FY 2021/22 HOME Program Applicant Orientation
October 27, 2020

Housing and Community Development Division
Maurice Brundidge, Housing and Community Development Specialist
HOME INVESTMENT PARTNERSHIP PROGRAM

The primary purpose of the HOME Program is to help communities expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to housing for low income families.
HOME INVESTMENT PARTNERSHIP PROGRAM

The intent of the HOME program is to:

• Provide decent affordable housing to lower-income households
• Expand the capacity of non-profit housing providers
• Strengthen the ability of state and local governments to provide housing
• Leverage private-sector participation
HISTORY AND GOALS

National Affordable Housing Act 1990

Objectives

- Nonprofit Capacity
- Local Government
- Decent, Affordable Housing for low-income persons
- Banks
- Private Sector
APPLICATION PROCESS

Application period opened October 20, 2020

Application Deadlines:

• Non-development HOME applications - November 18, 2020, 6:00 p.m.
  ✓ Submitted through Zoom Grants

• LIHTC Projects - December 3, 2020, 5:00 p.m.
  ✓ Submitted in hard copy

HOME Program is open year around, but priority will be given to applications received by November 18, 2020.
FY 2021/22 ANTICIPATED FUNDING

Estimated funding based on current year’s level funding

Subject to HUD Allocations

FY 2021/22 HOME Funds: $1,500,000
APPLICATION PROCESS - DEVELOPMENT

The City is particularly interested in receiving applications for rental and for-sale housing development projects from individuals, non-profit, and for-profit organizations.

All applications for FY 2021-2022 HOME Development and LIHTC projects must be submitted (both hard copy and electronic copy) to:

City of Mesa Housing & Community Development Division
Rachelni Marni, Housing and Community Development Coordinator
200 S. Center, Bldg. #1
Mesa, AZ 85210
Rachelni.marni@mesaaz.gov
APPLICATION PROCESS - LIHTC

All LIHTC projects, whether seeking funding or project support from the City of Mesa must:

1. Provide the City’s Housing and Community Development Division NOTICE OF INTENT TO APPLY FOR LIHTC TAX CREDITS; and

2. Complete the LIHTC project profile brief for public review/comment and submission to City Council for consideration.
APPLICATION PROCESS - LIHTC

All LIHTC projects

Consult and seek support from the councilperson of the district where the project will be located.

Seek and obtain support from the local neighborhood group representing the neighborhood where the project will be located.

LIHTC applicants should be prepared to present their project proposals upon request.
HOME PROGRAM PARTNERS

Participating Jurisdiction ("PJ") = City of Mesa

Subrecipient (optional)

Low-income owners
Low-income buyers
Low-income tenants

Owners and Developers
• Private for-profit
• Private/public non-profit
• CHDOs
HOME PROGRAM TIMEFRAMES

• 24 Months to Commit Funds
• 12 months (or less) to start project “Shovel Ready”
• 4 yrs to complete project
• 5 yrs to expend the funds
HOME PROGRAM PROCESS

- Identify Project / Program Need “Justify”
- Due Diligence Administrative / Project
- “Commitment” Project must start within 12 months
- Projects Worked On
- Time Spent

[Diagram showing the process flow]
COMMITMENT OF FUNDS

- Cannot commit funds until “Shovel Ready
- Underwriting (Industry standard variance tolerance modeling)
- Cost Reasonableness
- Construction Costs
- Development Costs
- 15-20 Yr. Operating Projection
HOME ELIGIBLE ACTIVITIES

- New Construction
- Rehabilitation
- Reconstruction
- Site Improvements (must be site-specific)
- Acquisition of property
- Acquisition of vacant land (Construction must begin within 12 months of purchase)
- Demolition
- Down Payment Assistance
HOME ELIGIBLE ACTIVITIES

- Homeowner Rehab
- Homebuyer
- Rental Development (New Construction or Rehab)
- Rental Subsidy
FINANCIAL ASSISTANCE

Assist the developer to

• Construct or acquire & rehab housing
• Be sold to the homebuyer
ELIGIBLE PROPERTIES

Eligible property types:
- Multifamily
- Single-family home
- Two-to-four-unit property
- Condominium unit
RENTAL HOUSING - ELIGIBLE PROPERTIES

No requirements on type or style of property

Eligible types include:

- Single family and multifamily
- Transitional and permanent housing
- SROs
- Group Homes
ELIGIBLE COSTS

- Hard costs
- Soft costs
- Acquisition costs
- Relocation costs
- Refinancing costs*

*”Only if incidental to the project & not the project itself”

