

Athens-Clarke County Department of Human & Economic Development
HOME Investment Partnership
Programmatic & Underwriting Guidelines

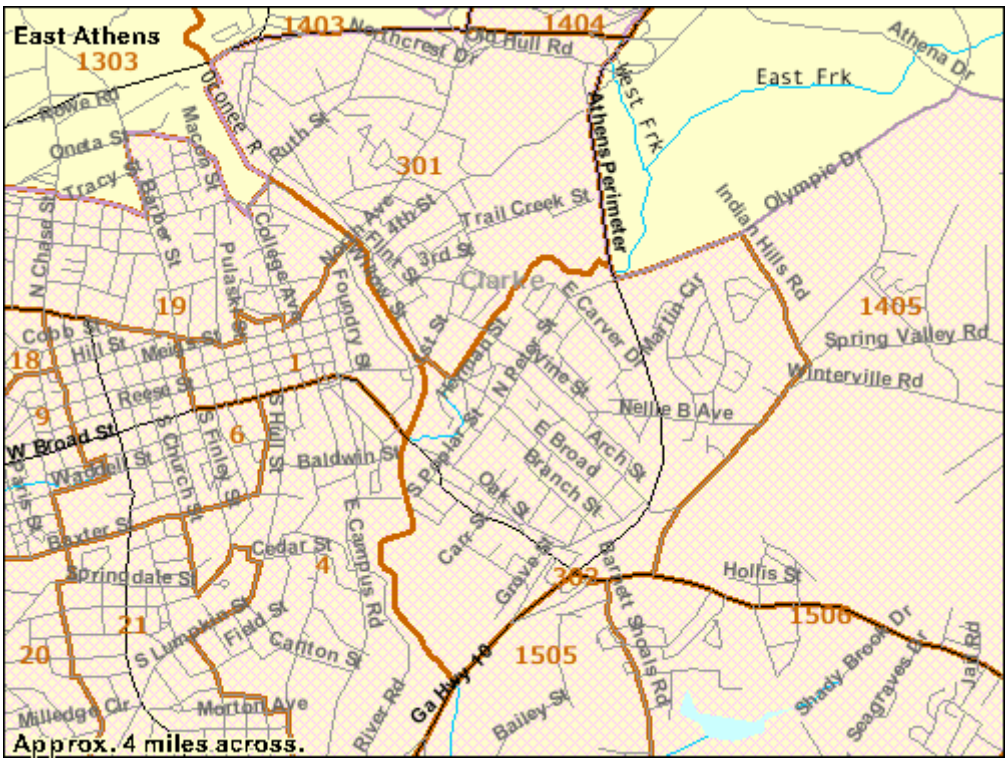
Purpose of HOME Program:

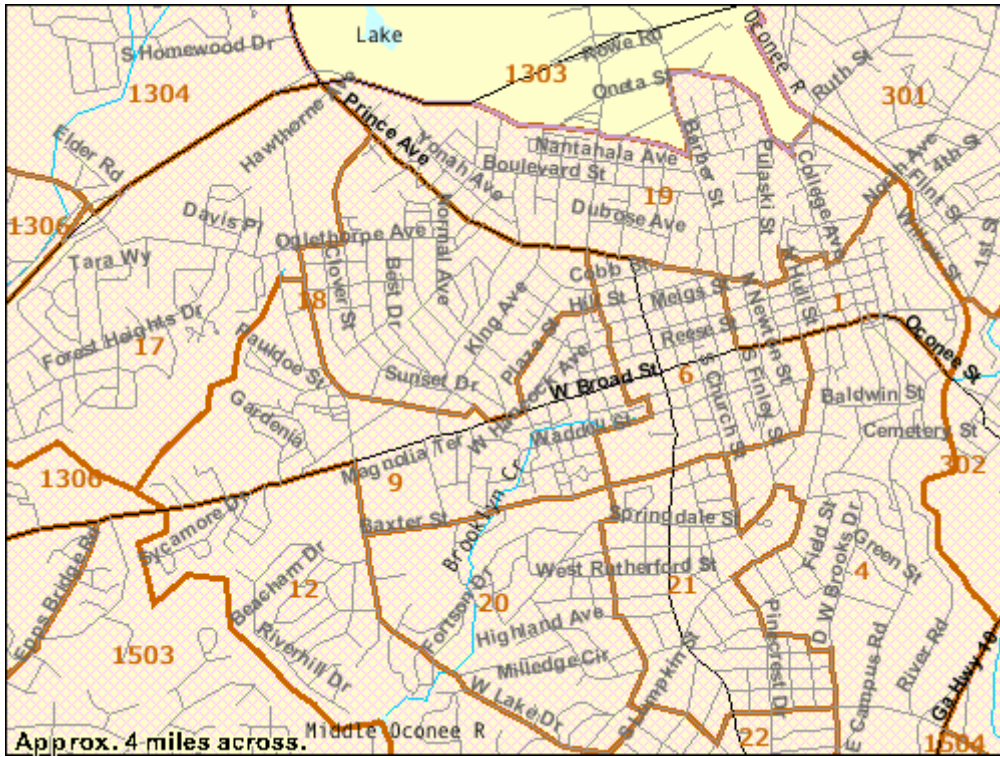
The HOME Program was created by the National Affordable Housing Act of 1990. Its purpose is to foster the production of decent affordable housing to lower income households, leverage private sector participation and strengthen the ability of Local & State governments in providing housing & expanding the capacity of non-profit housing providers.

