MORENO VALLEY
WHERE DREAMS SOAR

APPENDIX C:
HOME Investment Partnerships Program (HOME)
Policies and Procedures Supplement

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ABOUT HOME

Created by the National Affordable Housing Act of 1990 (NAHA), the HOME Investment Partnerships Program (HOME) provides formula grants to states and localities to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. It is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households[1].

PROGRAM GOALS

The HOME program goals are to:

- Provide decent affordable housing to lower-income households.
- Expand the capacity of nonprofit housing providers.
- Strengthen the ability of state and local governments to provide housing.
- Leverage private-sector participation.

TYPE OF PROGRAM FUNDS

HOME program funds are divided into three different types of funding types as noted below:

- **Administrative**
    - Capped at 10% of annual allocation.
    - Administrative activities include staff salaries, training, and other administrative costs associated with the implementation of the HOME program.

- **Community Housing Development Organization (CHDO)**
    - Minimum requirement of 15% of annual allocation to be set aside.
    - CHDOs are nonprofits that carry out development activities and are responsible for owning, developing, or sponsoring housing projects.

- **All Projects**
    - Other eligible activities may include homeowner rehabs, homebuyer assistance programs, rental development, and Tenant Based Rental Assistance (TBRA).

COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS (CHDOs)

A Community Housing Development Organization (CHDO) is a private non-profit, community- based service organization with the capacity to develop or manage affordable housing.

To be recognized as a CHDO, organizations must meet the following requirements:

[1] https://www.hudexchange.info/programs/home/home-overview/

- Submit a complete application with up to date supporting documentation to the City every year that the CHDO seeks funding.
- Possess a qualifying tax-exempt status, such as a 501(c)(3) or 501 (c)(4) ruling from the IRS.
- Have among its purposes the provision of decent housing that is affordable to low- and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions, or bylaws.
- Have a history of serving the community.
- Demonstrate organizational capacity for carrying out HOME funded activities.
- Document that at least one-third of its governing board is composed of residents of low- income neighborhoods or elected representative of low-income neighborhood Organizations.
    - Public officials & employees of a governmental entity may comprise no more than one- third of the board.
- Receive certification approval from the City.

HUD HOME regulations note that CHDO set aside funding is for use as follows:

- 15% of the total HOME funding allocation is reserved for CHDOs to develop, sponsor or own housing (Up to 10% of this 15% may be used for project specific assistance; see additional information at Title 24 Section 92.301)
- Up to 5% of the total HOME funding allocation can be used directly for operating expenses for a CHDO per fiscal year, contingent upon the CHDO entering an Agreement to use HOME funds to develop, sponsor or own housing within 24 months (Title 24 CFR 92.208(a))
- At no time, in any fiscal year, may a CHDO receive more than 50 percent or $50,000, whichever is greater, of the organization's total operating expenses from a combination of HOME resources (Title 24 CFR 92.300(f)).

MATCH REQUIREMENTS

There is a required 25% annual matching contribution for HOME funding. Matching contributions can include private, in-kind donations or state funds. Other Federal grants or awards may not be counted toward the match. Additional sources include the Affordable Housing funds (HB2060), Homeless Housing funds (HB2163), Community Services Block Grant (CSBG), as well as various foundation grants and awards. The City may work with subrecipients to identify and access match funds that can help satisfy this 25% match requirement.

An excess match in one fiscal year may be carried over to subsequent fiscal years.

PARTICIPANT INCOME ELIGIBILITY

HOME programs require that the household income of participants be at or below 80% of the Area Median Income (AMI). The HUD website provides information on how to determine income limits and allows for easy income calculations.

Generally, the documentation collected to determine income includes:

- Copies of the most recent Federal and State income tax returns (including all schedules).
- Most recent W2's (wage and salary) and 1099's (misc. income received).
- Current bank statements for all checking, savings, money markets, stocks, bonds, mutual funds, Treasury bills, certificates of deposits and any other liquid assets for all household members.
- Last three months of pay-check stubs showing year-to-date amounts for all household members.
    - If any household members are retired, disabled, or unemployed, proof of current income received from all sources should be requested.
        - If self-employed, tax returns for the last two years.
        - Social Security Annual Statement(s) (Form SSA-1099).
        - Pension statement(s).
        - Proof of child support and/or spousal support received.
        - Proof of child support and/or spousal support paid.
        - Current mortgage statement for all mortgages for other liens on property.
        - Current credit report.

