "Escrow Agent"). Escrow instructions will provide that if the acquisition of the Subject Property does not close within five (5) days of the date of deposit of funds by the City (subject to written extension by the Developer for good cause), HOME funds deposited with the Escrow Agent will be returned to the City. If the acquisition of the Qualifying Single-Family Property does close, repayment of any HOME funds deposited with the Escrow Agent is governed by this Agreement and any Loan Documents that have been executed in conjunction with the acquisition of the Qualifying Single-Family Property. the Developer shall notify the City in writing of the identity of the Escrow Agent as soon as practicable following the opening of escrow.

### (a) Conditions Precedent to Closing

The Developer shall cause the following to occur prior to the close of escrow:

- The satisfaction, (with the concurrence of the Director or designated staff), of all contingencies to the purchase set forth in the purchase agreement between The Developer and the seller.
- The preparation of a preliminary title report.
- The execution of any necessary loan documents (e.g. - Note, Deed of Trust, Declaration of Restrictive Covenants) to be provided by the City.
- The issuance of a CLTA title insurance policy.

## Section 6.18 3.15 Loan Servicing

All down payment, closing cost loans will be administered by the City or a City-contracted loan servicing agency that will collect payments, report defaults and delinquencies and conduct other typical loan servicing activities.

## Section 6.19 Project Income(Net Proceeds)

Upon sale of a Qualifying Single-Family Property by Developer, all net sales proceeds from the sale are considered to be "Project Income" which will be returned to the City and credited toward the HOME Program. "Net Sale Proceeds" shall mean the purchase price paid for the Project Property less all costs to complete the sale of the Qualifying Property. Net Sale

Proceeds shall be paid to the City at the close of escrow for the sale by Developer of said Qualifying Property.

### (a) Resale Restrictions: Fair Return and Affordability to a Reasonable Range of Low-income Homebuyers

The City has adopting resale restrictions in various programs as required under 24 CFR §92.254(a)(5)(i) which was amended to require them to define “fair return on investment” and “affordability to a reasonable range of low-income buyers,” in their restrictions. The regulations indicate that the City must also address how it will make the housing affordable if the resale price that is needed for a fair return on investment is too high to be within the affordable range.

## Section 6.20 Conversion of Unsold Homeownership Units to Rental Housing

§92.254(a)(3) imposes a new requirement that PJs must convert homebuyer housing to rental housing if it does not have a ratified sales contract with an eligible homebuyer within nine months of the completion of construction or rehabilitation.

If home is converted, the rental housing must comply with all provisions of §92.252. If an unsold homebuyer unit is not converted to rental housing, HUD requires repayment of HOME funds.

This new requirement is meant to address the concern that some markets cannot support a homeownership program or absorb units that were meant to address a perceived need but upon completion, there are no eligible buyers to purchase the units. This might be the result of a number of things, such as changes in the market demand during the development process, or invalid assumptions about marketability. The aim of the requirement is to prevent newly developed and decent housing units from sitting vacant.

## Section 6.21 Non-Profit-Lenders

A new provision is included at §92.254(e) to govern situations in which HOME homeownership assistance (e.g., down payment assistance) is provided through a nonprofit or for-profit entity that also provides first mortgage financing to the homebuyer. There is an inherent conflict in this situation, since the first mortgage lender may have an incentive to provide assistance to buyers. This might jeopardize the lender’s objectivity in assessing the qualifications of the buyer or the eligibility of a property.

The new provision imposes several safeguards in these situations:

1. The assistance may be provided only as specified in a written agreement between the PJ and the lender. This agreement must specify the forms, amounts, and any conditions of homeownership assistance that the lender is authorized to provide.

2. Before any HOME assistance is provided, the City must verify that the family is eligible for HOME assistance (low-income) and must inspect the housing for compliance with applicable property standards in §92.251.

3. The for-profit or nonprofit organizations are not permitted to charge fees (such as origination fees or points) to the family for the HOME homeownership assistance that the organization provides. (Reasonable administrative costs may be charged to the HOME program as a project cost.)

The City does not currently support this method, however, is noted for regulation purposes.

# Article VII. Reference Tools

To assist with the review of project review, HOME requirements and other information related to completing an analysis, the following are resources may be reviewed:

HUD has incorporated a new mapping tool that is available under the E-Con plan. The mapping tool gives the user the ability to look at data at a census track level, and on up to a broader level. It gives information about the current supply of housing, home units, tax credit units, other HUD units, as well as other kinds of demographic factors. The tool assists with a portion of the market analysis.

Other resources used to assist with this guidance, as well as future guidance in preparing, and/or reviewing a market analysis, and working with rental projects as well as overall guidance in the use of HOME funding, is as follows:

- 24 CFR 92
- CPD Notice 12-007
- HOME and the low –Income Housing Tax Credit Guidebook
- Sample market analysis to committee (step by step through HUD Webinar)
- Compliance in HOME Rental Projects: A guide for PJ/s, Prepared by ICF Consulting
- Compliance in HOME Rental Projects: A Guide for Property Owners
- Multifamily Rental Program Underwriting Template- Completed example (NSP Toolkit)
- Advanced HOME: Doing Rental Deals: Key Questions for the Subsidy Layering Analysis

- Advanced HOME: Doing Rental Deals- Underwriting: Key Terms http//www/.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm
- OneCPD

# Article VIII. Appendix

- Appendix "A", Developer Time Table Example
- Appendix "B", Home Investment Partnerships Program Multi-Family Underwriting Template.
- Appendix "C", HUD Utility Schedule Model Instructions
- Appendix "D", Sample City of Visalia Rental Property Tenant Application
- Appendix "E", Income Worksheets and definitions
- Appendix "F", Tenant Income Certification/Recertification Form
- Appendix "G", Sample Annual Project Compliance Report
- Appendix "H", Sample Inspection Checklist
- Appendix "I", Example Homebuyer Underwriting Guidelines
- Appendix "J", Example Homebuyer/Developer Application

Appendix "A"

Developer Time Table example

## Appendix "A"

### Developer Time Table Example

| | | (No Months) | Estimated Start Date | Estimated End Date | Completed (Y/N) | Date Completed |
|---|---|---|---|---|---|---|
| Market Study & Site Analysis | | | | | | |
| Environmental Assessment | | | | | | |
| Real Estate-Option/Contract Acquisition Date: ________ | | | | | | |
| Securing and Packaging Project Financing | | | | | | |
| Site Plan Review | | | | | | |
| Zoning Approval (if applicable) | | | | | | |
| Council Approval (Required for HOME funding) | | | | | | |
| Funding Application | | | | | | |
| Plans and Specifications submitted to City for review and approval | | | | | | |
| Building Permit Application | | | | | | |
| Cost Estimates provided to City for review | | | | | | |
| Construction Bids | | | | | | |
| Construction Start | | | | | | |
| Anticipated Draws (List all) | | | | | | |
| Marketing Plan provided to City for Review | | | | | | |
| Construction End- Project Completion | | | | | | |
| Ground Breaking | | | | | | |
| Tenant Applications reviewed | | | | | | |
| Start of Rent up timeline | | | | | | |
| Completion and Operation | | | | | | |

This is a sample only:

Appendix "B"

Home Investment Partnerships Program Multi-Family Underwriting Template. (First page only)

Copy of HOME multifmly underwriting Intro

# HOME Investment Partnerships Program
# Multi-Family Underwriting Template

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

| Project Information | |
|---|---|
| Project Name: | Your Project |
| Address | Your Project Address |
| Developer: | Your Developer |
| Date of Analysis: | 01/01/2004 |
| City: | Your City |
| State: | Your State |
| Development Type: | Your Development Type |

**INSTRUCTIONS FOR USE**

**This template is intended to be used in tandem with web-based training materials available on HUD's HOME Front Web page, http://www.hud.gov/offices/cpd/affordablehousing/training/index.cfm. Failure to consult the online training may result in inaccurate results.**

**The template is intended to assist in planning multifamily, not single-family, affordable housing.**

**Link to HUD's HOME Front - Interactive Technical Support for the HOME Program.**

**The U.S. Department of Housing and Urban Development and ICF Consulting assume no liability for the use, functionality, or content of this template. This template is for draft calculations only. All inputs, outcomes, and calculations should be independently verified.**

**Cells for data entry are flagged with Excel's comments feature and colored green. Do not change formulas within the template, as many of them track to other formulas.**

**Users must determine and enter into the template the minimum required number of HOME units given the level of HOME investment and the per unit HOME investment caps. The template does not automatically assume or calculate a specific number of HOME units.**

**This template does not automatically cap rents at HOME levels. Each user must do this, as applicable.**

**This template does not automatically cap the level of HOME investment using the investment limits. PJs must ensure that they do not invest more than the per unit investment limits would allow or more than is required by the project. PJs are encouraged to review Notice 98-02 for guidance on allocating costs and determining maximum investment and minimum HOME units.**

**Participating jurisdictions (PJs) must conduct a subsidy layering analysis for investment of HOME funds.**

Upon completing this tab, proceed to the *Requirements* tab.

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# HUD UTILITY MODEL INSTRUCTIONS
**Most recent instructions can be found at www.huduser.org**

## I. Introduction

The HUD Utility Schedule Model has been developed to provide a consistent basis for determining utility schedules, using form HUD-52667, throughout the U.S. This spreadsheet model is organized into three tabs and is designed to work with Microsoft Excel.

The first tab is the “Location” tab, which provides a drop down menu by Public Housing Agency (PHA) number. Selection of the PHA will automatically provide the name of the housing authority and populate the weather data used in the model’s calculations. The “Form Date” on this tab is the date of the utility schedule and is an input. There is a default to include air conditioning in the utility schedule, but the user may uncheck the box if this does not apply.

The second tab is the “Tariffs” tab which is where all the utility cost data must be entered. A first time user should make the “Previous” and the “Current” column the same. The model will use the data from the Current column for it calculation. The name of the utility provider, the rate name and the effective date of the tariff are all inputs. The measurement unit is a drop down box that must be chosen and for electricity and natural gas, separate summer and heating tariffs are possible.

The third and final tab is “Utility Allowance Computation” and there are no inputs to this tab. There are three drop down boxes, which select the unit type, whether or not a standard electric rate is used and if the unit is energy star certified. The date of this form comes from the Form Date file on the Locations tab.

## II. Help on Tariffs Tab

A majority of the effort in using this model is to update the rates paid for utilities. This is the purpose of the “Tariffs” tab. The “Tariffs” tab allows you to update the tariffs for electricity, natural gas fuel oil, liquefied petroleum gas (LPG), water, sewer, trash and certain appliance fees. The tab has columns for the Current and Previous values for almost all of the entries. Only the entries under the Current column are used in calculating the values that appear on the forms. The entries in the previous column are ignored and are there only for reference and to determine how much the tariff has changed. All energy and non-energy related costs are entered on this tab. Most utilities allow you to download a tariff or rate book from their web site. After you do this, get a bill to use as an example and determine all of the components that make up the bill.

At times the tariff is broken into a main tariff and many riders. Some utilities describe taxes in the rate book and some do not, so check a sample bill.

In some locations, utilities have become deregulated and multiple companies may be involved in providing this service. This is especially likely for natural gas and electric utilities. While the spreadsheet does not have any specific entries for deregulated utilities, it is easy to use the spreadsheet with them. To enter deregulated utilities, simply add up the charges for each kWh or other unit of measure and enter the combined total. For example, if an electric generating company charges 4 cents per kWh and the electric distribution company charges 3 cents per kWh, simply add the two charges together for 7 cents per kWh. If the companies have multiple block rates, these charges need to be combined for each rate block.

**1. Standard Electric Utility Tariff –**

**Utility Name and Rate Name –** enter the name or an abbreviation of the name for the utility that provides electricity and for the specific rate to be used in the calculations. Many utilities have multiple rates that could be used by residential customers and you should choose one that is the most typical.

**Rate Effective Date –** often utilities will use the same name for a tariff even though they may change the values. Entering an effective date here will allow you to understand what version of the tariff you are using.

**First Month of Summer and Last Month of Summer –** select from the pull down lists the months that are the first and last months of the summer period as defined in the electric tariff. If the tariff does not vary by season, use only the "summer" blocks and set the summer period from January through December. If the tariff is seasonal but starts mid-month, make sure the number of months in the tariff that are summer and the number of months here are equivalent since the number of months is more important than exactly when in each month the tariff changes. If your spreadsheet program is not Excel, you may not see the drop down list of choices. If that is the case, just enter the month number in the rows below each input.

**Monthly Charges –** enter the value charged for electric service. This is sometimes called a monthly charge or a service charge.

**Size of XXX Block –** This entry is repeated for the first, second, third and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have block rates that vary by season, then only enter values for the summer entries. The size of a block is important for tariffs that have "stepped" blocks. A stepped tariff charges a certain amount for each kWh in the first group of kWh, and different charges for greater use. They are often expressed as 5 cents per kWh for the first 500 kWh and 4 cents per kWh for the remaining kWh. For this case you would enter "500" in the "Size of First Block" and "remaining" in the "Size of the Second Block". You could also enter a large number instead of the word "remaining" in the "Size of the Second

Block" field, which will indicate that the rest of the kWh should be charged at that price. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block –** This entry is repeated for the first, second, third, and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have "stepped" blocks. A stepped tariff charges a certain amount for each kWh in the first group of kWh, and different charges for greater use. They are often expressed as 5 cents per kWh for the first 500 kWh and 4 cents per kWh for the remaining kWh. For this case you would enter 0.05 in the "Cost of First Block" a 0.04 in the "Cost of the Second Block". Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only. If multiple companies are involved in providing the utility service, such as when the utilities are deregulated, then add up the costs for each company for that block.