24 CFR 92.206
MATCH REQUIREMENTS

PJs must provide 25% match of HOME funds

- Match must be a permanent contribution to the HOME Program
- Based on expenditure of funds
- Measured on a Federal fiscal year basis – program match, not project

24 CFR 92.219 - 92.221; CPD NOTICE 97-03
“Let’s Talk About Match… The Basic Facts”

Keys to Understanding the Match Requirement

There are match credits and match debits:

• **Debits:** For virtually every dollar HOME funds drawn down for project there is 0.25 match obligation

• **Credits:** Match credits are a community’s non-federal contribution of cash, assets, services, labor and other resources of value to the HOME program
SOURCES OF MATCH

- Cash or “cash equivalents”
- Value of waived taxes, fees or charges
- Value of donated land/real property
- Cost of infrastructure improvements
- Percentage of proceeds of housing bonds
SOURCES OF MATCH

- Value of donated materials and labor
- Sweat equity
- Direct costs of supportive services to residents of HOME projects
- Direct costs of counseling to HOME-assisted households
“CHDO”
Community Housing Development Organization

Definition: Independence & Capacity
Own, Develop, Sponsor
Commitments Replace Reservations
Capacity Building

§9CHDO2.30 0(a)(2)-(6)
CHDO Certification

CHDO provisions of 2013 HOME Final Rule & Key CHDO Rule Changes

- Impact on CHDO Organizations
- Systems Engineering
- Generalists or Specialists
- Organizational shifts
- Project pipeline planning
- Leveraging Resources (the new paradigm)
CHDO Certification

Each time a PJ commits funds to a specific CHDO project, it **must** certify that the nonprofit:

- Meets CHDO definition (including the staff capacity requirement)
- Has capacity to fulfill specific role (owner or developer/sponsor) it will assume for the project
CHDO Certification (cont.)

CHDO is expected to maintain CHDO status for the duration of the CHDO project

- This is in addition to the underwriting and other conditions for a project commitment
CHDO Certification

- CHDO independence from governmental & for-profit or other entities
- CHDO structure & staff capacity = “Role”
FUNDING "COMMITMENT"

Prior to committing funds to a specific local project, the PJ must have:

- An identifiable project
- Secured all necessary financing
- A budget
- A schedule
- Completed underwriting (including Subsidy Layering review)
- A reasonable expectation that construction will begin within 12 months

Prior to committing funds to a project, PJs must also meet all of the applicable subsidy layering and underwriting requirements of §92.250(b).

§92.2 Commitment
Underwriting Due Diligence

Underwriting and subsidy layering requirements

For each project, prior to committing HOME funds, PJs must: evaluate return to owner/developer (in relation to the PJ’s standards for reasonable return); examine sources & uses and determine that costs are reasonable; assess neighborhood market demand for project; assess developer experience and financial capability; require firm written financial commitments.

§92.250(b)
Underwriting Due Diligence

Construction documents and cost estimates

For new construction and rehabilitation

• PJ must review and approve written cost estimates and determine costs reasonableness

• Construction contract and documents must be in sufficient detail to conduct inspections and ensure compliance with all property standards requirements

• Progress and final inspections

• For new construction and rehabilitation: progress and final inspections are required

§92.251(a)(2)(iv); §92.251(b); (2) §92.251(a)(2)(v); §92.251(b)(3)
Underwriting Due Diligence

• Total Construction Cost Budget
• Total Development Cost Budget
• For-Sale Proforma
• Rental Proforma
• Sources & Uses of Funds Budget
• Long-Term Operating Proforma (*15-30yr projection with industry standard assumption modeling*)
• Subsidy Layering
Commitment of Funds

- Price Valuation & Verification (Acquisitions & Projected Sales)
- Sales Projections
- Sources & Uses of Funds in place
- Project Contracts in place
- “Match” funds in place
- Under site control
- Capacity Review
PROGRAM TARGETING

All HOME-assisted units must be occupied by households at/or below <50% Median Family Income
# Long-Term Affordability

<table>
<thead>
<tr>
<th>HOME Investment per Unit</th>
<th>Length of Affordability</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than $15,000</td>
<td>5 yrs</td>
</tr>
<tr>
<td>$15,000 - $40,000</td>
<td>10 yrs</td>
</tr>
<tr>
<td>more than $40,000</td>
<td>15 yrs</td>
</tr>
<tr>
<td>new construction of rental housing</td>
<td>20 yrs</td>
</tr>
<tr>
<td>refinancing of rental housing</td>
<td>15 yrs</td>
</tr>
</tbody>
</table>
LONG-TERM OCCUPANCY

For-Sale: Units not sold within 9 months of completion convert to rental...