Athens-Clarke County Human & Economic Development-HED department strives to target its HOME resources to assist low to moderate persons from 30% to 80% of HUD Section 8 income limits for Athens-Clarke County, i.e. Athens-Clarke County HUD Section 8 Income Limits can be found on pg. 3 of the HOME application. The allocation & administration of HOME dollars is congruent with HED's Guiding Principles and Affordable Housing Goals & Strategies-a community based housing model, identified within the Consolidation Plan, i.e. HED Guiding Principles and Affordable Housing Goals & Strategies can be found on pg. 13 of the HOME application.

HOME dollars are allocated to qualified Community Housing Development Organizations-CHDO's, Public Housing Agencies, For Profit developers, & certified 501 c 3 & 4 non-profits. HOME dollars are allocated in support of Homebuyer activities and Homeowner rehabilitation projects. Examples of these activities include but are not limited to acquisition, new in fill construction, subdivision development, acquisition, reconstruction & resale, and demolition & reconstruction. Rental housing construction will be considered but is not given priority over Homeowner &/or Homebuyer projects. Although Tenant Based Rental Assistance-TBRA is an eligible HOME activity HED is not accepting any applications focused upon TBRA. TBRA is not recognized within ACC HED 2006-2010 Consolidated Plan as a priority program.

Preference will be given to applications that successfully demonstrate public & private partnerships in leveraging of HOME dollars and the identification of projects to fund within ACC HED Neighborhood Revitalization Strategy Areas (NRSA), East Athens 301 & 302 Census Tracts & Hancock Corridor Census Tracts 6 & 9. **Please refer to East Athens & Hancock Corridor NRSA maps on pages 2 & 3.**





Application Requirements:

Applications are accepted year round on first come, funds availability basis. This means once all available HOME funds are committed there will not be another opportunity for funding until more HOME funds are allocated to HED from HUD. HOME funds are not allocated on a multi-year funding project cycle.

Approximately, \$1.4MM dollars of HOME funds are currently available for eligible HOME activities. ACC HED must set-aside at a minimum 15% of the current program year (July 1, 2006-June 30, 2007) HOME allocation for certified CHDO programs. This year's allocation is \$898,000.00. Therefore, the set-aside amount is approximately \$134,700.00.

HOME funds are allocated by HED based upon a performance-competitive based model. Specific project proposals are considered as "gap" financing only. The decision to operate under this model should result in increased production of new units through improved efficiency, leveraging of HOME dollars with private resources that are spread over multiple projects, and nonprofit development capacity.

HOME funds will not be allocated for the total cost of the project. HOME funds may be drawn down first before other resources are utilized. HOME funding decisions are made based upon a scoring criterion. Provided below is an example of the scoring categories and point values associated with each. For an application to be considered for funding, it must score a minimum of 75 out of a maximum of 100 points.

Further explanation of gap financing is provided in the underwriting section of this guideline.

<u>Category:</u>	<u>Maximum Points</u>
1. Program Description	10
2. Program Need	15
3. Organizational Capacity	35
4. Program/Project Management	15
5. Financial Feasibility	<u>25</u>
	100 Points

Applicants must submit a thorough & complete application to be considered for HOME dollars. If an application submitted is incomplete, the application will not be considered for funding during the funding cycle it was submitted. An applicant can re submit at the next funding opportunity. Only applications that clearly address HOME eligible activities cited within the **HOME Final Rule 24 CFR Part 92** will be accepted. HOME applications can be downloaded online at HED web site, <http://www.athensclarkecounty.com/hed/index.html>.