**Extra Charges –** An extra fee that is charged by the utility for every kWh that is sold. This is often expressed as a fuel cost adjustment, an energy cost adjustment, or a surcharge. Credits are often expressed as a fuel cost adjustment, an energy cost adjustment or a surcharge. Credits are often provided on the basis of every kWh and can be entered as negative numbers. If multiple extra charges exist in the tariff, then add them up.

**Taxes –** This is expressed as a percent. Don't format the cell in Excel as a "percent" format. For a 1.2% tax, simply enter "1.2". The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

**2. Special Electric Heating/All Electric Tariff –**

**Use Electric Heat Tariff –** some utilities have special discounted tariffs for customers that heat with electricity or use only electricity and no other source of energy in their homes. If that is the case, and you want to provide special 52667 forms for those customers, check this box. You may need to make more copies of the 52667 tabs and specify that some use the special electric heating rate.

**Utility Name and Rate Name –** enter the name or an abbreviation of the name for the utility that provides electricity and for the specific rate to be used in the calculations. Many utilities have multiple rates that could be used by residential customers and you should choose one that is the most typical.

**Rate Effective Date –** often utilities will use the same name for a tariff even though they may change the values. Entering an effective date here will allow you to understand what version of the tariff you are using.

**First Month of Summer and Last Month of Summer –** select from the pull down lists the months that are the first and last months of the summer period as defined in the electric tariff. If the tariff does not vary by season, use only the "summer" blocks and set the summer period from January through December. If the tariff is seasonal but starts mid-month, make sure the number of months in the tariff that are summer and the number of months here are equivalent since the number of months is more important than exactly when in each month the tariff changes. If your spreadsheet program is not Excel, you may not see the drop down list of choices. If that is the case, just enter the month number in the rows below each input.

**Monthly Charges –** enter the value charged for electric service. This is sometimes called a monthly charge or a service charge.

**Size of XXX Block –** This entry is repeated for the first, second, third and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have block rates that vary by season, then only enter values for the summer entries. The size of a block is important for tariffs that have "stepped" blocks. A stepped tariff charges a certain amount for each kWh in the first group of kWh, and different charges for greater use. They are often expressed as 5 cents per kWh for the first 500 kWh and 4 cents per kWh for the remaining kWh. For this case you would enter "500" in the "Size of First Block" and "remaining" in the "Size of the Second Block". You could also enter a large number instead of the word "remaining" in the "Size of the Second Block" field, which will indicate that the rest of the kWh should be charged at that price. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block –** This entry is repeated for the first, second, third, and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have "stepped" blocks. A stepped tariff charges a certain amount for each kWh in the first group of kWh, and different charges for greater use. They are often expressed as 5 cents per kWh for the first 500 kWh and 4 cents per kWh for the remaining kWh. For this case you would enter 0.05 in the "Cost of First Block" a 0.04 in the "Cost of the Second Block". Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only. If multiple companies are involved in providing the utility service, such as when the utilities are deregulated, then add up the costs for each company for that block.

**Extra Charges –** An extra fee that is charged by the utility for every kWh that is sold. This is often expressed as a fuel cost adjustment, an energy cost adjustment, or a surcharge. Credits are often expressed as a fuel cost adjustment, an energy cost adjustment or a surcharge. Credits are often provided on the basis of every kWh and can be entered as negative numbers. If multiple extra charges exist in the tariff, then add them up.

**Taxes –** This is expressed as a percent. Don't format the cell in Excel as a "percent" format. For a 0.9% tax, simply enter "0.9". The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

**3. Standard Natural Gas Utility Tariff –**

**Utility Name and Rate Name –** enter the name or an abbreviation of the name for the utility that provides natural gas and for the specific rate to be used in the calculations. Many utilities have multiple rates that could be used by residential customers and you should choose one that is the most typical.

**Rate Effective Date –** often utilities will use the same name for a tariff even though they may change the values. Entering an effective date here will allow you to understand what version of the tariff you are using.

**Measurement Units –** natural gas utilities provide natural gas on the basis of one of several different units. Select the units used by the utility in the rate. Notice that the units correspondingly change on many of the remaining fields in the tariff. Changing the measurement units will not change the values entered in the rest of the rate. If your spreadsheet program is not Excel and the pull down list is not seen, enter 1 for therms, 2 for CCF, 3 for MCF, and 4 for MMBtu.

**First Month of Summer and Last Month of Summer –** select from the pull down lists the months that are the first and last months of the summer period as defined in the natural gas tariff. If the tariff does not vary by season, use only the "summer" blocks and set the summer period from January through December. If the tariff is seasonal but starts mid-month, make sure the number of months in the tariff that are summer and the number of months here are equivalent since the number of months is more important than exactly when in each month the tariff changes. If your spreadsheet program is not Excel, you may not see the drop down list of choices. If that is the case, just enter the month number in the rows below each input.

**Monthly Charges –** enter the value charged for natural gas service. This is sometimes called a monthly charge or a service charge.

**Size of XXX Block –** This entry is repeated for the first, second, third and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have block rates that vary by season, then only enter values for the summer entries. The size of a block is important for tariffs that have "stepped" blocks. A stepped tariff charges a certain amount for each therm in the first group of therms, and different charges for greater use. They are often expressed as 80 cents per therm for the first 10 therms and 70 cents per therm for the remaining therms. For this case you would enter “10” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the therms should be charged at that price. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block –** This entry is repeated for the first, second, third, and fourth blocks of the tariff in the summer and in the winter. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each therm in the first group of therms, and different charges for greater use. They are often expressed as 80 cents per therm for the first 10 therms and 70 cents per therm for the remaining therms. For this case you would enter 0.80 in the “Cost of First Block” a 0.70 in the “Cost of the Second Block”. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only. If multiple companies are involved in providing the utility service, such as when the utilities are deregulated, then add up the costs for each company for that block.

**Extra Charges –** An extra fee that is charged by the utility for every therm that is sold. This is often expressed as a fuel cost adjustment, an energy cost adjustment, or a surcharge. Credits are often expressed as a fuel cost adjustment, an energy cost adjustment or a surcharge. Credits are often provided on the basis of every therm and can be entered as negative numbers. If multiple extra charges exist in the tariff, then add them up.

**Taxes –** This is expressed as a percent. Don’t format the cell in Excel as a “percent” format. For a 0.9% tax, simply enter “0.9”. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

**4. Fuel Oil Delivery Contract –**

**Supplier Name –** enter the name or an abbreviation of the name for the supplier for fuel oil.

**Effective Date –** entering an effective date here will allow you to understand what version of the contract you are using.

**Monthly Charges –** enter the amount that the fuel oil supplier charges to provide service. This is sometime called a monthly charge or a service charge.

**Size of XXX Block –** This entry is repeated for the first, second, third and fourth blocks of the contract. A stepped contract charges a certain amount for each gallon in the first group of gallons, and different charges for greater use. They are often expressed as 2.50 dollars per gallon for the first 50 gallons and 2.40 dollars per gallon for the remaining gallons. For this case you would enter "50" in the "Size of First Block" and "remaining" in the "Size of the Second Block". You could also enter a large number instead of the word "remaining" in the "Size of the Second Block" field, which will indicate that the rest of the gallons should be charged at that price. Up to four blocks are provided, if more blocks are part of the contract, then average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block –** This entry is repeated for the first, second, third, and fourth blocks of the contract. A stepped contract charges a certain amount for each gallon in the first group of gallons, and different charges for greater use. They are often expressed as 2.50 dollars per gallon for the first 50 gallons and 2.40 dollars per gallon for the remaining gallons. For this case you would enter 2.50 in the "Cost of First Block" 2.40 in the "Cost of the Second Block". Up to four blocks are provided, if more blocks are part of the contract, then average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Extra Charges –** An extra fee that is charged by the utility for every gallon that is sold. This is often expressed as a fuel cost adjustment, an energy cost adjustment, or a surcharge. Credits are often expressed as a fuel cost adjustment, an energy cost adjustment or a surcharge. Credits are often provided on the basis of every gallon and can be entered as negative numbers. If multiple extra charges exist in the contract, then add them up.

**Taxes –** This is expressed as a percent. Don't format the cell in Excel as a "percent" format. For a 3% tax, simply enter "3". The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

**5. Liquefied Petroleum Gas Delivery Contract –**

**Supplier Name –** enter the name or an abbreviation of the name for the supplier for liquefied petroleum gas (LPG).

**Effective Date –** entering an effective date here will allow you to understand what version of the contract you are using.

**Monthly Charges –** enter the amount that the LPG supplier charges to provide service. This is sometime called a monthly charge or a service charge.

**Size of XXX Block –** This entry is repeated for the first, second, third and fourth blocks of the contract. A stepped contract charges a certain amount for each pound in the first group of pounds, and different charges for greater use. They are often expressed as 20 cents per pound for the first 500 pounds and 18 cents per pound for the remaining pounds. For this case you would enter "500" in the "Size of First Block" and "remaining" in the "Size of the Second Block". You could also enter a large number instead of the word "remaining" in the "Size of the Second Block" field, which will indicate that the rest of the gallons should be charged at that price. Up to four blocks are provided, if more blocks are part of the contract, then average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block –** This entry is repeated for the first, second, third, and fourth blocks of the contract. A stepped contract charges a certain amount for each pound in the first group of pounds, and different charges for greater use. They are often expressed as 20 cents per pound for the first 500 pounds and 18 cents per pound for the remaining pounds. For this case you would enter 0.20 in the "Cost of First Block" a 0.18 in the "Cost of the Second Block". Up to four blocks are provided, if more blocks are part of the contract, then average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Extra Charges –** An extra fee that is charged by the utility for every pound that is sold. This is often expressed as a surcharge. Credits are often provided on the basis of every pound and can be entered as negative numbers. If multiple extra charges exist in the contract, then add them up.

**Taxes –** This is expressed as a percent. Don't format the cell in Excel as a "percent" format. For a 1.2% tax, simply enter "1.2". The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

**6. Water Supply Utility Tariff –**

**Supplier Name –** enter the name or an abbreviation of the name for the water supplier.

**Effective Date –** entering an effective date here will allow you to understand what version of the contract you are using.

**Measurement Units –**utilities provide water on the basis of one of several different units. Select the units used by the utility in the rate. Notice that the units correspondingly change on many of the remaining fields in the tariff. Changing the measurement units will not change the values entered in the rest of the rate. If your spreadsheet program is not Excel and the pull down list is not seen, enter 1 for cubic feet and 2 for gallons.

**Monthly Charges –** enter the amount that the water supplier charges to provide service. This is sometime called a monthly charge or a service charge.

**Size of XXX Block –** This entry is repeated for the first, second, third and fourth blocks of the tariff. The size of a block is important for tariffs that have "stepped" blocks. A stepped tariff charges a certain amount for each cubic foot in the first group of cubic feet, and different charges for greater use. They are often expressed as 5 cents per cubic foot for the first 500 cubic feet and

4 cents per cubic foot for the remaining usage. For this case you would enter “500” in the “Size of First Block” and “remaining” in the “Size of the Second Block”. You could also enter a large number instead of the word “remaining” in the “Size of the Second Block” field, which will indicate that the rest of the water usage should be charged at that price. Since some suppliers have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block –** This entry is repeated for the first, second, third, and fourth blocks of the tariff. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have “stepped” blocks. A stepped tariff charges a certain amount for each cubic foot in the first group of cubic feet, and different charges for greater use. They are often expressed as 5 cents per cubic foot for the first 500 cubic feet and 4 cents per cubic foot for the remaining usage. For this case you would enter 0.05 in the “Cost of First Block” a 0.04 in the “Cost of the Second Block”. Since some utilities have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Extra Charges –** An extra fee that is charged by the utility for every cubic foot that is sold. This is often expressed as a surcharge. Credits are often provided on the basis of every cubic foot and can be entered as negative numbers. If multiple extra charges exist in the contract, then add them up.

**Taxes –** This is expressed as a percent. Don’t format the cell in Excel as a “percent” format. For a 1.2% tax, simply enter “1.2”. The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

**7. Sewer Tariff –**

**Sewer Charge Included in Water Tariff –** check the box if the water tariff (described above) already includes the sewer charge. This is the case for many locations. If this box is checked, no other inputs are necessary.

**Supplier Name –** enter the name or an abbreviation of the name for the sewer company.
**Effective Date –** entering an effective date here will allow you to understand what version of the contract you are using.

**Measurement Units –**utilities provide sewer service on the basis of one of several different units. Select the units used by the utility in the rate. Notice that the units correspondingly change on many of the remaining fields in the tariff. Changing the measurement units will not change the values entered in the rest of the rate. If your spreadsheet program is not Excel and the pull down list is not seen, enter 1 for cubic feet and 2 for gallons.

**Monthly Charges –** enter the amount that the sewer utility charges to provide service. This is sometime called a monthly charge or a service charge.

**Size of XXX Block –** This entry is repeated for the first, second, third and fourth blocks of the tariff. The size of a block is important for tariffs that have "stepped" blocks. A stepped tariff charges a certain amount for each cubic foot in the first group of cubic feet, and different charges for greater use. They are often expressed as 5 cents per cubic foot for the first 500 cubic feet and 4 cents per cubic foot for the remaining usage. For this case you would enter "500" in the "Size of First Block" and "remaining" in the "Size of the Second Block". You could also enter a large number instead of the word "remaining" in the "Size of the Second Block" field, which will indicate that the rest of the usage should be charged at that price. Since some suppliers have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Cost of XXX Block –** This entry is repeated for the first, second, third, and fourth blocks of the tariff. If the tariff does not have blocks that vary by season, only enter values for the summer entries. The cost of a block is important for tariffs that have "stepped" blocks. A stepped tariff charges a certain amount for each cubic foot in the first group of cubic feet, and different charges for greater use. They are often expressed as 5 cents per cubic foot for the first 500 cubic feet and 4 cents per cubic foot for the remaining usage. For this case you would enter 0.05 in the "Cost of First Block" a 0.04 in the "Cost of the Second Block". Since some suppliers have multiple blocks in their tariffs, up to four blocks are provided. If more blocks are part of the tariff, average the cost of some of the blocks together and combine their sizes. If the rate is not a stepped rate, enter values for the first block only.