IDENTIFYING HOME-ASSISTED UNITS

HOME funded projects are subject to a Minimum Per-Unit Assistance, a Maximum Per-Unit Subsidy Amount and Subsidy Layering according to 24 CFR 92.205 and 92.250 as described below[2].

Minimum amount of assistance: The minimum amount of HOME funds that must be invested in a project involving rental housing or homeownership is $1,000 times the number of HOME assisted units in the project.

Maximum per-unit subsidy amount: The total amount of HOME funds that a participating jurisdiction may invest on a per-unit basis in affordable housing may not exceed the per-unit dollar limitations established under section 221(d)(3)(ii) of the National Housing Act (12 U.S.C.17151(d)(3)(ii)) for elevator-type projects that apply to the area in which the housing is located. If the participating jurisdiction's per-unit subsidy amount has already been increased to 210% as permitted under section 221(d)(3)(ii) of the National Housing Act, upon request to the Field Office, HUD will allow the per-unit subsidy amount to be increased on a program-wide basis to an amount, up to 240% of the original per unit limits. The City will keep the results of its required evaluation in each project file.

Allocating Costs: HOME funds may be used to assist one or more housing units in a multi-unit project. Only the actual HOME eligible development costs of the assisted units

[2] Additional detail provided in CPD 98-2 *Allocating costs and identifying HOME-assisted units in multi-unit projects*.

may be charged to the HOME program. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME assisted units can be determined by pro-rating the total HOME eligible development costs of the project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME-assisted units in the project. Costs included in the budget are used for allocating costs.

SUBSIDY LAYERING

Per Section 212 (f) of the Cranston-Gonzalez National Affordable Housing Act of 1990 (NAHA) and 24 CFR Part 91.425, prior to the commitment of funds to a project, the City will evaluate the project and will not invest more HOME funds in combination with other governmental assistance than is necessary to provide affordable housing.

Underwriting and Subsidy Layering: HUD establishes limits on the amount of HOME funds that may be invested in affordable housing on a per-unit basis for specific areas as specified below:

1. Before committing funds to a project that combines the use of any other local, State or Federal assistance, the City of Moreno Valley will evaluate the project in accordance with guidelines that it has adopted, to ensure that the City does not invest any more HOME funds than are necessary to provide affordable housing.
2. The City of Moreno Valley will conduct a subsidy layering review in accordance with the guidelines presented in HUD Notice CPD-98-01. These guidelines include review of the following project documents:
    a. Sources and/or uses of funds: CHDOs/Developers/Subrecipients are required to provide the City of Moreno Valley the sources/uses of funds statement for the project with supportive documentation. This statement should reflect the project development budget and should list:
        i. All proposed sources (both private and public) of funds and the dollar amounts for each respective source;
        ii. Construction costs; and
        iii. Financing costs and professional fees associated with the project.
    b. Certification of governmental assistance: CHDOs/ Developers/ Subrecipients must provide a formal certification as to whether additional governmental assistance will be provided to the project, and if so, what kind of assistance.
    c. Project development budget: CHDOs/Developers/Subrecipients must provide the City of Moreno Valley with the project development budget so that the City can determine whether the development costs are necessary and reasonable. The budget should include all costs associated with the development of the project, regardless of the funding sources.
    d. "Reasonableness" of costs will be based on all the following three factors:
        i. Costs of comparable projects in the same geographical area;
        ii. Qualifications of the cost estimators that developed the various budget line items; and

        iii. Comparable costs published by recognized industry cost index services.

e. Proforma: The City of Moreno Valley will determine the reasonableness of the rate of return on an equity investment by looking at the CHDOs/Developers/Subrecipients proforma (project income and expense statement).
    i. The proforma should include achievable operating expenses.
    ii. It should also specify the consequences of tax benefits, if any, and any other assumptions used in calculating the project cash flow.
    iii. The proforma should represent, at a minimum, the term of the HOME affordability requirements, or longer if other funding sources require longer affordability terms.