Intake & Review Process:

Intake & review of all HOME applications are completed administratively by HED based upon project specific applications. Steps 1-5 detail the process of acceptance and review of applications.

1. Time and date of application submitted is recorded with applicant receiving a receipt.
2. Affordable housing staff, Affordable Housing Administrator and Housing Specialist will conduct initial review & scoring of all applications.
3. Once the housing division has completed their review, a recommendation of approval with funding amount or denial with reason for denial will be made to HED Director.
4. HED Director will analyze each recommendation and provide final approval or denial of application.
5. After Director has made a decision, notification of decision is then forwarded to Mayor & Commission via Managers Office.
6. Every effort to render a decision within 2 weeks of application submittal will be made.

Applicant Eligibility & Eligible HOME Activities & Funding Categories:

Applicants seeking HOME funding must be qualified Community Housing Development Organizations-CHDO's, Public Housing Agencies, For Profit developers, & certified 501 c 3 & 4 non-profits. Examples of eligible HOME activities and description is provided below:

Eligible HOME Activities:

- Homeowner Rehab-HOME funds may be used to assist existing owner-occupants with repair, rehabilitation or reconstruction of their homes.
- Homebuyer Activities-ACC as Participating Jurisdiction-PJ may finance the acquisition &/or rehabilitation or new construction of homes for homebuyers.
- Rental Housing-Affordable rental housing may be acquired &/or rehabilitated, or constructed.
- Tenant Based Rental Assistance (TBRA)-Financial assistance for rent, security deposits, and under certain conditions, utility deposits may be provided to tenants. TBRA is an eligible HOME activity however, HED is not accepting any applications focused upon TBRA. TBRA is not recognized within ACC HED 2006-2010 Consolidated Plan as a priority program.

Eligible HOME Funding Allocation Categories include Administration & Planning for ACC as the PJ, CHDO Operating, CHDO Set-Aside, & Regular HOME funds for construction, pre-development loans & demolition, etc.

Eligible HOME Allocation Categories Defined:

- Administration & Planning (PJ):
PJ's are allowed to spend up to 10% of its total HOME allocation on administration activities. ACC HED as the PJ has used all of these funds for its own administration of Affordable Housing programs carried out by its housing partners.

- CHDO Operating:
PJ's can allocate up to 5% of its total allocation as CHDO operating funds. The use of HOME funds for CHDO operating is optional & is solely decided by the PJ. *Please note that no more than 50% of a CHDO operating budget or \$50,000.00 whichever is greater may be awarded annually to a CHDO for a combination of different HOME related dollars; 24 CFR 92.300(f) & 24 CFR 92.808.

- CHDO Set-Aside:
PJ's must *invest* at least 15% of its total HOME allocation in projects owned, developed, &/or sponsored by CHDO's that result in homeownership or rental developments. Historically, ACC HED has allocated at a minimum 15% to certified CHDO's.

- CHDO Pre-Development Loans:
Up to 10% of PJ's CHDO Set-Aside amount can be provided to CHDO's as pre-development loans. Pre-development assistance includes site control & technical assistance loans to establish preliminary feasibility prior to site control & that does not require environmental clearance. Also, seed money loans used to cover pre-construction costs, require site control & environmental clearance are eligible as CHDO pre-development loans.

- Regular HOME funds construction, demolition, acquisition, & reconstruction, etc.

Period of Affordability:

HED & all funded applicants including CHDO’s must comply with the period of affordability requirements outlined within HOME regulation 24 CFR 92.254 homeownership projects & 24 CFR 92.252 (e) rental. See table below for affordability periods:

Activity	HOME Subsidy	Unit Must Remain Affordable for at Least:
Homebuyer	Less than \$15,000	5 years
<ul style="list-style-type: none"> • New Construction • Acquisition • Rehab/Acquisition 	\$15,000-\$40,000	10years
	Greater than \$40,00	15 years
Rental		
<ul style="list-style-type: none"> • Acquisition • Rehabilitation 		
Rehabilitation with refinancing (Rental Only)	Any amount	15 years
New Construction (Rental Only)	Any amount	20 years

Additional Program Considerations:

Eligible Costs:

Please refer to HOME Final Rule Part 92, Subpart E-Program Requirements for specifics related to eligible cost associated with the HOME Program.