**Extra Charges –** An extra fee that is charged by the utility for every cubic foot that is sold. This is often expressed as a surcharge. Credits are often provided on the basis of every cubic foot and can be entered as negative numbers. If multiple extra charges exist in the contract, then add them up.

**Taxes –** This is expressed as a percent. Don't format the cell in Excel as a "percent" format. For a 1.2% tax, simply enter "1.2". The tax is calculated after calculating a subtotal that includes the block charges, the monthly charge and the extra charges.

**8. Trash Collection Fees –** enter the average monthly fees for different size dwelling using for trash collection.

**9. Range/Microwave Fees –** enter the average monthly cost for renting or financing the purchase of a range and microwave oven for different size dwelling unit.

**10. Refrigerator Fees –** enter the average monthly cost for renting or financing the purchase of a refrigerator for different size dwelling units.

**11. Other Fees –** enter the average monthly fees for different size dwelling units for any other fees.

Appendix “D”

Sample City of Visalia Rental Property Tenant Application Form.

Appendix "D" -Sample Tenant Rental Application

CITY OF VISALIA
RENTAL PROPERTY

**Property/Address:**______________________________ **Date:** ________________

***Household Information:*** Complete the following information for each household member that will occupy the unit at time of move-in. The HOME program adopts the Section 8 Housing Choice Voucher (HCV) program restrictions on student participation found at 24 CFR 5.612.

| **Name** *(Last, First, MI)* | **Relationship to the Head of Household** | **Sex (M/F)** | **Birth Date** *(mm, dd, yyyy)* | **Student (Y/N)** | **Social Security Number** |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

***Current Address:*** ________________________________________________
________________________________________________

***Primary Phone:*** (      ) ______________ **Alternate Phone:** (      ) ______________

**Are you claiming a "Preference"?** *Certain preferences are assigned to applicants in order to provide housing opportunities for households with special needs. See Tenant Selection Plan for greater detail.*

❑ Displaced by Government Action or Presidentially Declared Disaster.
❑ Victim of Domestic Violence.
❑ Working, Elderly, or Disabled.
❑ Other or Local Preference: ________________________________

***Type:***

1st Choice: ❑ 2 BR ❑ 3 BR ❑ 4 BR ❑ 5 BR ❑ Other ____________

2nd Choice: ❑ 2 BR ❑ 3 BR ❑ 4 BR ❑ 5 BR ❑ Other ____________

Would you or anyone in your household benefit from a special needs unit?
(Mobility, vision, or hearing impairment) ❑ Yes ❑ No

Will you or anyone in your household require a live-in care attendant? ☐ Yes ☐ No

Name of Live-In Care Attendant: ________________________________

Relationship *(If any)*: ________________________________

1

## Housing References:

List the past **3 years** of housing references. *(If additional space is required, use the back of this page.)*

| | Landlord's Name/Address | Your Address | Own/Rent | Dates |
|---|---|---|---|---|
| 1. | ____________ | ____________ | **Own** ☐ | From: ________ |
| | ____________ | ____________ | **Rent** ☐ | To: ________ |
| | **Phone:** ( ) | Monthly payment : $ ______ | | |
| 2. | ____________ | ____________ | **Own** ☐ | From: ________ |
| | ____________ | ____________ | **Rent** ☐ | To: ________ |
| | **Phone:** ( ) | Monthly payment : $ ______ | | |
| 3. | ____________ | ____________ | **Own** ☐ | From: ________ |
| | ____________ | ____________ | **Rent** ☐ | To: ________ |
| | **Phone:** ( ) | Monthly payment : $ ______ | | |

*Household Information (continued)*

1. Will anyone else live in the unit on either a full-time or part-time basis, such as children temporarily absent, children in a joint custody arrangement, children away at school, unborn children, children in the process of being adopted, or temporarily absent family members? ☐ **Yes** ☐ **No**
   If YES, explain ________________________________

2. Do you expect the number of household members to change in the future? ☐ **Yes** ☐ **No**
   If YES, explain how many members will be added or reduced, and when that change will take place.
   ________________________________

3. Have any of the household members used names or a social security number other than the names and numbers used above? ☐ **Yes** ☐ **No**
   If YES, explain ________________________________

4. Are any or ALL members of the household full-time students? ☐ **Yes** ☐**No**
   If YES, explain ________________________________

5. Have you or any member of your household ever been convicted of, plead guilty to or been placed on probation for any crime? ☐ **Yes** ☐ **No**
   If YES, provide the nature of the crime(s):________________________________
   Date: ____________ State: ____________ City ____________
   County: ____________
   Are any of the above convictions a felony? ☐ **Yes** ☐ **No** **If YES, Please explain**________
   ________________________________

   Are you or any members of your household subject to a lifetime registration requirement under a state sex offender registration program? ☐ **Yes** ☐ **No** **If YES, Please explain** ________
   ________________________________
   Are there any criminal charges pending now? ☐ **Yes** ☐ **No** **If YES, please explain**________
   ________________________________

6. Do you live in subsidized housing now or have you in the past? ☐ **Yes** ☐ **No**
   If YES, where? ________________ From ________ To ________
   Were you evicted? ____ If YES, why? ________________________

7. Have you or your spouse/co-applicant ever been evicted or otherwise involuntarily removed from rental housing

due to fraud, non-payment of rent, failure to cooperate with recertification procedures, or for any other reason?
☐ Yes ☐ No

If YES, explain ______________________________________________

______________________________________________

8. Have you ever filed or are you currently filing for bankruptcy? ☐ Yes ☐ No

If YES, give reason ______________________________________________

Date of filing: ______________________________________________

9. Have you ever lived at any other property managed by ________________ *[insert management company name]*?
☐ Yes ☐ No

If YES, where? ______________________________________________

10. Why do you want to move from your current residence? ______________________________

11. How did you hear about us? ______________________________________________

12. Do you know or are you related to any of our residents or staff? ______________________

______________________________________________

## *Income Information:*

Earned income is counted only for household members 18 or older and members who are legally emancipated. Unearned income such as a grant or benefit is counted for all household members, including minors. SUBMIT DOCUMENTATION FOR EACH TYPE OF INCOME (MOST RECENT FOR A PERIOD OF TWO MONTHS)

Include all *GROSS* income (before taxes) each household member expects to earn in the next 12 months. (Check either YES or NO to each question.)

Do YOU or ANYONE in your household receive OR expect to receive income from:

1. Employment wages or salaries? Self-employment? Regular pay as a member of the Armed Forces? ☐ Yes ☐ No

*(Include overtime, tips, bonuses, commission and payments received in cash.)*

| Household Member | Name of Company (or note if self-employed) | Amount |
|---|---|---|
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |
| ____________ | | |

2. Unemployment benefits or worker's compensation? ☐ Yes ☐ No

| Household Member | Name of Company | Amount |
|---|---|---|
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |

3. Public Assistance, General Relief or Temporary Aid to Needy Families (TANF)? ☐ Yes ☐ No

| Household Member | Name of Company | Amount |
|---|---|---|
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |

4. (a) Child Support or Spousal Support (alimony)? ☐ Yes ☐ No

*(We must count court ordered support whether or not it is received unless legal action has been taken to remedy. We must also count support that is not court-ordered, rather, received directly from the payer.)*

| Household Member | Name of Company | Amount |
|---|---|---|
| ____________ | ____________ | ____________ |
| ____________ | ____________ | ____________ |

(b) How is the support received? (Check all that apply)

☐ Child Support Enforcement Agency Name of Agency:____________

☐ Court of Law Name of Court:____________

☐ Directly from Individual Name of Person:____________

☐ Other Explain:____________

(c) If money is not actually received, are you taking legal action to remedy? ☐ Yes ☐ No

Explanation:____________

5. Social Security, SSI or any other payments from the Social Security Administration? ☐ Yes ☐ No

| *Household Member* | *SSA Office* | *Amount* |
|---|---|---|
| | | |
| | | |

6. Regular payments from a pension, retirement benefit, annuities, or Veteran's benefits? ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

7. Regular payments from a severance package? ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

8. Regular payments from any type of settlement? *(For example, insurance settlements)* ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

9. Disability, death benefits or life insurance dividends? ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

10. Regular gifts or payments from anyone outside of the household? ☐ Yes ☐ No

*(This includes anyone supplementing your income or paying any of your bills.)*

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

11. Educational grants, scholarships, or other student benefits? ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

12. Regular payments from lottery winnings or inheritances? ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

13. Regular payments from rental property or other types of real estate transactions? ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

14. Any other income sources or types not listed above? ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|

15. Do you or any other household member expect any change in income in the next 12 months? ☐ Yes ☐ No
If YES, explain:____________________________________________

*Zero Income Verification:*

Are YOU or is ANY OTHER ADULT member of your household claiming zero income?

☐ Yes ☐ No If YES, who? ____________________________________________

## *Asset Information:*

Include all assets and the corresponding annual interest rate, dividends or any other income derived from the asset. An asset is defined as any lump sum amount that you hold in your name and currently have access to. Include the value of the asset and corresponding income from the asset in the space provided.

INCLUDE ALL ASSETS HELD BY ALL HOUSEHOLD MEMBERS INCLUDING MINORS.

Do YOU or ANYONE in your household hold:

1. Checking or savings account? ☐ Yes ☐ No

| *Household Member* | *Bank or Financial Institution* | *Amount* |
|---|---|---|
| | | |
| | | |
| | | |

2. CDs, money market accounts or treasury bills? ☐ Yes ☐ No

| *Household Member* | *Bank or Financial Institution* | *Amount* |
|---|---|---|
| | | |
| | | |

3. Stocks, bonds or securities? ☐ Yes ☐ No

| *Household Member* | *Source (Broker's Name)* | *Amount* |
|---|---|---|
| | | |
| | | |

4. Trust funds? ☐ Yes ☐ No

| *Household Member* | *Bank or Financial Institution* | *Amount* |
|---|---|---|
| | | |
| | | |

Are any of the above listed trusts irrevocable? ☐ Yes ☐ No

5. Pensions, IRAs, 401Ks, 403Bs, KEOGH or other retirement accounts? ☐ Yes ☐ No

| *Household Member* | *Location of Account* | *Amount* |
|---|---|---|
| | | |
| | | |

6. Cash on hand? ☐ Yes ☐ No

| *Household Member* | *Source of Benefit* | *Amount* |
|---|---|---|
| | | |
| | | |

7. Surrender value of a whole life, universal life, or endowment insurance policy which is available to the policy holder before death? ☐ Yes ☐ No

| *Household Member* | *Life Insurance Company* | *Amount* |
|---|---|---|
| | | |
| | | |

8. Real estate, rental property, land contract/contract for deeds or other real estates holdings? *(This includes your personal residence, mobile homes, vacant land, farms, vacation homes or commercial property)* ☐ Yes ☐ No

| Household Member | Source of Benefit | Amount |
|---|---|---|
| | | |
| | | |

9. Personal property as an investment? *(This includes paintings, coin or stamp collections, artwork collections or show cars and antiques. This does not include your personal belongings such as your car, furniture or clothing.)* ☐ **Yes** ☐ **No**

| Household Member | Source of Benefit | Amount |
|---|---|---|
| | | |
| | | |

10. Do you have a safe deposit box containing contents with a monetary value? ☐ **Yes** ☐ **No**

| Household Member | Source of Benefit | Amount |
|---|---|---|
| | | |
| | | |

11. Have you or any household member disposed of or given away any asset(s) for LESS than fair market value within the past 2 years? ☐ **Yes** ☐ **No**

| Household Member | Description of Asset Disposed | Amount Received |
|---|---|---|
| | | |

Explanation:________________________________________

Do you or anyone listed above own a vehicle?

*Vehicle Identification:*

1. License #: __________ State Issued: ________ Make/Model/Year: ________________
2. License #: __________ State Issued: ________ Make/Model/Year: ________________

## *Liability Information:*

Include all assets and the corresponding annual interest rate, dividends or any other income derived from the asset. An asset is defined as any lump sum amount that you hold in your name and currently have access to. Include the value of the asset and corresponding income from the asset in the space provided.

CURRENT MONTLY EXPENSES

| | | | |
|---|---|---|---|
| Rent | | Water/Sewer/Trash | |
| Electric | | Food (not including stamps) | |
| Gas | | Daycare | |
| Telephone | | Insurance | |
| Car | | Other | |

TOTAL MONTHLY EXPENSES ______________

DELINQUENT DEBTS

| | | | |
|---|---|---|---|
| Student Loan | | Car Loan | |
| Utilities: Gas | | Credit Card | |
| Electric | | Other | |
| Telephone | | | |

All questions that were answered YES on this application will be verified through the appropriate third-party source. It will be your responsibility to provide management with all necessary information to properly process your application and verify your eligibility. This will include names, addresses, phone and fax numbers, account numbers (where applicable), and any other information required to expedite this process.

Signature Clause:
I understand that management is relying on this information to prove my household's eligibility for housing assisted under a program of the U.S. Department of Housing and Urban Development (HUD). I certify that all information and answers to the questions are true and complete to the best of my knowledge. I consent to release the necessary information to determine my eligibility. I understand that providing false information or making false statements may be grounds for denial of my application. I also understand that such action may result in criminal penalties.

I consent to have management verify the information contained in this application for purposes of proving my eligibility for occupancy. I will provide all necessary information and expedite this process in anyway possible. I understand that my occupancy is contingent on meeting management's resident selection criteria and the Program.