Market Assessment

Before committing funds to a project, in accordance with the HOME Rule at 24 CFR 92.250(b)(2) the City of Moreno Valley will assess "the current market demand in the neighborhood in which the project will be located." Factors to be considered include:

- Evaluation of the general demographic, economic, and housing conditions in the community.
- Delineation of the market area by identifying the geographic area from which the majority of a project's tenants or buyers are likely to come. This may or may not coincide with census tract or neighborhood boundaries.
- Quantifying the pool of eligible tenants or buyers in terms of household size, age, income, tenure (homeowner or renter), and other relevant factors. Not all residents of the market area are potential or likely tenants or buyers of any given project.
- Analyzing competition by evaluating other housing opportunities with an emphasis on other affordable rental developments or sales opportunities in the market area, including those financed through either the HOME program or other federal programs.
- Assessing the market for the planned units and determine if there is sufficient demand to sell the HOME-assisted housing within nine months of construction completion (§92.254(a)(3)) or to rent the HOME-assisted housing within 18 months of project completion (§92.252).
- Evaluation of the effective demand and the capture rate, usually expressed as a percentage (the project's units divided by the applicant pool). The capture rate is the percentage of likely eligible and interested households living nearby who will need to rent units in the proposed project to fully occupy it. The lower this rate, the more likely a project is to succeed.
- Estimation of the absorption period. Planning how many units can be successfully leased or sold each month and how long it will take to achieve initial occupancy/sale of the HOME units and stabilized occupancy for the project.

The HOME market assessment will seek to quantify and document demand for a specific project that is, what is a prospective renter or buyer - willing to pay to rent or buy the unit, in this location, with these amenities, and the size of the pool of potential tenants or buyers.

Developer Capacity Assessment

The City of Moreno Valley will conduct a developer capacity assessment in accordance with the HOME Rule. The assessment will focus on two elements. One is the experience and the capacity of the developer (including the entity staff and project team) to implement the project and the second element is the fiscal soundness of the developer to meet its financial obligations and risks of the project.

1. Experience
   The City of Moreno Valley will assess the experience of the developer by determining whether the developer has the technical and managerial experience, knowledge, and skills to successfully complete the development. When assessing the developer's experience, the City of Moreno Valley will consider both prior experience and the current capacity of the organization. It will consider:
   - The corporate or organizational experience of the development entity;
   - The experience of the staff assigned to the project and overall quality of the development team; and
   - The prior experience of the individuals compared to their roles in the proposed project.
   - For rental projects, a developer/owner needs specific skills and capacity including property management, asset management, service provision (as applicable), and special financing skills.
   - For homebuyer projects, the development team must demonstrate its capacity to market and sell the units.
2. Financial Capacity
   - The City of Moreno Valley will examine whether the developer has the financial capacity necessary to complete the proposed project. This will help determine if there are:
     - Adequate financial management systems and practices; and
     - Sufficient financial resources to carry the project to completion or through initial lease up.

The City will examine financial statements and audits to determine the developer's net worth, portfolio risk, pre-development funding, and liquidity.

Project Review

Before committing HOME funds, the City will 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 will assess all the assistance that has been, or is expected to be, made available to that project. The City will 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, and rent/utility allowance limitations; rates of return to owners, developers, sponsors, or investors; resale or recapture limitations for homebuyer projects; and the long-term needs of rental projects and tenants. There are two types of documents that the City will review to assess and underwrite a project:

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

Sources and Uses of Funds Statement

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.

The following will be requested for project sources:

- Firm commitment letters with all terms and conditions for all mortgages, grants, bridge (interim) loans and investment tax credits (historical, low-income, if applicable);
- If the applicant is a partnership or limited liability corporation, a copy of the partnership agreement or operating agreement, which will indicate the cash contributions by the partner(s) or member(s); and
- If equity is committed by the developer or owner(s), 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. This includes evaluation of the following:

- Are total funding sources adequate and timely in their availability to cover development costs at all phases of the development – acquisition, construction/rehabilitation, and permanent loan? Before committing HOME funds, the City will determine that all necessary financing is available to cover reasonable costs of development.
- Are the other funding sources compatible with HOME, or do they contain different requirements that affect the structure of the project, including unit mix, and are these differences accommodated in the project plan? In its review of written commitments for other funding sources, the City of Moreno Valley will determine whether there are provisions that: (1) conflict with HOME requirements; or (2) are not reflected in the project plan.
- Are the funding sources firmly committed? The City will assess all firm written financial commitments to ensure that they are in fact firm commitments that are

consistent with the City's underwriting of the project. Documentation of firm financing can include award letters, offer letters, final term sheets, or other commitments which are conditioned upon the receipt of HOME funds. But these may not include automatic self-expiring clauses or highly conditioned language and must have all substantial terms tired to a specific project.