- 92.206, Eligible Project Cost
- 92.207, Eligible Administrative & Planning Costs
- 92.208, Eligible CHDO Operating Expense Capacity Building Costs

Conflict of Interest:

HED & all funded applicants including CHDO’s must comply with the following provisions concerning conflict of interest found within HOME Final Rule Part 92, Subpart H, 92.356- Other Federal Requirements.

Written Agreements:

HED will not authorize any disbursements of HOME dollars prior to the proper execution of the following steps:

1. Public advertisement of availability of funds.
2. Submittal, review, & approval of application.
3. Execution of HED’s Athens-Clarke County HOME Investment Partnership Agreement.

Other program considerations including but not limited to the following will be addressed within the written agreement between HED and approved applicant.

- Residential Lead Based Paint Hazard Reduction Act of 1992-24 CFR Part 35, Subpart B.
- Debarred or suspended contractors, 24 CFR Part 24.
- Equal Employment Opportunity regardless of race, sex, color, religion, age, national origin, & disability in federally assisted construction contracts, 24 CFR Part 7 and 41 CFR Part 60.
- Environmental Reviews-ER will be conducted on each property/project associated with any potential HOME funding. ER clearance of property/projects must be provided for HOME dollars to be invested. 24 CFR Part 58, National ER Policy Act of 1969.
- Davis Bacon Labor Standards & Contract Work Hours & Safety Standards Act, 29 CFR Parts 3 & 5 & CFR Part 70 provides information on the use of volunteers.
- Match Contribution Requirements, HOME Final Rule, Part 92, Subpart F, Project Requirements, 92.218, 92.219, 92.220, 92.221, & 92.222.

Underwriting Guidelines:

HED allocation of HOME dollars is considered a grant. Gap financing is provided regardless of the type of financing applied for, construction or permanent. Gap financing is provided based upon availability of HOME funds at time of application. Gap financing can be provided up to 37% of total development cost. An example of gap financing is illustrated below:

Assumptions:

• Land Cost	\$35,000
• Development Cost- including builders overhead	<u>\$105,000</u>
Total cost of development	\$140,000
Private Financing Source	\$98,000
HOME Gap Financing @ 30%	<u>\$42,000</u>
Total cost of development	\$140,000

*The above assumptions are based upon recent (within 6 months) of HED experience in construction & labor cost, market conditions, & financial considerations relative to Athens-Clarke County.

Collateral Position:

HED will require a junior lien position placed upon the asset that HOME funds are used to secure or improve. The amount of HOME investment will determine the affordability period. Please refer to pg. 6 for information concerning the affordability period.

Recommended loan to cost ratios are below:

<u>Category:</u>	<u>Maximum L-T-V</u>
Raw Land	up to 70%LTV
Land Development	up to 75%LTV
Construction:	
• Commercial, Multifamily & Non residential	up to 75%
• 1-4 family residential	up to 80%
Improved property	up to 80%

Return on Investment(s) & Leveraging:

Preference on applications that take advantage of economies of scale will be given: producing more than one housing unit at a time. A minimum threshold of 3 units developed is necessary to meet this requirement. For non-construction programs: \$1 of HOME must be matched by a minimum of \$2 of non-CDBG/HOME funds. A minimum leveraging ratio for construction loans is 1:3. An example of leveraging for construction financing is provided above under gap financing.

Project Financing Caps:

Single Family Developments:

Developers Fee for non-profits only: Up to 12.5% of HOME dollars invested not to exceed \$10,000.00 per unit.

Rental Developments:

Management &/or Operating Expenses not to exceed 10%
 Vacancy rates not to exceed 15%

Debt Service Coverage Ratio minimum of 1.3 to 1
 Loan to Values explained under Collateral section above

Please complete the following application checklist and submit it with your application.

Application Checklist

Page # or Tab	Required Document Exhibit	Suggested Format or Supporting Materials	For City Use: Check If Complete
	Cover Letter	N/A/	
	Application Checklist	N/A	
	Program Description	Narrative	
	Program Need	Narrative	
	Organization Capacity	Narrative	
	Program Management	Narrative & Attachment	
	Pro Forma	Attachment	
	Relocation/Displacement	Attachment (if applicable)	
	Certification (s)	Forms provided with application	
	Additional Attachments (if needed)		