I understand that in compliance with the FAIR CREDIT REPORTING ACT the processing of this application includes but is not limited to making any inquiries deemed necessary to verify the accuracy of the information I provided, including procuring consumer reports from consumer credit reporting agencies and obtaining credit information from other credit institutions.

I hereby grant this property owner and ______________________ *[Insert Management Company Name]* the right to process this application for the purpose of obtaining a Rental/Lease Agreement with this property. Additionally, I authorize all corporations, companies, law enforcement agencies, academic institutions, and current and former employers to release information they may have about me and release them from any liability and responsibility from doing so. A photographic or faxed copy of this authorization shall be as valid as the original.

**All household members 18 and over must sign below:**

| | |
|---|---|
| Signature | Date |
| Signature | Date |
| Signature | Date |
| Signature | Date |



**For Office Use Only**

| | |
|---|---|
| Check here if Pre-Application is on file. ☐ | **Application Date:**__________ **Time:**_____ **Desired Move-In Date:** ______________<br>**Application Received By:** ________________________ **As Agent for Owner**<br>**Lease Approved:** ___ **Denied:**_____<br>**Lease Signed:** _______ **Expected move-in date:**________<br>**Security Deposit received:**__________ **Amount: $**_______<br>**City Inspection:**____________<br>**Other Inspection if applicable**__________<br>**Gas**_____ **Electric**______ **Water/Sewer/Trash**_____<br>**Transferred to Tenant on:**_____ |

9

Appendix "E"

Income Worksheets and definitions

## VERIFICATION OF: Employment

| | |
|---|---|
| (Name of HOME Participating Jurisdiction)<br><br>**AUTHORIZATION:** Federal Regulations require us to verify Employment Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed. | Employed since: _____ Occupation: ________<br>Salary: ________<br>Effective date of last increase: ____<br>Base pay rate. $_____/Hour; or $_____/Week; or $_____/Month<br>Average hours/week at base pay rate: _____ Hours<br>No. Weeks ___, or No. Weeks ___ worked per year<br>Overtime pay rate: $_______/Hour<br>Expected weekly average number of hours overtime to be worked during next 12 months ________<br>Any other compensation not included above (specify for commissions, bonuses, tips, etc.):<br>For: ______________ $_____ per ________<br>Is pay received for vacation? ___ If yes, no. of days/yr.___<br>Total base pay earnings for past 12 mos. $_____<br>Total overtime earnings for past 12 mos. $_____<br>Probability and expected date of any pay increase: ____________________<br>Does the employee have access to a retirement account? ☐ Yes ☐ No<br>If Yes, what amount can they get access to: $_______________ |
| **RELEASE**: I hereby authorize the release of the requested information<br>______________________________<br>(Signature of Applicant)<br>Date: ________________________<br>or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached. | Signature of ______________________ or Authorized Representative ________________<br>Title: ________________________<br>Date: ______________________<br>Telephone: __________________________ |

**WARNING**: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Technical Guide for Determining Income and Allowances for the HOME Program — 107

## VERIFICATION OF: Income from Business

(Name of HOME Participating Jurisdiction)

Based on business transacted from ___________ to ___________

1. Gross Income $__________
2. Expenses
   - (a) Interest on loans $__________
   - (b) Cost of goods/materials $__________
   - (c) Rent $__________
   - (d) Utilities $__________
   - (e) Wages/salaries $__________
   - (f) Employee contributions $__________
   - (g) Federal Withholding Tax $__________
   - (h) State Withholding Tax $__________
   - (i) FICA $__________
   - (j) Sales tax $__________
   - (k) Other:
     - ___________________ $__________
     - ___________________ $__________
     - ___________________ $__________
   - (l) Straight line depreciation $__________
   - Total Expenses $__________
3. Net Income $__________

**AUTHORIZATION:** Federal Regulations require us to verify Business Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.

Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.

**RELEASE:** I hereby authorize the release of the requested information.

___________________________________

(Signature of Applicant)

Date:______________________________

Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.

Signature of ______________________ or Authorized Representative ______________

Title: ______________________________

Date: ______________________________

Telephone: __________________________

**WARNING:** Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

## VERIFICATION OF: Social Security Benefits

| (Name of HOME Participating Jurisdiction)<br><br>**AUTHORIZATION:** Federal Regulations require us to verify Social Security Benefit Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed. | **Social Security Data**<br><br>__________ Date of birth<br><br>__________ Gross monthly Social Security Benefit amount, type of benefit<br><br>__________ Gross monthly Supplemental Security Income payment amount (including state supplement), type of benefit |
|---|---|
| **RELEASE**: I hereby authorize the release of the requested information.<br><br>________________________________<br>(Signature of Applicant)<br><br>Date: ______________________________<br><br>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached. | Signature of ______________________ or Authorized Representative _____________<br><br>Title: ____________________________<br><br>Date: ____________________________<br><br>Telephone: ________________________ |
| **WARNING**: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. | |

## VERIFICATION OF: Pension and Annuities

| | |
|---|---|
| (Name of HOME Participating Jurisdiction)<br><br>**AUTHORIZATION:** Federal Regulations require us to verify Pension and Annuities Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed. | Current monthly gross amount of pension or annuity $__________<br><br>Deductions from gross for medical insurance premiums $__________<br><br>Date of initial award __________<br><br>Effective date of current amount __________<br><br>Contributions to company retirement/pension fund $__________<br><br>Amount received in a lump sum $__________ |
| **RELEASE**: I hereby authorize the release of the requested information.<br><br>____________________________________<br>(Signature of Applicant)<br><br>Date: ____________________________<br><br>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached. | Signature of ______________________ or Authorized Representative ______________<br><br>Title: ____________________________<br><br>Date: ____________________________<br><br>Telephone: ________________________ |
| **WARNING**: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. | |

Technical Guide for Determining Income and Allowances for the HOME Program — 110

## VERIFICATION OF: Veterans Administration Benefits

(Name of HOME Participating Jurisdiction)

**AUTHORIZATION:** Federal Regulations require us to verify Veterans Administration Benefits Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.

Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.

Name of Veteran: ______________________

Address: ____________________________

____________________________________

Claim No.: ___________________________

Date of Birth: _________________________

Service Dates: ___________ to ___________

Benefits Paid to: _______________________

1. Current Benefit Amount $_________
2. Original Start Date _________
3. This amount will increase/ decrease to (circle one) $_________

   Date Change Takes Effect _________
4. Benefits are for:

   - ☐ GI Bill Training
   - ☐ Insurance
   - ☐ Service Connected Compensation Disability (%) ____________
   - ☐ Nonservice Pension Death
   - ☐ Service Connected Compensation Death
   - ☐ Other ____________________________

     ________________________________

**RELEASE:** I hereby authorize the release of the requested information.

________________________________

(Signature of Applicant)

Date: ___________________________

Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.

Signature of _________________________ or Authorized Representative _____________

Title: ______________________________

Date: ______________________________

Telephone: __________________________

**WARNING:** Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Technical Guide for Determining Income and Allowances for the HOME Program — 111

## VERIFICATION OF: Unemployment Benefits

| | |
|---|---|
| (Name of HOME Participating Jurisdiction)<br><br>**AUTHORIZATION:** Federal Regulations require us to verify Unemployment Benefits Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed. | **Benefits**<br>1. Are benefits being paid now? ☐ Yes ☐ No<br>2. If yes, what is Gross Weekly Payment? $__________<br>3. Date of Initial Payment __________<br>4. Duration of Benefits _____ weeks<br>Is claimant eligible for future benefits? ☐ Yes ☐ No<br>5. If yes, how many weeks? _____ weeks<br>6. If no, what is the termination date of benefits? __________ |
| **RELEASE**: I hereby authorize the release of the requested information.<br><br>________________________________<br>(Signature of Applicant)<br><br>Date: ____________________________<br><br>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached. | Signature of ______________________ or Authorized Representative ____________<br><br>Title: ____________________________<br><br>Date:_____________________________<br><br>Telephone: ________________________ |
| **WARNING**: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. | |

Technical Guide for Determining Income and Allowances for the HOME Program — 112

## VERIFICATION OF: Public Assistance Income

| | |
|---|---|
| (Name of HOME Participating Jurisdiction)<br><br>**AUTHORIZATION:** Federal Regulations require us to verify Public Assistance Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed. | **Public Assistance Data** **Rate per Month**<br>Number in family: ________<br>Aid to Families with Dependent Children $__________<br>General Assistance $__________<br>Does this amount include court-awarded support payments? ☐ Yes ☐ No<br>Amount specifically designated for shelter and utilities $__________<br>Other assistance—type:<br>______________________ $__________<br>Total Monthly Grant $___________<br>Other income—Sources:<br>______________________ $__________<br>Maximum allowance for rent and utilities (as-paid states) $__________<br>Amount of public assistance received during past 12 months $__________ |
| **RELEASE**: I hereby authorize the release of the requested information.<br><br>________________________________<br>(Signature of Applicant)<br><br>Date: ______________________________<br><br>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached. | Signature of ______________________ or Authorized Representative _____________<br><br>Title: ______________________________<br><br>Date: ______________________________<br><br>Telephone: __________________________ |

**WARNING**: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Technical Guide for Determining Income and Allowances for the HOME Program — 113

## VERIFICATION OF: Child Support Payments

| | |
|---|---|
| (Name of HOME Participating Jurisdiction)<br><br>**AUTHORIZATION:** Federal Regulations require us to verify Child Support Payments made to all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed. | Name of Person Paying Child Support:<br>________________________________<br>Address of Person Paying Child Support:<br>________________________________<br>________________________________<br>________________________________<br>Support is for ☐ his ☐ her children.<br>Name(s) of children being supported:<br>________________________________<br>________________________________<br>________________________________<br>Amount of support:<br>$__________ ☐ Week ☐ Month ☐ Year |
| **RELEASE:** I hereby authorize the release of the requested information.<br>________________________________<br>(Signature of Applicant)<br>Date: ____________________________<br><br>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached. | Signature of ________________________<br>or Authorized Representative<br>________________________________<br>Title: ____________________________<br>Date: ____________________________<br>Telephone: ________________________ |

**WARNING:** Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Technical Guide for Determining Income and Allowances for the HOME Program — 114

## VERIFICATION OF: Alimony or Separation Payments

| | |
|---|---|
| (Name of HOME Participating Jurisdiction)<br><br>**AUTHORIZATION:** Federal Regulations require us to verify Alimony and Separation Payments made to all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed. | Name of Person Paying Alimony or Separation Payments:<br>____________________<br>Address of Person Paying Alimony or Separation Payments:<br>____________________<br>____________________<br>____________________<br>Name of person being supported:<br>____________________<br>Amount of support:<br>$__________ ☐ Week ☐ Month ☐ Year |
| **RELEASE:** I hereby authorize the release of the requested information.<br>____________________<br>(Signature of Applicant)<br>Date: ____________________<br><br>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached. | Signature of ____________________<br>or Authorized Representative<br>____________________<br>Title: ____________________<br>Date: ____________________<br>Telephone: ____________________ |

**WARNING**: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

## VERIFICATION OF: Recurring Cash Contributions

(Name of HOME Participating Jurisdiction)

Purpose of Cash Contribution:

__________________________________

__________________________________

__________________________________

__________________________________

**AUTHORIZATION:** Federal Regulations require us to verify Recurring Cash Contributions made to all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.

Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.

Amounts anticipated to be received during the next 12 months:

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

Date: ____________________ $________

**RELEASE:** I hereby authorize the release of the requested information.

__________________________________

(Signature of Applicant)

Date: ____________________________

Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.

Signature of ______________________
or Authorized Representative

__________________________________

Title: ____________________________

Date: ____________________________

Telephone: ________________________

**WARNING:** Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

## VERIFICATION OF: Income from Military Service

| | |
|---|---|
| (Name of HOME Participating Jurisdiction)<br><br>**AUTHORIZATION:** Federal Regulations require us to verify Military Service Income of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed. | Years __________ and Months __________ of service for pay purposes.<br><br>**Income:**<br>Base and Longevity Pay $__________<br>Proficiency Pay $__________<br>Sea and Foreign Duty Pay $__________<br>Hazardous Duty Pay $__________<br>Subsistence Allowance $__________<br>Quarters Allowance (include only amount contributed by the Government) $__________<br>Number of dependents claimed __________<br>Imminent Danger Pay $__________<br>Other (explain):<br>____________________________________<br>____________________________________<br>____________________________________ |
| **RELEASE:** I hereby authorize the release of the requested information.<br><br>____________________________________<br>(Signature of Applicant)<br>Date: ______________________________<br><br>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached. | Signature of __________________________<br>or Authorized Representative<br>____________________________________<br><br>Title: ______________________________<br>Date: ______________________________<br>Telephone: __________________________ |

**WARNING:** Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.

Technical Guide for Determining Income and Allowances for the HOME Program — 117

## VERIFICATION OF: Assets on Deposit

<table>
<tr><td rowspan="3">(Name of HOME Participating Jurisdiction)<br><br>AUTHORIZATION: Federal Regulations require us to verify Assets on Deposit of all members of the household applying for participation in the HOME Program which we operate and to re-examine this income periodically. We ask your cooperation in supplying this information. This information will be used only to determine the eligibility status and level of benefit of the household.<br><br>Your prompt return of the requested information will be appreciated. A self-addressed return envelope is enclosed.</td><td>Checking Account No.<br>________<br>________</td><td>Average Monthly Balance for Last 6 Months<br>________<br>________</td><td>Current Interest rate<br>________<br>________</td><td></td></tr>
<tr><td>Savings Account No.<br>________<br>________</td><td>Current Balance<br>________<br>________</td><td>Current Interest Rate<br>________<br>________</td><td>Current Interest Rate<br>________<br>________</td></tr>
<tr><td>Certificate of Deposit Account No.<br>________<br>________</td><td>Amount<br>________<br>________</td><td>Withdrawal Penalty<br>________<br>________</td><td></td></tr>
<tr><td>Retirement Savings (IRA, Keogh, 401(k))</td><td>Account No.<br>________<br>________</td><td>Amount<br>________<br>________</td><td>Withdrawal Penalty<br>________<br>________</td><td>Current Interest Rate<br>________<br>________</td></tr>
<tr><td>Money Market Funds</td><td>Money Market Funds<br>________<br>________</td><td>Amount (Average 6-month Balance)<br>________<br>________</td><td>Interest Rate<br>________<br>________</td><td></td></tr>
<tr><td>RELEASE: I hereby authorize the release of the requested information.<br><br>______________________________<br>(Signature of Applicant)<br>Date: ______________________<br>Or a copy of the executed "HOME Program Eligibility Release Form," which authorizes the release of the information requested, is attached.</td><td colspan="4">Signature of ______________________ or Authorized Representative<br>________________________________<br>Title: ________________________<br>Date: ________________________<br>Telephone: ____________________</td></tr>
<tr><td colspan="5">WARNING: Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government.</td></tr>
</table>

Technical Guide for Determining Income and Allowances for the HOME Program — 118

## VERIFICATION OF ASSETS DISPOSED

I/We certify that during the 2-year (24-month) period preceding the effective date of my certification or recertification of eligibility for program participation, I/we _____ have _____ have not disposed of more than $1,000 in asset(s) for less than fair market value.