The following will be requested for 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 its review of the Sources and Uses statement, the City will 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 will 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);
- Contracts, quotes, or other agreements substantiating key professional costs and the basis for estimating other soft costs and working capital items, including capitalized reserves;
- 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);

The City's review of project uses will address the following question:

- Are all the proposed costs of development "necessary and reasonable" in compliance with federal cost principles contained in 2 CFR part 200? Costs are considered "necessary" if they are required to implement the project in full compliance with all program standards. According to 2 CFR part 200, a cost is reasonable if it "does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost." The determination of reasonable cost should include the following factors:
    - Costs of comparable projects in the same geographical area.
    - The qualifications of the cost estimators for the various budget line items.
    - Comparable costs published by recognized industry cost index services.

The City will also review if the proposed costs are sufficient to achieve all program requirements, including property standards, to provide quality housing for at least the affordability period. The City will ensure that the project budget is adequate to meet and maintain the property standards of §92.251 and all other HOME and cross-cutting federal requirements that apply to its development. The completion of a capital needs assessment or estimate of the property's useful life is essential to this analysis in rehabilitation projects. The City and its subrecipients may refer to the HOME rule at §92.206 for additional guidance on eligible costs.

Operating Pro Forma

The City will require rental project applicants to furnish an operating pro forma (project income and expense statement) projected for the HOME period of affordability, at minimum.

The City will evaluate the reasonableness of the financial assumptions of the project to establish minimum total per unit operating costs. To do so, the City will evaluate the sufficiency of both specific line-item and total operating costs. The City will also ensure that long-term operating projections over the period of affordability are based on reasonable assumptions and demonstrate that the project can cover expenses and debt service throughout the affordability period.

Long-term operating projections should be based on reasonable assumptions about how revenues and operating costs are expected to change over time, and demonstrate the project is expected to operate within normal operating parameters throughout the affordability period. It is assumed that operating costs increase at a faster rate than revenues.

1. Projected Income
   Operating revenues must be based on achievable rent levels, reasonable vacancies and collection loss, and conservative estimates of non-residential sources of income.

2. Projected Expenses
   All operating costs must be in sufficient detail to compare line items against properties that are similar in physical type and size, so that the City may determine whether the planned expenditures are sufficient and reasonable. The operating budget should include general management expenses, maintenance and operating costs, any project paid utilities, taxes, insurance premiums, and adequate deposits to replacement reserves. In most cases, evaluation of total operating costs should be summarized in "per unit per year" amounts rather than as a percentage of projected revenue.

   When available the City will rely on the evaluation completed by the California Tax Credit Allocation Committee (CTCAC) which is the State's tax credit allocation authority. In the case of projects including other federal funding such as 811 or 202, the City will rely upon the guidelines developed and evaluation conducted by the federal agencies.

Single-Family Rental Housing (1-4 units): When using HOME funds for single-family rental housing of 1 to 4 units. Note: If the: (1) is the rental project owner-occupied? and (2) is the owner-occupied unit being rehabilitated with Federal funds?

If the answer to both questions is YES, the rental income for the owner's units (had the project not been owner-occupied) must be excluded from the income analysis of the proforma.

RENTAL PROJECTS INCOME: RENT AND UTILITY ALLOWANCE

Agencies providing rental housing must follow the rent and income guidelines as follows:

1. The Subrecipient is provided with a copy of the most recent HOME rent limits and a link to the Moreno Valley Housing Authority Utility Allowances at the time of application.
2. Formal approval for rents and utility allowance must occur prior to rental agreements being negotiated.
3. Prior to completion of construction, City staff will meet with Subrecipient staff to review HOME rental and income limits and proposed leasing and tenant selection information.
4. The Subrecipient submits income and rent schedule to City for approval prior to leasing.
5. The City will notify the Subrecipient each time the income and rent limits are updated by HUD.
6. Upon receipt of the newly published income and rent limits, the Subrecipient will submit current income and rent schedule to City for approval.