Rental: vacated units must be rented to income-eligible households

18-month vacancy limit
SUBSIDY

Flexibility/PJ choice

• Can provide funds as:
  • Interest bearing or non-interest-bearing loans or advances
  • Deferred loans
  • Grants
  • Interest subsidies
  • Equity investments
  • Loan guarantees
SUBSIDY LIMITS

• Minimum HOME investment = $1,000 per unit
• Maximum HOME subsidy amount = 234 Elevator Base Limits, which varies by PJ
• Section 234 new limits

24 CFR 92.250
HOME AFFORDABILITY REQUIREMENTS

• Applies to development activities
• Appropriate return on federal investment
• Amount of HOME $ establishes time period
  ✓ Big HOME investment = long period of time
  ✓ Small HOME investment = shorter period
• Period of Affordability = Period of Compliance
RENTAL HOUSING - THE PROJECT RULE

Projects with 5 or more units must have at least 20% of units occupied by families at/below 50% of MFI

• Rents must be at Low HOME rent level

• Balance of units may be at/below 80% of median (but limited by overall program targeting for rental housing)

24 CFR 92.252(A)
HOME RENTS

For projects with 5 or more units, there are two rent levels:

• High HOME rent (80% of units)
• Low HOME rent (20% of units)

HUD calculates and distributes HOME rents annually.

PJ must disseminate maximum rents and utility allowances annually to project owners.
DETERMINING HOME-ASSISTED UNITS

Assist all or some of the units

Method: Actual Costs

Proration

• If units are comparable in terms of BR size, sq. ft. and amenities, the number of HOME-assisted units determined by:

HOME investment: total HOME-eligible project costs

24 CFR 92.205(D); CPD NOTICE 98-02
OTHER REQUIREMENTS

• Labor standards [Davis-Bacon wages]
• Environmental review
• Nondiscrimination/affirmative marketing
• Relocation benefits and replacement of housing converted or demolished
• Lead-based paint
ACCESSIBILITY – APPLICABLE LAWS

• Architectural Barriers Act of 1968
• Title II of the Americans with Disabilities Act (ADA) of 1990
• Section 504 of the Rehabilitation Act of 1973
• Fair Housing Act (Title VIII of the Civil Rights Act of 1968), as amended
• Implementing regulations
  ✓ FH Act: 24 CFR Part 100
  ✓ Section 504: 24 CFR Part 8
  ✓ ABA: 24 CFR Part 40
APPLICABLE CIVIL RIGHTS LAWS

Fair Housing Act (Title VIII of Civil Rights Act of 1968), as amended

Nondiscrimination in the programs and activities of recipients receiving Federal/HUD funding

• Title VI of the Civil Rights Act of 1964 – Age Discrimination Act of 1975

• Section 109 of the Housing and Community Development Act of 1974 – Section 504 of the Rehabilitation Act of 1973
INTENT OF ACCESSIBILITY LAWS

To ensure full use and enjoyment of all housing by persons with disabilities

• Prohibit discrimination against people with disabilities in housing

• Remove physical barriers in housing stock – Build new housing that is accessible

• Ensure that grantee’s overall housing program is accessible to persons with disabilities
INTENT OF FAIR HOUSING ACT

To prohibit discrimination in housing on basis of race, color, religion, sex, national origin, familial status or disability

• Nondiscrimination in housing

• Equal opportunity in provision of housing services, facilities & improvements (program benefit)

• Equal opportunity in employment
APPLICABLE CIVIL RIGHTS LAWS

Section 3 of the Housing and Urban Development Act of 1968

(Economic opportunity requirements)

• Additional Requirements: – Executive Orders 11063, 12892, 12259, and 11246

• Executive Order 13166 and HUD’s Final LEP Guidance – Applicable state and local laws
APPLICABLE CIVIL RIGHTS LAWS

Executive Order 11458

• Executive Orders 11625, 12432, and 12138

• Compliance with HUD Minority/Women’s Businesses (MBE/WBE) Requirements

• Key to Compliance

• Verification of “Good Faith Efforts”
RESOURCE AGENCY

Agency of the U.S. Department of Commerce

• Helps to create and sustain U.S. Jobs
• Promotes growth and global competitiveness
✓ Businesses owned and operated by minority entrepreneurs

Phoenix Minority Business Development Agency Business Center
255 East Osborn Road, Suite 202
Phoenix, Arizona 85012-2358
O 602-248-0007, Ext. 216 | F 602-279-8900 | C 480-343-2799
www.phoenixmbdacentre.com
CITY OF MESA HOME PROGRAM CONTACTS

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P (480) 644-3020 | F (480) 644-2923

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Any questions?

That’s the very basics!