If asset(s) were disposed of for less than fair market value, describe:

| Asset | Date of Disposition |
|---|---|
| 1. | |
| 2. | |
| 3. | |

Amount received for asset(s) disposed of:

1. ________________________________________
2. ________________________________________
3. ________________________________________

________________________________________ ____________________________

Signature of Applicant Date

________________________________________ ____________________________

Signature of Spouse Date

# Income Inclusion & Exclusion

## 24 CFR Part 5 ANNUAL INCOME INCLUSIONS AND EXCLUSIONS

### Part 5 Inclusions

This table presents the Part 5 income inclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

| General Category | (Last Modified: January 2005) |
|---|---|
| 1. Income from wages, salaries, tips, etc. | The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services. |
| 2. Business Income | The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family. |
| 3. Interest & Dividend Income | Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD. |
| 4. Retirement & Insurance Income | The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic payment (except for certain exclusions, listed in Income Exclusions, number 14). |
| 5. Unemployment & Disability Income | Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except for certain exclusions, listed in Income Exclusions, number 3). |
| 6. Welfare Assistance | Welfare Assistance. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:<br>• Qualify as assistance under the TANF program definition at 45 CFR 260.31; and<br>• Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c).<br>If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:<br>• the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; **plus**:<br>• the maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is reduced from the standard of need by applying a percentage, the amount calculated under 24 CFR 5.609 shall be the amount resulting from one application of the percentage. |
| 7. Alimony, Child Support, & Gift Income | Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling. |
| 8. Armed Forces Income | All regular pay, special day, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions). |

## Part 5 exclusions

This table presents the Part 5 income exclusions as stated in the HUD Technical Guide for Determining Income and Allowances for HOME Program (Third Edition; January 2005).

| General Category | (Last Modified: January 2005) |
|---|---|
| 1. Income of Children | Income from employment of children (including foster children) under the age of 18 years. |
| 2. Foster Care Payments | Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone). |
| 3. Inheritance and Insurance Income | Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except for certain exclusions, listed in Income Inclusions, number 5). |
| 4. Medical Expense Reimbursements | Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member. |
| 5. Income of Live-in Aides | Income of a live-in aide (as defined in 24 CFR5.403). |
| 6. Income from a Disabled Member | Certain increase in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance (24 CFR 5.671 (a)). |
| 7. Student Financial Aid | The full amount of student financial assistance paid directly to the student or to the educational institution. |
| 8. "Hostile Fire" Pay | The special pay to a family member serving in the Armed Forces who is exposed to hostile fire. |
| 9. Self-Sufficiency Program Income | a. Amounts received under training programs funded by HUD.<br>b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set side for use under a Plan to Attain Self-Sufficiency (PASS).<br>c. Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.<br>d. Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving s a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.<br>e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program. |
| 10. Gifts | Temporary, nonrecurring, or sporadic income (including gifts). |
| 11. Reparation Payments | Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. |
| 12. Income from Full-time Students | Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household or spouse). |
| 13. Adoption Assistance Payments | Adoption assistance payments in excess of $480 per adopted child. |
| 14. Social Security & SSI Income | Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts. |
| 15. Property Tax Refunds | Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit. |
| 16. Home Care Assistance | Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep this developmentally disabled family member at home. |

| | |
|---|---|
| 17. Other Federal Exclusions | Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:<br>▸ The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;<br>▸ Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);<br>▸ Payments received under the Alaskan Native Claims Settlement Act;<br>▸ Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;<br>▸ Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;<br>▸ Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program.<br>▸ Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);<br>▸ The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;<br>▸ Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;<br>▸ Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program);<br>▸ Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);<br>▸ Earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;<br>▸ The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;<br>▸ Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps).<br>▸ Payments by the Indians Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;<br>▸ Allowances, earnings, and payments to AmeriCorps participants under the National and Community Services Act of 1990;<br>▸ Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;<br>▸ Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and<br>▸ Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998. |

Appendix "F"

Tenant Income Certification/Recertification Form

## TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other ________

Effective Date: ________________
Move-in Date: ________________ (MM/DD/YYYY)

**PART I - DEVELOPMENT DATA**

Property Name: ____________________ Address: ____________________

Unit Number: ______ # Bedrooms: __________

**PART II. HOUSEHOLD COMPOSITION**

| HH Mbr # | Last Name | First Name & Middle Initial | Relationship to Head of Household | Date of Birth (MM/DD/YYYY) | F/T Student (Y or N) | Social Security or Alien Reg. No. |
|---|---|---|---|---|---|---|
| 1 | | | HEAD | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |

**PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)**

| HH Mbr # | (A) Employment or Wages | (B) Soc. Security/Pensions | (C) Public Assistance | (D) Other Income |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| TOTALS | $ | $ | $ | $ |

Add totals from (A) through (D), above TOTAL INCOME (E): $

**PART IV. INCOME FROM ASSETS**

| Hshld Mbr # | (F) Type of Asset | (G) C/I | (H) Cash Value of Asset | (I) Annual Income from Asset |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | TOTALS: | $ | $ |

**PART V. DETERMINATION OF INCOME ELIGIBILITY**

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 $

Recertification only: $

Household Income exceeds 50% at recertification: ☐ Yes ☐ No

Current Income Limit per Family Size: $ __________

Household Income at Move-in: $ __________ Household Size at Move-in: __________

| PART VI. RENT | | | |
|---|---|---|---|
| Tenant Paid Rent | $ | Rent Assistance: | $ |
| Utility Allowance | $ | Other non-optional charges: | $ |
| GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges) | $ | Unit Meets Rent Restriction at: ☐ 50% ☐ 40% ☐ 30% ☐ ____% (must be 50% or below) | |
| Maximum Rent Limit for this unit: | $ | | |

**SIGNATURE OF OWNER/REPRESENTATIVE**

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provision, as amended, and the Affordability Restriction, to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE DATE

**HOUSEHOLD CERTIFICATION & SIGNATURES**

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

| | | | |
|---|---|---|---|
| Signature | *(Date)* | Signature | *(Date)* |
| Signature | *(Date)* | Signature | *(Date)* |

## INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

*This form is to be completed by the owner or an authorized representative.*

**Part I - Development Data**
Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

| | |
|---|---|
| Move-in Date | Enter the date the tenant has or will take occupancy of the unit. |
| Effective Date | Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification. |
| Property Name | Enter the name of the development. |
| Address | Enter the address of the building. |
| Unit Number | Enter the unit number. |
| # Bedrooms | Enter the number of bedrooms in the unit. |

**Part II - Household Composition** List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

| | | | | | |
|---|---|---|---|---|---|
| H | - | Head of Household | S | - | Spouse |
| A | - | Adult co-tenant | O | - | Other family member |
| C | - | Child | F | - | Foster child(ren)/adult(s) |
| L | - | Live-in caretaker | N | - | None of the above |

Enter the date of birth, student status, and social security number or alien registration number for each occupant.

*If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.*

**Part III - Annual Income**

**See HUD inclusions and exclusions for complete instructions on verifying and calculating income, including acceptable forms of verification.** From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

| | |
|---|---|
| Column (A) | Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business. |
| Column (B) | Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc. |
| Column (C) | Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.). |
| Column (D) | Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household. |
| Row (E) | Add the totals from columns (A) through (D), above. Enter this amount. |

**Part IV - Income from Assets**

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

| | |
|---|---|
| Column (F) | List the type of asset (i.e., checking account, savings account, etc.) |
| Column (G) | Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification). |
| Column (H) | Enter the cash value of the respective asset. |
| Column (I) | Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate). |
| TOTALS | Add the total of Column (H) and Column (I), respectively. |

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

| | |
|---|---|
| Row (K) | Enter the greater of the total in Column (I) or (J) |
| Row (L) | Total Annual Household Income From all Sources Add (E) and (K) and enter the total |

**Part V – Determination of Income Eligibility**

| | |
|---|---|
| Total Annual Household Income from all Sources | Enter the number from item (L). |
| Current Income Limit per Family Size | Enter the Current Move-in Income Limit for the household size. |
| Household income at move-in<br>Household size at move-in | For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification. |
| Household Meets Income Restriction | Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project. |

**Part VI - Rent**

| | |
|---|---|
| Tenant Paid Rent | Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8). |
| Rent Assistance | Enter the amount of rent assistance, if any. |
| Utility Allowance | Enter the utility allowance. If the owner pays all utilities, enter zero. |
| Other non-optional charges | Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc. |
| Gross Rent for Unit | Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges. |
| Maximum Rent Limit for this unit | Enter the maximum allowable gross rent for the unit. |
| Unit Meets Rent Restriction at | Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project. |

**HOUSEHOLD CERTIFICATION AND SIGNATURES**

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

**SIGNATURE OF OWNER/REPRESENTATIVE**

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

*These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.*

Appendix “G”

Sample Annual Project Compliance Report

## Sample_ Appendix "G" ANNUAL PROJECT COMPLIANCE REPORT: RENTAL HOUSING

(This report is to be completed by the project owner or manager; reviewed and certified for compliance by the City or County; submit signed copy City)

Owner Name: ____________________ Project Name: ____________________ __HUD project based TBRA __TCAC __HUD 811

HOME Contract #: ____________________ Project Address: ____________________ __HUD 202 __USDA-RD __Other:________

Total # Units: ________ # HOME Units: ________ County: ____________ Date Prepared: __________ Prepared by: ______________

| General Info. | | Rent Information for HOME-Assisted Units | | | | | | | Income Information for HOME-Assisted Units | | | | Recert-ification | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O |
| Unit # | Unit BR Size | Unit: HOME Rent desig-nation High or Low | Enter HUD's High or Low HOME Rent Amount | Tenant's Share of Rent | Rental Assistance (if applicable enter amount of rental subsidy) | Utility Allowance | Total (E+F+G) | Does (H) exceed (D)? Yes or No | Tenant Name | Number in House-hold | Annual Gross Household Income | Is Income?: L; VL; or Over 80% | Initial Occupancy Date (mm/dd/yy) | Eff. Date of Last "Annual" Income Certification (mm/dd/yy) |
| | | | $ | $ | $ | $ | $ | | | | $ | | | |
| | | | $ | $ | $ | $ | $ | | | | $ | | | |
| | | | $ | $ | $ | $ | $ | | | | $ | | | |
| | | | $ | $ | $ | $ | $ | | | | $ | | | |
| | | | $ | $ | $ | $ | $ | | | | $ | | | |
| | | | $ | $ | $ | $ | $ | | | | $ | | | |
| | | | $ | $ | $ | $ | $ | | | | $ | | | |

SAMPLE

NOTE: Column C, If a single-room occupancy (SRO) unit has neither kitchen nor bathroom, or only one, enter SRO

NOTE: Column D "HOME Rent Amount" should reflect the same year in column O "Date of Last Income Certification."

*Certification of Compliance:*

1. I certify that the above information is true and correct. Name: Title: Date:

2. (for projects with 5 or more HOME-assisted units) I certify that at least 20% of the HOME-assisted units are occupied by very low-income (50% ami) households paying rents not exceeding the allowable Low (50%) HOME rent level. Name: Title: Date:

Page ___ of ___

Appendix "H"

Sample Inspection Checklist

# Inspection Checklist

HOME Property Address ____________________________________________

**Tenant Properties Inspected:**
(Monitor at least 15 to 20 percent of the HOME-assisted units in the project, and a minimum of one (1) unit in every building of eight units or more.)