Rent Limits

1. In accordance with 24 CFR 92.252 projects with one to four HOME-assisted units are required to have assisted unit rents not exceed the lesser of the Fair Market Rent or High HOME Rent.
2. Projects with five or more HOME-assisted units are required to have 20% of assisted unit rents not exceed the Low HOME Rent and 80% not exceed the lesser of the Fair Market Rent or High HOME Rent.
3. Rents include utilities and must be reduced for tenant paid utilities.

Income Limits

1. Participants shall have an annual income that is 60% of the area median income or less, using the most current HUD Income Limits found at the City website.
2. The subrecipient shall calculate participant gross income, adjusted income, and total tenant payment using the method found in 24 CFR Part 5, which is the method required for the HUD Section 8 program;
3. The subrecipient shall collect income for new participants and review tenant income information for eligibility annually and provide a copy to the City annually.

Subsidies

Subrecipients will not discriminate against potential tenants with rental subsidies.

MONITORING RENTAL PROJECTS

Subrecipients will be monitored throughout the period of affordability. Subrecipients may submit any reports required for tax credits or California Tax Credit Allocation Committee (CTCAC) as an enforcement tool. Additionally:

- Documentation of tenant incomes and rents charged must be maintained and submitted to the City annually.
- Physical inspection of units must be performed annually using the HUD Housing Quality Standards criteria.
- Submit information related to rent and income eligibility annually.
- Provide annual financial reports for the City funded project as well as the Subrecipient.
- Tenant income must be reviewed annually.

RENTAL HOUSING REHABILITATION

An owner of rental housing that is using funds for rehabilitation must provide a list of tenants that are receiving TBRA prior to construction.

RESALE AND RECAPTURE

The City administers the federal HOME program which allows for a funding mechanism to assist low-income people in achieving homeownership. Should the City fund such a program, it will contract with non-profit agencies in the community to administer the program. The contracts and agreements will contain either a resale or recapture clause. The City may demand payment in full for any of the following reasons.

- Change of use of the property.
- Transfer of all or any part of the property or interest in the property.
- Breach of any stated covenant or failure to satisfy any stated condition or regulation The specific criteria are detailed in the deed and note attached to the property.

PERIOD OF AFFORDABILITY

HOME-assisted rental units carry rent and occupancy restrictions for varying lengths of time, known as the affordability period. The period of affordability begins upon project completion and is enforced by covenant or other legal conveyance between the Subrecipient and the City. Low- income household homebuyer projects also carry a period of affordability which affects the terms of resale or recapture of the property, if sold during the affordability period. Affordability periods do not apply to homeowner rehabilitation or tenant-based rental assistance (TBRA) activities. Subrecipients will be monitored throughout the period of affordability even as the funded project proceeds through closeout. Subrecipients must maintain documentation of tenant income and rents charged.

For **Rental** Projects, the length of the affordability period is based on the amount of HOME funds invested in the property, as well as on the nature of the activity funded (24 CFR 92.252).

HOME Minimum Affordability Periods

Rehabilitation or acquisition of existing housing

< $15,000	5 Years
$15,000 - $40,000	10 Years
>$40,000	15 Years

Refinance of Rehabilitation Project

Any Dollar Amount	15 Years

New Construction or Acquisition of New Housing

Any Dollar Amount	20 Years

For **Homebuyer** Projects, the length of the affordability period is based on the amount of HOME funds invested in the property (24 CFR 92.254).