______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________
______________________________________________________________________

(Include Unit Number If Appropriate) Tenants Last Name

| KITCHEN | | | | LIVING ROOM | | | |
|---|---|---|---|---|---|---|---|
| | Pass | Fail | N/A | | Pass | Fail | N/A |
| Kitchen Present | | | | Living Room Present | | | |
| Ceiling Condition | | | | Ceiling Condition | | | |
| Floor Condition | | | | Floor Condition | | | |
| Wall Condition | | | | Wall Condition | | | |
| Window Condition | | | | Window Condition | | | |
| Electricity | | | | Electricity | | | |
| Electrical Hazards | | | | Electrical Hazards | | | |
| Food Space | | | | Security | | | |
| Refrigerator | | | | | | | |
| Security | | | | | | | |
| Sink | | | | | | | |
| Stove or Range with Oven | | | | | | | |
| Comments: | | | | | | | |

| UTILITY CLOSET | | | | LAUNDRY | | | |
|---|---|---|---|---|---|---|---|
| | Pa | Fa | N/ | | Pa | Fa | N/ |
| Is the Utility Closet free of any fire hazards? | | | | Is the condition of the room housing the communal laundry equipment satisfactory? | | | |
| Is there any evidence that the water heater is leaking | | | | Do all washers and dryers work? | | | |
| Does the water heater have a "pop-off" release valve connected to a pipe that runs to the floor to prevent overflow? | | | | Are all dryers properly vented? | | | |
| Comments: | | | | | | | |

| BATHROOM (Main) | | | | BATHROOM (2nd) | | | |
|---|---|---|---|---|---|---|---|
| | Pass | Fail | N/A | | Pass | Fail | N/A |
| Bathroom Present | | | | Bathroom Present | | | |
| Ceiling Condition | | | | Ceiling Condition | | | |
| Floor Condition | | | | Floor Condition | | | |
| Wall Condition | | | | Wall Condition | | | |
| Window Condition | | | | Window Condition | | | |
| Electricity | | | | Electricity | | | |
| Electrical Hazards | | | | Electrical Hazards | | | |
| Fixed Wash Basin or Lavatory In Unit | | | | Fixed Wash Basin or Lavatory In Unit | | | |
| Flushed Toilet In Enclosed Room | | | | Flushed Toilet In Enclosed Room | | | |
| Security | | | | Security | | | |
| Tub or Shower In Unit | | | | Tub or Shower In Unit | | | |
| Ventilation | | | | Ventilation | | | |
| Comments: | | | | | | | |

| MASTER BEDROOM | | | | BEDROOM #2 | | | |
|---|---|---|---|---|---|---|---|
| Location: | | | | Location: | | | |
| | Pass | Fail | N/A | | Pass | Fail | N/A |
| Ceiling Condition | | | | Ceiling Condition | | | |
| Floor Condition | | | | Floor Condition | | | |
| Wall Condition | | | | Wall Condition | | | |
| Window Condition | | | | Window Condition | | | |
| Electrical Hazards | | | | Electrical Hazards | | | |
| Electricity/Illumination | | | | Electricity/Illumination | | | |
| Security | | | | Security | | | |
| Smoke Detectors | | | | Smoke Detectors | | | |
| Comments: | | | | | | | |

| BEDROOM #3 | | | | BEDROOM #4 | | | |
|---|---|---|---|---|---|---|---|
| Location: | | | | Location: | | | |
| | Pass | Fail | N/A | | Pass | Fail | N/A |
| Ceiling Condition | | | | Ceiling Condition | | | |
| Floor Condition | | | | Floor Condition | | | |
| Wall Condition | | | | Wall Condition | | | |
| Window Condition | | | | Window Condition | | | |
| Electrical Hazards | | | | Electrical Hazards | | | |
| Electricity/Illumination | | | | Electricity/Illumination | | | |
| Security | | | | Security | | | |
| Smoke Detectors | | | | Smoke Detectors | | | |
| Comments: | | | | | | | |

| EXTERIOR OF THE BUILDING | | | |
|---|---|---|---|
| | Pass | Fail | N/A |
| Does the exterior of the property meet all health and safety standards and/or local | | | |

| TENANT INTERVIEW | | |
|---|---|---|
| | Tenant Interview | Tenant Interview |
| Did the tenant indicate they have had any problems getting general maintenance items taken care of by the | | |
| To the tenants knowledge are all rules and<br>regulations being implemented as | | |
| Did the tenant have any concerns? | | |
| Other Comments Regarding the Tenant Interviews: | | |

Completed by: ______________________________

Date: ______________________________

Appendix “I”

Example Homebuyer Underwriting Guidelines

# SELF-HELP ENTERPRISES CITY OF VISALIA

# Affordable Housing Program

# HOME funded

# 2nd mortgage loan

## (for families at or below 80% AMI)

**Program is administered by Self-Help Enterprises, and overseen by the City of Visalia Community Development Department (CDD) for Self-Help Enterprises Community Housing Development Organization (CHDO) HOME Investment Partnership funded single family properties.**

**Fair Housing- Equal Opportunity Act**

**SHE COV Affordable Housing Program established January 1, 2015**

Established by CC on December 15, 2014 updated September 2, 2015

**Self-Help Enterprises Affordable Housing Program**
**City of Visalia's HOME funded**
**2nd mortgage loan**
**Underwriting criteria**
**incorporated into Self-Help Enterprises Program Guidelines**

# Table of Content


I. (HOME funded) 2nd Mortgage Program Guidelines
II. Processing of Loan
III. Loan Packages
IV. City – Underwriting Criteria
V. City- Loan Limits & Terms
VI. Final Credit Decision
VII. City File
VIII. Contact Person

**Self-Help Enterprises Affordable Housing Program**
**City of Visalia's HOME funded**
**2nd mortgage loan**
**Underwriting criteria**
**incorporated into Self-Help Enterprises Program Guidelines**

January 2015

Underwriting criteria was created to assist the City of Visalia, Community Development Department (CDD) Staff, Self-Help Enterprises (SHE) a certified Community Housing Development Organization (CHDO) with the City of Visalia, and its underwriter in determining the eligibility of an applicant.

The borrower must meet the City, Program funding policies, procedures and regulations.

## I. Overview

* The City of Visalia provided HOME Investment Partnership Funds, specifically Community Housing Development Organization (CHDO) funds to Self-Help Enterprises. Self-Help Enterprises (SHE), is a Certified CHDO with the City of Visalia, who has met the requirements in receiving these funds.

* SHE is utilizing Visalia's HOME- CHDO funds to acquire, rehabilitate and resell single-family dwellings within the City of Visalia limits to income qualifying households. The specific funds utilized shall be referenced within the applicants' file.

* Sale of Rehabilitated Qualifying Single-Family Properties. Following the rehabilitation of a Qualifying Single-Family Property, SHE shall use reasonable efforts to secure an Eligible Purchaser. SHE shall be responsible for the outreach, marketing, screening and intake of potential clients, case file preparation and management.

* Before any sale can occur, SHE shall provide the City with evidence satisfactory to the City that the following conditions have been met:

* The total cost of development of the Qualifying Single-Family Property, including acquisition, rehabilitation, and soft costs. As documented by SHE and provided to the City.

*Sales Price Valuation: The property resale may not exceed 95% of the area median price based on an analysis conducted by Self-Help Enterprises, of the local market and reviewed by the City.

* The sale price shall be equal to or less than the fair market value, which shall be confirmed through an appraisal. If the property is sold below fair market value, the difference between the fair market value and the purchase price is considered to be part of the HOME subsidy and provided directly to the homebuyer as a direct subsidy. And, any additional subsidy provided to the homebuyer to enable them to purchase the property, which includes down payment assistance, closing costs, interest subsidies, or other HOME assistance including any assistance that reduced the purchase price from fair market value to an affordable price, shall be recaptured.

A 30- year covenant shall be recorded to maintain affordability. The SHE-CHDO Program covenant shall use the "Recapture Provision", as referenced under 24, CFR 92.254 (a) (5) (ii) (A) (1) and shall begin the date the Deed of Trust is recorded. "Recapture Provision", as referenced under 24, CFR 92.254 (a) (5) (ii) (A) (1) and shall begin the date the Deed of Trust is recorded. The City may recapture the entire amount of the direct HOME Subsidy from the homeowner and the difference between the fair market value and the purchase price, if the purchase price is below the fair market value and any additional assistance as referenced above. The amount to be recaptured will not exceed the amount of net proceeds available at the time the home is sold. HOME rule limits recapture to available net proceeds, therefore, if net proceeds are insufficient for the city to recapture the full amount of the Direct HOME assistance/investment, the City will recapture only what is available from net proceeds. This applies regardless of the nature of the sale (voluntary sales including short sales, and involuntary sales including foreclosures).

* Eligible properties are single-family properties acquired, rehabilitated and prepared for resale by Self-Help Enterprises, located within the City limits of Visalia.

* Upon sale, the property must be "owner-occupied" as a requirement of the program. The property must remain owner-occupied for a minimum of thirty (30) years for borrowers who obtain a second mortgage. In the case of the homebuyer selling the home during affordability period, the City may recapture the entire amount of the direct HOME Subsidy and the difference between the fair market value and the purchase price, if the purchase price is below the fair market value, and any additional assistance as referenced above. The amount to be recaptures will not exceed the amount of net proceeds available at the time the home is sold. HOME rule limits recapture to available

net proceeds, therefore, if net proceeds are insufficient for the city to recapture the full amount of the Direct HOME assistance, the City will recapture only what is available from net proceeds. This applies regardless of the nature of the sale (voluntary sales including short sales, and involuntary sales including foreclosures).

~~For borrowers who do not obtain a second mortgage loan, a fifteen (15) year Resell Restriction will be recorded against the property.~~

* HOME- CHDO funds were invested in the acquisition and rehabilitation of the property.

* If the borrower requires a second mortgage loan, derived from HOME funding. Rental or transfer of ownership of property will cause loan to become due and payable immediately (See Owners Participation Agreement for Recapture Provisions for details)

* The covenants and restrictions identified within it shall remain in effect until amended or either of the following termination events occur:

- The Property remains in the possession of an the Eligible Homebuyer and/or an Eligible Household for the entire Period of Affordability; or
- Foreclosure, transfer in lieu of foreclosure, or assignment of an FHA-insured loan to HUD.

* To confirm income eligibility, the Participant will complete an application and income eligibility forms (See Income Worksheets and Income inclusion & exclusion definition), Household with gross income at or below 80% of Visalia Area Median Income (AMI) are eligible. (Visalia AMI is defined as HUD HOME Income Limits for Visalia-Tulare-Porterville MSA – County Code 107) The City will not approve application until confirming eligibility based on limitations to the City's funding sources.

* The Participants Primary (first) mortgage must hold a fixed interest rate, a minimum of a thirty-year term, as well as a housing/income ratio (principal, interest, insurance, and taxes) between 30% to 35% of the gross household income, based on 24 CFR 5.609 criteria. The program requires that the household's total debt ratio cannot exceed 43% of the gross household income, which includes other monthly obligations.

* Participants' primary mortgage must include impounds for taxes and insurance, including flood and homeowners association dues (if applicable).

* **City is a second mortgage lender only**:
  - City will provide secondary loans for a thirty-year term.
    - The loan shall be in the form of a second trust deed secured by a Note and Deed of Trust.
    - Payments on the loan may be deferred, at the election of the Eligible Homebuyer, for ten (10) years, beginning at the time of execution of the Note.
    - Interest will accrue at two percent (2%) beginning on the first day of the eleventh (11th) year following the execution of the Note.
    - Payment shall commence at the conclusion of the deferral period in accordance with the terms of the Note required by this Agreement, and will be applied first to the servicing fee indicated in the borrower's Truth In Lending, then to accrued interest, and finally to principal.
    - The deferred payment principal and interest shall become immediately due and payable at such time as either:
      - (1) the Eligible Homebuyer or immediate family member ceases to maintain continuous residence on the property; or
      - (2) title to the property is transferred; or
      - (3) the property is refinanced. For the purpose of this paragraph, the term "immediate family" includes only the Borrower's spouse and/or children.

* Participants may utilize up to 10% of the total acquisition & rehabilitation cost incurred by SHE on the Qualifying Single-Family Property as down payment assistance (2nd mortgage loan to be carried by the City of Visalia, from Self-Help Enterprises proceeds). No additional funds will be provided.

* Maximum loan may not exceed ten percent (10%) of the total property investment as referenced above. This will be determined on a case by case basis. The City and Self-Help will work together to determine the dollar figure.

* The interest rate shall be at two-percent (2%) accrue simple interest. beginning on the first day of the eleventh (11th) year following the execution of the Note.

* Payments on the loan shall be deferred for ten (10) years, beginning at the time of execution of the Note.

* Co-borrowers, other than co-occupants, are not permitted (this is to prohibit investors from utilizing a qualified person to purchase a property for their own investment purposes and their financial gain).

* SHE will provide underwriting and document preparation services for the City of Visalia. Resulting loans will be serviced by AmeriNational Community Services, Inc. according to its existing loan servicing contract with the City of Visalia.

* No funds will be wired for the second mortgage, as the funds are derived from Self-Help Enterprises proceeds from the sale of the property.

* City and SHE to verify income documentation certified by the eligible purchaser. Verification and eligibility will be confirmed by both SHE and City, including but not limited to: (a) pay stubs (most recent 3 months), three (3) years of income taxes or other HUD or City approved documentation, (b) completion by Eligible Purchaser of HUD certified- Housing Counseling through SHE.

* SHE shall transfer a Subject property to an Eligible Purchaser, subject to the obligations of SHE to the City contained in the Note and Deed of Trust between SHE and City required by this Agreement. City agrees to allow SHE to transfer those obligations to an Eligible Purchaser at the close of escrow on a Qualifying Single-Family Property. In order to transfer its obligations to an Eligible Purchaser, Developer shall ensure that the Eligible Purchaser executes an Assumption Agreement, in a form substantially similar to the "Form of Assumption Agreement" which will be provided to SHE by City.

* Security documents to be recorded against a Qualifying Single-Family Property shall be recorded in the Tulare County Assessor's Office.

## II. Processing of 2nd Mortgage Loan

A. Self-Help Enterprises (SHE) will work with the Participant in completing the application and determine initial income eligibility.

B. City CDD staff will review Participant's completed application to confirm income eligibility.

C. Primary Mortgage Lender will be required to submit all borrower's primary mortgage loan underwriting and related documents to Self-Help, for review and preliminary approval. The City will provide the final review and approval of all loans provided through the program.

D. Self-Help will underwrite the City's loan as per FAP -II Program (per HOME funding requirements) and provide a Final Loan Recommendation (FLR), to approve or deny, within 10 working days to CDD. CDD will then obtain the final approval by the City of Visalia's Loan Review Committee and/or the Community Development Director and return the decision to SHE for loan completion. SHE will provide an approval letter to the lender, which outlines the loan approval conditions.

E. Once Pre-funding Approval is signed, Participant has up to 60 days to complete escrow. This time may be extended by the CDD or a request to extend the escrow may be submitted to CDD with explanation/reason for request.

F. CDD will authorize SHE to proceed with loan documentation preparation by returning a signed Final Loan Recommendation.

G. When problems arise on loan application packages, which need resolution or clarification, SHE will contact CDD, and/or the lender.

H. Loan Documents will be drawn by SHE and sent directly to the local title company. If applicable, City staff may assist.

I. Loan documents will be executed with the applicant by a local Title Company.

J. Local Title Company will be responsible for insuring documents are properly recorded and City is in proper lien position according to Escrow Instruction.

K. Loans will be serviced by AmeriNational Community Services, Inc.

**<u>III. Loan Packages</u>**

A. Self-Help Enterprises CHDO 2nd Mortgage Program Application to include:

1. Statement of Household Compositions to include, Name, Age and Relationship to everyone who will occupy the household.
2. Income Eligibility Form (titled: First Time Homebuyer, up to 80% of Median Certification, worksheets 1, 2, 3, & 4) (Attachment U, T) City to provide median family income amounts annually, to SHE & AmeriNational. http://www.huduser.org/portal/datasets/il.html program eligibility requirement. (Go to the site for most recent income limits-Visalia – Porterville MSA)
3. Verification of purchase price to confirm it does not exceed the HUD maximum.

B. Standard Lender Forms required for Applicant Eligibility

1. Uniform Residential Loan application (1003), completed and signed or other applicable loan application.
2. Preliminary Title Report
3. Appraisal/Fair market valuation (Note: A copy of the appraisal must be

submitted to the City of Visalia via email or fax prior to city loan approval and a copy must be maintained in the loan file).

4. Good faith estimate
5. Lender's Underwriting Worksheet (Signed 1008, 1003) or Mortgage Credit Analysis Worksheet (MCAW).
6. Credit Report
7. Three years signed and completed tax returns including W2's
   i. If borrower has a business, current profit and loss statement is also required with the income taxes.
8. Proof of Fire Insurance and Flood Insurance (if applicable) (City to be listed as 2nd Mortgagee).
9. Copy of Escrow Instructions signed by the Seller and the Participant
10. All appropriate verifications including but not limited to:
    i. VOE's (signed by employer and employee)
    ii. VOD's or Bank Statements (3 months complete bank statements or verification of deposits required (**See attached verification forms Note: must be completed and signed**)
    iii. Paystubs (most current; 3 months paystubs).
    iv. Gift letters and supporting documentation, when applicable.
    v. Explanation of derogatory credit.

*Primary Lender to forward SHE final primary mortgage approval upon completion.

C. Standard documents to be completed prior to closing (original documents to be held by City of Visalia, duplicates held by Self-Help Enterprises and AmeriNational Community Services, Inc.)

1. Notice of right to cancel
2. Truth in Lending
3. Promissory Note
4. Deed of Trust
5. Owners Participation Agreement
6. Request for Notice
7. Lender's Escrow Instructions (including Conditions to Close)

8. Flood Insurance documentation
9. Hazard Insurance documentation

**IV. City- Criteria**

A. Participant Qualifications

1. Assets are to be reported; however, only income from assets is counted as household income, not asset value.
2. Maximum income up to 80% of AMI adjusted for family size (See HUD Income Limits)
   a. Income determination should be based on 92.203 (b) (1) of 24 CFR, refer to 24CFR 5.609
   b. Debt Ratios:
      i. Front End ratios shall not exceed 35%. Guideline for housing expenses: This ratio is the result of dividing the housing expenses for the proposed loan by the monthly income of the borrower(s). This includes the monthly principal and interest payments that are stipulated on the mortgage note. In addition, the monthly housing expenses include a monthly amount for the property taxes and hazard insurance (1/12 of the annual taxes and insurance). There may be other expenses, such as condominium fees, homeowners fees, special assessments, etc., that are included.
      ii. Back End ratios shall not exceed 43%. Guideline of total monthly debt obligations: This ratio is the result of dividing the housing expenses for the proposed loan plus the borrower(s) other monthly credit obligations by the monthly income of the borrower(s). These include monthly credit obligations, such as installment payments, revolving charge cards or other borrower obligations that will continue longer than 10 months. Usually, 5% of the current balance of a revolving charge account is used for the monthly payment.-
   a. Credit Report:
      i. if more than three derogatory accounts in the past three years are identified (by the "Open" date), then explanation should be provided by the borrower and noted on file
      ii. no bankruptcies within the past two years
      iii. no foreclosures within the past three years
   b. No-established credit is acceptable if Participant has approved proof of timely payments of utilities, rents, or other fixed monthly obligations. No additional layers of risk are advisable for applicants with non-traditional credit.
      i. At least 4 non-traditional credit references, for a period of 12 months or more, should be developed, comprised of the following:
      a. Rental or housing payment

b. Utility payment records

c. Insurance payments

d. Payments to a retail store

**B. <u>City providing 2nd MORTGAGE LOAN ONLY:</u>**

1. Requirements of First Mortgage: Borrower meet Participant Qualifications listed above.

a. 1st mortgage must be a fixed interest rate.

b. Taxes, Insurance and HOA dues must be impounded on the first mortgage.

c. Lowest trust deed position for City: 2nd

2. Terms of City Second Mortgage:

a. Maximum loan amount: $ (TBD by Self-Help & City, and be no more than 10% of the total acquisition & rehabilitation cost of the Property)

b. The loan shall be in the form of a second trust deed secured by a Note and Deed of Trust.

c. Deferred loan –10 years.

d. Repayment – Payments on the loan shall be deferred for ten (10) years, beginning at the time of execution of the Note.

e. Interest will accrue at two percent (2%) beginning on the first day of the eleventh (11th) year following the execution of the Note.

f. Payment shall commence at the conclusion of the deferral period in accordance with the terms of the Note required by this Agreement, and will be applied first to the servicing fee indicated in the borrower's Truth In Lending, then to accrued interest, and finally to principal.

g. The deferred payment principal and interest shall become immediately due and payable at such time as either:

i. (1) the Eligible Homebuyer or immediate family member ceases to maintain continuous residence on the property; or

ii. (2) title to the property is transferred; or

iii. (3) the property is refinanced. For the purpose of this paragraph, the term "immediate family" includes only the Borrower's spouse and/or children.

h. Due upon sale, transfer or unit becoming non-owner occupied

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i. Subordination agreement: (2nd position to primary lender) (no cash out allowed)

j. Loan is not forgivable

3. The participant(s) must obtain fire insurance and flood insurance (if applicable) coverage on the property from the date of closing. The City to be listed as 2nd mortgagee on the policy and the policy must be sufficient to protect the City's full interest in the property.

A. Fees (Estimated Fees)

| | |
|---|---|
| Underwriting fee: $375.00 | Document Prep: $ 175.00 |
| Loan warehousing: $ 125.00 | Tax Service: $ 75.00 |
| Wire Transfer Fees: $ 55.00 for 2nd Trust Deed | |

VI. **Final Credit Decision** After SHE has reviewed the loan package, there can be four outcomes:

A Approval: If the loan is in good standing, meeting the criteria, and the underwriter has no questions, the loan will be approved with no conditions.

B Approved with conditions (the most common response):

i. If the underwriter needs additional documentation before a final decision can be made, a "prior- to- document" conditional approval will be rendered. In essence, the loan documents will not be prepared until the condition has been satisfactorily met. An example of a "prior to document" condition could be a pay stub to validate the borrower's income.

C Suspended: Sometimes the underwriter will be unable to make a decision on a loan file because it is either incomplete or there are many unanswered questions. In these cases, the underwriter will ask for additional information from the borrower before an underwriting decision is made. An example of a suspension may be large gaps in the borrower's previous employment history and no tax returns to indicate the place of employment.

D Denial: Underwriters will be unable to approve a loan if the loan file has substantial deficiencies and does not meet the minimum standards of the City. AmeriNational will provide the City with a Final Loan Recommendation. If denial is recommended, a second review of the loan recommendation will be made by the City's Loan Committee before a final denial is communicated to the borrower. Denial letters with the reason for denial are sent to borrowers within 3 days of the final credit decision. Underwriting criteria can be different among lenders and a borrower may find other acceptable alternatives in the market place.

VII. **City File**

A. Applicant File shall contain the following:

1. Pre-Funding Reservation Request (must have a City project # and signed off by City Staff)
2. (Pre 1978 homes) Copy of Lead Certification shall be placed into Phase III file
3. Flood Hazard Area Notice (Verification of Flood Insurance and zone is required)
4. Fair Lending Notice
5. Sellers Lead Based Paint Disclosure (Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards Lead Warning Statement)
6. Participant eight (8) hour Counseling Certificate of Achievement (mandatory)
7. Other applicable disclosures (i.e. airport zone)

VIII. **Contact Person (submit original City loan documents and copies of all other documents used in eligibility determination)**

Self Help Enterprises
Juan Jaime
8445 W. Elowin Court
Visalia CA 93291
(559) 802-1642
juanj@selfhelpenterprises.org

Appendix “J”

Example Developer/Homebuyer Application

Dear Prospective Homebuyer:

It is with great pleasure to announce that the City of Visalia and Self Help Enterprises is working together with the use of HOME Investment Partnership, Community Housing Development Organization (CHDO) funding. Self Help has an agreement to acquire homes, rehabilitate and resell to households at or below 80% off the area median income.

Please note that in order to qualify to purchase one of the Self-Help Enterprises homes, applicants must complete Self Help Enterprises Gateway contact (559) 651-1000 ; attend eight (8) hours of home counseling (free to applicant); provide proof of income to meet HUD funding requirements; complete an Application, and accept the city of Visalia affordability Covenant as established in the Program Guidelines. Self Help and the City will review for eligibility.

## SELF-HELP ENTERPRISES (SHE)
## HOME- Community Development Housing Organization (CHDO) funded
## Down Payment Assistance Program

## APPLICATION

The Application has been designed for applicants participating in the Self-Help Enterprises HOME-CHDO Acq/Rehab/Resell Program. Self-Help Enterprises is working with the City of Visalia, as a CHDO Developer/Owner to acquire homes, rehabilitate and resell to income qualifying households, up to 80% of the area median income based on household /family size maximum income.

**Income limits are updated by HUD on an annual basis and shall change upon notification. The maximum per household/family size changes annually. The calculations may decrease or increase. Income must be confirmed at the time of submission. To confirm income levels, please refer to the website: https://onecpd.info/resource-library/home-income-limits/

**HUD 2017 Income Limits (80% AMI)**** (Visalia-Porterville, CAMSA) effective as of 4-11-2017

| Family Size | Maximum Gross Family Income |
|---|---|
| 1 | $33,500 |
| 2 | $38,350 |
| 3 | $43,150 |
| 4 | $47,900 |
| 5 | $51,750 |
| 6 | $55,600 |
| 7 | $59,400 |
| 8 | $63,250 |

**Program Overview/Requirements:**

- Borrower/Purchaser must seek a lender to determine purchasing ability (Pre-Qualified Finance Approval)
- Mortgage must be a fixed rate term 30-year mortgage and provide documentation reflecting loan information (i.e. HUD 1, full first mortgage loan package)
- Borrower must qualify for entire amount of the purchase price.
- **Property must be owner occupied. Co-borrowers/co-owners, other than owner-occupants are not permitted.**
- **Must be income eligible, not to exceed 80% of AMI**
- Must not own a home or have owned a home within the last three (3) years.
- Must meet FHA approved debt ratios and Must meet 2nd mortgage program guidelines underwriting requirements.
- Eight (8) hours of home counseling and education through Self Help Enterprises or other city approved designated housing counseling agency.
- The City will place an affordability covenants on the property, or as a 2nd mortgage from the city of Visalia with certain terms and conditions.

**Prior to accepting an offer from purchaser:**

- Completed and executed application and necessary disclosures and forms
- Pre-Qualification letter from primary lender
- Must submit signed three (3) years Income Tax Returns and W-2;s, three (3) months consecutive (most recent) pay stubs, credit report, three (3) months bank statements, and VOE (completed by employer and mailed directly to SHE) to certify household income eligibility.