HOME Funds Provided Affordability Period

< $15,000	5 Years
$15,000 - $40,000	10 Years
>$40,000	15 Years

Throughout the period of affordability, the City will conduct on-site inspections of HOME assisted multi-family rental housing. The frequency of visits depends on the total number of project units (including non-HOME units), as shown below:

Total Number of Project Units & Frequency of On-Site Inspection

1 – 4 Units	Every 3 Years
5 – 25 Units	Every 2 Years
26 or More Units	Yearly

The City will inspect fifteen to twenty percent of the HOME-assisted units in a complex up to 25 total units, and a minimum of one unit in every building. For larger projects with more than 25 total units, the City will inspect a sample of ten to fifteen percent of the units with a minimum of one unit in every building. If compliance problems are identified in the sample units, then the City will inspect the remaining units to ensure that all HOME-assisted units comply with established property standards. In addition to performing a physical inspection, information submitted by the owner, specifically related to rent and income eligibility will be reviewed annually.

TENANT LEASES

Subrecipients receiving HOME funds must enact specific tenant protections. Leases must be for not less than one year, unless by mutual agreement between the tenant and the owner.

Leases may not contain any of the following provisions enumerated at [24 CFR 92.253]:

1. Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;
2. Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. However, the owner may dispose of personal property left by a tenant in accordance with state law;
3. Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
4. Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;
5. Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
6. Agreement by the tenant to waive any right to a trial by jury;
7. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
8. Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

Any owner may not terminate or refuse to renew the lease except for the following reasons:

- Serious or repeated violation of the terms and conditions of the lease
- Violation of applicable federal, state, or local law
- Completion of the tenancy period for transitional housing
- Good cause

To terminate or refuse to renew tenancy, the owner must serve written notice specifying the grounds for the action at least 30 days before the termination of tenancy. An owner of rental housing must adopt written tenant selection policies and criteria that:

- Are consistent with the purpose of providing housing for very low-income and low- income families;
- Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease;

- Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and
- Give prompt written notification to any rejected applicant of the grounds for any rejection.

HOUSING DEVELOPMENT UNDERWRITING PARAMETERS

Underwriting criteria for project and operating budgets should be guided by the following Housing Project Development Budget criteria:

- Construction Contingency - Minimums: 10% New Construction, 15% Rehabilitation
- Soft Cost Contingency - Maximum: 5% All Development
- The “Developer Fee” limits below are based on an average project in development and financing complexity. The developer fee is defined as a percentage of the total project. The Developer Fee does not include contract cost for project development consultants. If the proposed Developer Fee for a proposed project is higher than outlined, a rationale will need to be submitted.

Total Units in Project	Percentage of Total Development Costs
1 – 20 Units	12-17%
21 – 35 Units	12-15%
36 – 60 Units	10-15%
More than 61 Units	10-12%

Over Income Tenants

Households whose incomes rise above 60% of the AMI shall pay a rent not greater than 30% of their income for housing provided a) the rent they pay does not exceed the Fair Market Rent (FMR) established by HUD and b) the amount they pay for rent is not less than the greater of their current rent or the monthly rent that was set in their prior year’s lease agreement. Any resulting increase in rent is subject to the provisions of outstanding leases, and in any event, households shall be given not less than thirty days prior written notice of any increase.

Properties with Five or More HOME-Assisted Units

For rental properties with five or more HOME-assisted units, at least 20 percent of the HOME- assisted rental units must be occupied by families who have annual gross incomes at or below 50 percent of area median income.

These units must be rented at no more than the Low HOME Rents. The remaining units can be rented at no more than High HOME Rents.

Very low-income households may occupy High HOME Rent units and pay High HOME Rents.

Unit Designation

The subrecipient will maintain the number of HOME units. Units will be designated as fixed or floating.

1. Fixed units remain the same throughout the period of affordability.
2. Floating units are designated to maintain conformity with the requirements during the period of affordability so that the total number of HOME designated units remains the same throughout the period of affordability. Each floating HOME unit must be comparable in terms of size, features, and number of bedrooms to the originally designated HOME-assisted unit.
3. Tenant income must be monitored annually, if an over income tenant is residing in the floating unit, the next available unit must be rented to an income eligible tenant.

AFFIRMATIVE MARKETING OF HOUSING

Those receiving HUD funding are required to implement affirmative marketing strategies conduct special outreach efforts through advertising in local media, including media targeted at persons with limited English proficiency. The HOME program regulation specifically requires implementation of affirmative marketing strategies for rental and homebuyer projects containing 5 or more HOME-assisted housing units. Subrecipients receiving HOME funding will need to have their affirmative marketing procedure reviewed and approved by the City.