**Contact Information:**

Self Help Enterprises
Contact: Juan Jaime
8445 W. Elowin Court, Visalia CA 93291
Phone: (559) 802-1642
Email: juanj@selfhelpenterprises.org

**Name of program: Self Help Enterprises- HOME- CHDO Acq/Rehab Program.**

SHE internal Account Number: VIS__________ City internal Account Number: R__________

**A. HOUSE INFORMATION (TO BE COMPLETED BY REALTOR OR LENDER)**

LIST ADDRESS OF PROPERTY ACQUIRING:_______________________________________

- APN__________________________
- APPROXIMATE AGE OF HOUSE__________
- NUMBER OF BEDROOMS:_________

- Has the Borrower been provided information regarding Lead-Based Paint? YES____ NO_______
    - FLOOD ZONE: YES_________ NO_______

(If the property is in a flood zone, proof of insurance must be provided prior to close of escrow)

**B. HOUSEHOLD INFORMATION (TO BE COMPLETED BY APPLICANT (s))**

- Name(s) ___________________________________________________ (As household will take title)
    - Current Mailing Address: _______________________Current Phone No. _________________
    - Gross Household Annual Income ____________________ **(Provide copy of the following)**
        - ☐ **2016, 2015 & 2014 IRS Tax Returns and W-2's**
        - ☐ **3 months "most recent" employment paystubs, SSI/SSA/EDD/Public Assistance or other income sources** (Program requirement- income may not exceed 80% of the area median income, calculations based on 24CFR 5.609 requirements)
        - ☐ **3 months "most recent bank statements"**
        - ☐ **Credit Report from primary lender (tri-merged)**
        - ☐ **Verification of Assets Disposed form-signed**
        - ☐ **Fair Lending Notice-signed**
        - ☐ **Borrowers Authorization Form-signed by all adult household members**
    - Household Size (Total # of persons) __________

    (Mark with an X) Single ____ 2 ____ 3 ____ 4 ____ 5 or more ____

**TOTAL HOUSEHOLD COMPOSITION**

| ALL Household Members | Last Name | First Name & Middle Initial | Relationship to Head of Household | Date of Birth (MM/DD/YYYY) | F/T Student (Y or N) | Social Security Number (copy required) |
|---|---|---|---|---|---|---|
| 1 | | | HEAD | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |

| FY 2017 Income Limits | Median Income | FY 2017 Income effective 4-11-2017 | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person | 6 Person | 7 Person | 8 Person |
|---|---|---|---|---|---|---|---|---|---|---|
| **Place an "X" in the box that applies to income** | | | | | | | | | | |
| Visalia-Porterville, CA MSA | | Extremely Low (30%) Income Limits | $12,600 | $14,440 | $16,200 | $17,950 | $19,400 | $20,850 | $22,300 | $23,700 |
| | | Very Low (50%) Income Limits | $21,000 | $24,000 | $27,000 | $29,950 | $32,350 | $34,750 | $37,150 | $39,550 |
| | | Low (80%) Income Limits | $33,550 | $38,350 | $43,150 | $47,900 | $51,750 | $55,600 | $59,400 | $63,250 |

https://www.hudexchange.info/resource/reportmanagement/published/HOME_IncomeLmts_State_CA_2017.pdf Income is updated annually = see HUD's website for most updated/recent income limits.

- Has borrower owned a home as his/her principal residence in the past 3 years? YES_____ NO _____
- Has borrower completed the required homebuyer counseling class? YES_____ NO_____
- Will buyer be using an FHA approved down payment program YES_____ NO _____

## C. FIRST MORTGAGE LOAN INFORMATION (fixed term required)

- FIRST MORTGAGE APPROVAL AMOUNT: $________________________
- LENDER __________________________ TITLE COMPANY_______________________
- ESCROW #_________________
- INTEREST RATE OF LOAN______%
- Type of Loan: CHFA___ FHA___ Conv __ VA _____(check one)- Must be a fixed rate loan.

- BUYER'S REALTOR NAME _______________________TELEPHONE_____________________
  - BUYERS REALTORS EMAIL ADDRESS ___________________________________________

## D. SECOND MORTGAGE LOAN INFORMATION (IF APPLICABLE AND IF KNOWN)

- SECOND MORTGAGE APPROVAL AMOUNT ________ (Y OR N)

  **Note:** Buyer to qualify for and receive a loan for down payment, closing costs and prepaid items from the city of Visalia, with certain terms to be accepted by buyer.

  - 2nd MORTGAGE LOAN TERM OF PAYMENT (YRS) _30 YEARS____
    - HOME- CHDO 2nd Amount of 2nd lien $____________
    - HOME- CHDO 2nd Mortgage Loan Payment portion: $_______

## E. INSURANCE COMPANY INFORMATION

- REPRESENTATIVE/CONTACT NAME:_______________________________________
- INSURANCE CO. TELEPHONE:_____________________________________________
- POLICY NUMBER:__________________Copy of insurance required prior to closing

## F. TITLE COMPANY INFORMATION

- TITLE CO. NAME:_______________________________________________
- TITLE CO. REPRESENTATIVE:____________________________________
- CONTACT NUMBER: _____________________________________________
- ESCROW NO.#__________________________________________________

| |
|---|
| **The application information provided by the buyer(s) is true and correct. The information on this form will be used to determine maximum income eligibility.**<br><br>**I/we have provided for each person(s) set forth in Part "A" and requested documentation, acceptable verification of current and anticipated annual income and household composition. As a potential borrower(s), applying to purchase one of Self-Help Enterprises, HOME CHDO acquired, and rehabilitated homes. I/we understand that the program requires certification of income eligibility and household composition. <u>If a second mortgage is obtained, the property will retain a 30-year affordability covenant. If there is not a second mortgage, a 15 year Resell Restriction will be recorded against the property. Property must be owner occupied for the duration of the affordability period. The City of Visalia, provided the HOME-CHDO funding to Self Help Enterprises.</u>** |
| ______________________________ ______________________________ |
| BUYER SIGNATURE DATE |
| ______________________________ ______________________________ |
| BUYER SIGNATURE DATE |

**Due to Federal requirements, all the information in this application package must be completed.**
**Verified Income as per 24 CFR Part 5.609 definition and calculations (initial box)** ☐

**STAFF USE ONLY BELOW**

Is the household Income qualified? Y ☐ or N ☐

______________________________ ______________________________
SELF Help Enterprises, confirmed income eligible: DATE

______________________________ ______________________________
Approved by SHE: DATE

______________________________ ______________________________
Income eligibility reviewed by City Staff DATE

______________________________ ______________________________
Approved by City Community Development Director DATE
or designated staff

**See attached instructions for the race & ethnic data reporting form (HUD-27061)**

| **The following information is for statistical purposes:** | |
|---|---|
| **Ethnicity (Select only one):** ☐ Hispanic ☐ Non-Hispanic | |
| **Race (Select one or more):**<br>White ☐ Asian ☐ American Indian or Alaskan Native ☐<br>Black or African American ☐ Native Hawaiian or Other Pacific Islander ☐ | **No. People in household:**<br>One-☐ Two-☐ Three-☐ Four-☐<br>Five-☐ Six-☐ Seven-☐ Eight-☐ |
| **Annual Household Income:**<br>See above Income Categories: $______________<br>Annual income is based upon the 24 CFR 5.609 definition | **Gender:**<br>Male-☐ Female-☐<br>Female Head of Household:<br>**Yes** ☐ **No** ☐ |
| | **Handicapped/Disabled:**<br>**Yes** ☐ **No** ☐ |

Additional Notes:______________________________________________________________
________________________________________________________________________________
________________________________________________________________________________
________________________________________________________________________________

## Borrower Identification

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

Please provide the following information. **We required two forms of identification for each borrower to comply with Section 326 of the Act.**

Borrower's Name ______________________ Loan Number ______________________

Address ______________________ Date of Birth ______________________

City, State, Zip ______________________ Social Security # / Tax ID #[1] ______________________

**IMPORTANT - Information listed below must be exactly as indicated on the document.**

**Primary Forms of Identification - must display Borrower's name**

| Document | Country/State of Origin | ID Number | Date of Birth | Expiration Date |
|---|---|---|---|---|
| ☐ State Issued Driver License | | | | |
| ☐ State Issued ID Card | | | | |
| ☐ Military ID Card | | | | |
| ☐ Passport | | | | |
| ☐ US Alien Registration Card | | | | |
| ☐ Canadian Driver License | | | | |

**Secondary Forms of Identification-must display Borrower's name**

| Document | Name of Issuer on Form | ID Number | Issue Date | Expiration Date |
|---|---|---|---|---|
| ☐ Social Security Card | U.S. Government | | | |
| ☐ Government Issued Visa | | | | |
| ☐ Birth Certificate | | | | |
| ☐ Non-US/Canadian Driver License | | | | |
| ☐ Most Recent Signed Tax Returns | ☐ Federal ☐ State | TIN: | | |
| ☐ Property Tax Bill | | APN: | | |
| ☐ Voter Registration Card | | | | |
| ☐ Organizational Membership Card | | | | |
| ☐ Bank/Investment/Loan Statement | | | | |
| ☐ Paycheck Stub with Name | | | | |
| ☐ Most Recent W-2 | | | | |
| ☐ Home/Car/Renter Insurance Papers | | | | |
| ☐ Recent Utility bill | | | | |

Comments: ____________________________________________________________

____________________________________________________________

I certify that I have personally viewed and accurately recorded the information from the documents identified above, and have reasonably confirmed the identity of the applicant.

Juan Jaime-Signature ______________________ Title ______________________

Juan Jaime, Self Help Enterprises

Printed Name ______________________ Date ______________________

[1] For persons without a SSN/TIN, the ID number must be from one of the following: passport, alien ID card, or any other government issued document evidencing nationality or residence and bearing a photograph or similar safeguard.

SELF-HELP ENTERPRISES
8445 W. ELOWIN COURT
VISALIA, CA 93291

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**PART I** **BORROWER(S) AUTHORIZATION**

I/We, hereby authorize Self-Help Enterprises to verify my past and present income, employment earnings records, bank accounts, stock holdings and any other asset balances that are needed to process my mortgage loan application. I further authorize the lender to order a credit report and verify other credit information, including past and present mortgage and landlord references

**PART II** **AUTHORIZATION FOR RELEASE OF INFORMATION**

I/We, the undersigned, hereby give permission to Self-Help Enterprises to release the information on the "Application for Homebuyers", SHE F-10301.1, and any other information gathered by Self-Help Enterprises, to the Homebuyers Assistance Program Lender. It is my/our understanding that this information is to be used solely for the purpose of my/our application for participation in the Program.

**It is understood that a copy of this form will also serve as authorization.**

__________ ______________ ______________________________

Date Social Security # Applicant

______________ ______________________________

Social Security # Applicant

## SELF-HELP ENTERPRISES/CITY OF VISALIA
# FAIR LENDING NOTICE

To: All applicants for financial assistance for the purchase, construction, rehabilitation, improvement or refinancing of one to four family residences

It is unlawful, under the Housing Financial Discrimination Act of 1977, for a public agency to consider any of the following in determining whether or not, or under what terms and conditions to provide or arrange for financial assistance:

1. Neighborhood characteristics (such as the average age of the homes or the income level in the neighborhood), except to a limited extent necessary to avoid an unsafe and unsound business practice.

2. Race, sex, color, religion, marital status, national origin, or ancestry.

It is also unlawful to consider, in appraising a residence, the racial, ethnic, or religious compositions of a particular neighborhood or whether or not such a composition is undergoing change or is expected to undergo change.

If you wish to file a complaint, or if you have questions about your rights, contact:

Comptroller of the Currency
Administrator of National Banks
Fourteenth National Bank Region
Consumer Complaint Department
Stewart Street Tower, Suite 2101
One Market Plaza
San Francisco, California 94105

I (we) have received a copy of this notice.

______________________________ ______________________________

Buye Signature Date Buyer Signature Date

SELF HELP ENTERPRISES- HOME-CHDO ACQ/REHAB/RESELL PROGRAM FUNDS

# OWNERS PARTICIPATION AGREEMENT
# CERTIFICATION FORM

Date:

RE: Certification form: Participation in Self-Help Enterprises- HOME-CHDO Acquisition, Rehabilitation and Resell Program (SHE CHDO) – with a City Second Mortgage loan and affordability covenant, known as an Owners Participation Agreement.

To whom it may concern:

1. This is to certify that ______________is/are acquiring property, listed below, which was acquired by Self-Help Enterprises (SHE), through the use of the City of Visalia HOME Investment Partnership- Community Housing Development Organization Funds (HOME-CHDO) and rehabilitated with the use of HOME Investment Partnership Funding as a CHDO.
2. The borrower(s) is acquiring home that SHE acquired, rehabilitated and is reselling to households at or below 80% of the area median income. The home is located at:
   a. Address: ______________________________
3. This is to certify that:
   - The borrower(s) has not owned a house in the last three years (3).
   - The borrower(s) listed above has a gross family income that is at or less than 80% of the Visalia area median income.
   - The borrower(s) understands that an affordability covenant shall be recorded against the property if the loan is approved, for a period of 30 years and this covenant of affordability shall remain for thirty (30) years from the date this Deed of Trust is recorded or until the Borrower has repaid the loan in full. The "Owners Participation Agreement", with the recapture provisions is attached for review. This period is based upon a total development cost of $_________ HOME CHDO Program funds having been the total development costs invested in the Property and includes direct HOME assistance to the Eligible Homebuyer in the form of grants, interest buy-downs, purchase price reductions below fair market value or other direct assistance.
   - The borrower agrees to reside in the home (owner occupied). The home is not allowed to be rented. The borrower will be required to pay the loan in full, if all requirements are not met.
   - I/we understand that the City of Visalia has provided HOME- CHDO funds to Self-Help Enterprises toward these efforts and that up to 10% of the total development cost may be provided as a second mortgage loan, if qualified. The total investment in the property was $__________, therefore the maximum allowed may be up to $__________.
   - I/we (borrower(s)) qualify for gap financing, City Second Mortgage, in the amount of $__________.
   - In addition to the gap financing in the amount of $___________ as the direct subsidy loan, any additional funds, toward the down payment, closing cost, interest buy-down, purchase price reductions below fair market value or other homebuyers direct benefit, shall be recaptured, if the property is sold, or transferred prior to the terms of the affordability period.
     - The fair market value of the home is $________. The purchase price of the home is $______. The difference between the fair market value and purchase price is $_______ (i.e. this may be $0 or the $ difference)

- The additional funds provided as a direct homebuyer benefit, such as closing costs, grants, interest buy downs or other HOME direct assistance was $___________.
- The "Recapture" provision ensures that the City recoups HOME assistance provided to the homebuyer, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability. The amount subject to recapture is based on the amount of HOME assistance that enable the homebuyer to buy the dwelling unit, as per 24 CFR 92.254 (a) (5) (ii) . Recapture, however, excludes the amount between the cost of producing the unit and the market value of the property.

- I/we understand that the 2nd Mortgage loan, if approved is has a monthly payment, at two percent (2%), for a _20_ year period and payments shall begin the 1st month after the __ day of _ year, on a monthly basis until paid in full.

| | |
|---|---|
| Borrower | Date |
| Co-Borrower | Date |
| Self Help Enterprises | Date |