The affirmative marketing requirements and procedures adopted must include:

1. Methods for informing the public, owners, and potential tenants about federal fair housing laws and the participating jurisdiction's affirmative marketing policy (e.g., the use of the Equal Housing Opportunity logotype or slogan in press releases and solicitations for owners, and written communication to fair housing and other groups);
2. Requirements and practices each owner must adhere to in order to carry out the affirmative marketing procedures and requirements (e.g., use of commercial media, use of community contacts, use of the Equal Housing Opportunity logotype or slogan, and display of fair housing poster);
3. Procedures to be used by owners to inform and solicit applications from persons in the housing market area who are not likely to apply for the housing without special outreach (e.g., use of community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies);

STATISTICAL REPORTS

City subrecipients must submit a monthly (quarterly for certain activities) statistical report to report on their program performance. The City will provide subrecipients with a report template to use at the beginning of each fiscal year. The statistical report includes required reportable data on program beneficiaries. In general, subrecipients are asked to report on:

- Number of persons/households who receive services
- Participant Income Levels
- Participant Race and Ethnicity Information
- Addresses of Assisted Units
- Head of Household Information
- Overall Budget Expenditures
- Accomplishments and Challenges

Statistical reports are due on the tenth (10th) of each month, with information for the previous month. For example, if reporting for the month of April, then the statistical report is due on May 10th. Statistical reports are due via email to grantadmin@moval.org. Failure to provide the monthly statistical report may prevent the City from processing the subrecipient's invoice for reimbursement. Continued failure to provide timely reporting and documentation may result in the suspension or termination of either current or future funding for the subrecipient.

MONTHLY INVOICING

HOME awards are reimbursement based. The City will reimburse subrecipients approved costs noted in their approved program budget after review ***and approval*** of the invoice and supporting source documentation for expenses covering the period requested ***and*** receipt of the monthly statistical report.

Monthly invoices must be accompanied by full source documentation to substantiate all incurred costs for which reimbursement is requested. Source documentation should show the date of the expenditure, the expenditure amount, and proof of payment.

The City will provide subrecipients with an invoice template to use at the beginning of each fiscal year. Monthly invoices are due on the tenth (10th) of each month via email to grantadmin@moval.org. Once an invoice is submitted, staff will review the invoice to make sure that the reimbursement requests are eligible, part of the approved budget, and all costs are substantiated with proper source documentation. If there are questions or documents missing staff will reach out to the subrecipient to work through the issue to resolve it. Once the issue is resolved, or if there are no issues, the invoice is submitted for internal processing for payment. A sample list of documents typically used for invoice submission is provided to the subrecipient at the beginning of the program year as part of their subrecipient agreement.

Failure to submit the monthly invoice on time will cause delays in processing the subrecipient's reimbursement payment. Continued failure to provide timely monthly invoices and documentation may result in the suspension or termination of either current or future funding for the subrecipient.

MONITORING

Monitoring subrecipients is a critical part for successful grant administration and measuring accomplishments. Monitoring helps identify areas of concern and offers the City an opportunity to provide technical assistance and guidance to subrecipients before those concerns become potential or actual HUD findings.

To mitigate potential compliance issues City will monitor, review, and evaluate the performance of its subrecipient. Monitoring includes on-site monitoring which includes visits to the subrecipients' location where staff will review program files and organizational documents (including financial records), observe program activities, and interview key program and/or organizational staff.

Prior to an on-site monitoring staff will reach out to the subrecipient to find an agreeable meeting date and time. Staff will then send the subrecipient a monitoring letter confirming the monitoring date/time along with a checklist of documents to be made available. The subrecipient is responsible for ensuring that all requested records are available for review at a single prearranged location. If areas of concern or findings are identified, staff will provide technical assistance to help resolve the concerns or findings.

At the end of monitoring, staff will provide subrecipients with a letter summarizing the on-site monitoring, and if applicable, areas of concern to address, findings, and corrective actions. Unresolved findings may require the subrecipient to return funds to the City and may impede further awards in the future.

New subrecipients may be subject to onsite monitoring during their first year. Experienced subrecipients, who typically meet compliance, will be subject to onsite monitoring at random.