



HOME Investment Partnership Policies and Procedures Manual

City of Providence, Community Development
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Providence, RI

Introduction

Introduction

The City of Providence receives and administers funds provided under the HOME Investment Partnerships Act (the HOME Act, Title II of the Cranston-Gonzalez National Affordable Housing Act), which was created to provide funds to expand the supply of decent, safe, and affordable housing for low income persons.

The purpose for this Manual is to provide information on program implementation that will meet HOME regulatory requirements and provide an approach to set-up, implement and monitor HOME activities for both the City and its HOME recipients. This Manual is intended only as a guide and is not a substitute for federal and local laws and regulations. Though not all-inclusive, this Manual covers the major areas of HOME administration and provides reference to applicable laws and regulations. The City reserves the right to update and amend this Manual as needed to comply with program requirements.

Distribution of Funding:

The City of Providence distributes HOME funds geographically within its boundaries and among different categories of housing need, according to the priorities of housing need identified in its approved 5-Year Consolidated Plan.

The City of Providence only invests HOME funds in eligible projects within its boundaries.

Requests for Proposals (RFPs) for City of Providence HOME funds are solicited once a year (subject to funding availability) and reviewed and awarded on a competitive basis. Before formally committing funds to a project, the City of Providence must underwrite and evaluate the project to ensure that the City is not investing any more HOME funds, in combination with other governmental assistance, than is necessary to provide quality affordable housing.

The competitive selection criteria for projects will be published at the time proposals are solicited. The City currently utilizes a web-based application system:

<https://grants.providenceri.com/index.do>.

Definitions:

1. **Action Plan:** The one-year portion of the Consolidated Plan. It includes the City's annual proposal for the use of HOME funds and describes intended projects.
2. **Adjusted Income:** Adjusted income is annual (gross) income reduced by deductions for dependents, elderly households, medical expenses, handicap assistance expenses and childcare (these are the same adjustment factors used by the Section 8 Program). Adjusted income is used in HOME to compute the actual tenant payment in TBRA programs and the low HOME rent in rental projects in which rents are based on 30% of a family's adjusted gross income.

3. **Affordability:** The requirements of the HOME Program that relate to the cost of housing both at initial occupancy and over established timeframes, as prescribed in the HOME Final Rule. Affordability requirements vary depending upon the nature of the HOME assisted activity (i.e., homeownership or rental housing).
4. **Annual Income:** Annual income as defined in 24 CFR 5.609, referred to as "Part 5 Annual Income", also known as the rules for determining income under the Section 8 voucher program.
5. **Commitment:** Commitment means (1) the City has executed a legally binding written agreement meeting the standards of § 92.504(c) (that includes the date of the signature of each person signing the agreement) with a subrecipient or a contractor to use a specific amount of HOME funds to produce affordable housing or provide down payment assistance. An agreement between the City and a subrecipient that is controlled by the City (e.g., an agency whose officials or employees are official or employees of the City) does not constitute a commitment.
6. **Commitment to a specific local project:** Commitment to a specific local project means that a legally binding agreement was executed meeting one of the following sets of requirements:
 - (1) For rehabilitation or new construction projects, the City and the project owner will execute an agreement for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within 12 months of the agreement date.
 - (2) If the project consists of acquisition of standard housing by the City, the agreement must be a binding contract for the sale of an identifiable property and the property title must be transferred to the City within six months of the date of the contract.
 - (3) If the project involves the acquisition of standard housing and the City of Providence is providing HOME funds to a purchaser, under the agreement, the title of the property must be transferred to the purchaser within six months of the agreement date.
 - (4) Note that preliminary, tentative, or conditional "commitments" may be made, but *no funds are considered committed unless the above conditions have been met.*
7. **Consolidated Plan:** A plan prepared in accordance with the requirements set forth in 24 CFR Part 91 which describes community needs, resources, priorities and proposed activities to be undertaken under certain HUD programs, including HOME.
8. **Community Housing Development Organization (CHDO):** A private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations at 24 CFR Part 92.2. The New HOME Rule requires that CHDOs have paid staff with demonstrated capacity appropriate to the CHDOs role (this requirement cannot be met through volunteer, donated staff, shared staff, or

board members). The City must award at least 15 percent of its annual HOME allocation to CHDOs.

9. **Draw-Down:** The process of requesting and receiving HOME funds. The City of Providence draws down funds from a line of credit established by HUD.
10. **Final Rule:** The Final HOME Rule was published at 24 CFR Part 92 on July 24, 2013 and became effective on August 24, 2013.
11. **Group Home:** Housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the unit, and (except in the case of shared one-bedroom units) separate private space for each family.
12. **HOME-Assisted Units:** A term that refers to the units within a HOME project for which rent, occupancy and/or resale restrictions apply. The number of units designated as HOME-assisted affects the maximum HOME subsidies that may be provided to a project.
13. **HOME Funds:** All appropriations for the HOME Program, plus all repayments and interest or other returns on the investment of these funds.
14. **HOME Investment Trust Fund:** The term given to the two accounts - one at the Federal level and one at the local level - that "hold" the City of Providence's HOME funds. The Federal HOME Investment Trust Account is the U.S. Treasury account for each participating jurisdiction. The local HOME Investment Trust Fund account includes repayments of HOME funds, matching contributions and payment of interest or other returns on investment.
15. **Household:** One or more persons occupying a housing unit.
16. **Jurisdiction:** The City of Providence.
17. **Low-Income Families:** Families whose annual incomes do not exceed 80 percent of the median income for the area (adjusted for family size).
18. **Match:** Match is the City of Providence's contribution to the HOME Program -- the local, non-Federal contribution to the partnership. *The City of Providence's match contribution must equal not less than 25 percent of the HOME funds drawn down for projects in that fiscal year.*
19. **New Construction:** The creation of new dwelling units. Any project which includes the creation of new or additional dwelling units in an existing structure is considered new construction.
20. **Participating Jurisdiction (PJ):** The term given to any state, local government or consortium that has been designated by HUD to administer a HOME Program. HUD designation as a PJ occurs if a state or local government meets the funding thresholds, notifies HUD that they intend to participate in the program and has a HUD-approved Consolidated Plan. The City of Providence is a "Participating Jurisdiction".

21. **Program Income:** Gross income received by the City of Providence or a sub recipient directly generated from the use of HOME funds or matching contributions.
22. **Project:** A site or an entire building or two or more buildings, together with the site or sites on which the building or buildings is located, that are under common ownership, management and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking. The HOME Final Rule eliminated the requirement that all buildings fall within a four block radius.
23. **Project completion:** All necessary title transfer requirements and construction work have been performed; the project complies with all HOME requirements; the final draw-down of HOME funds has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD.
24. **Reconstruction (also rehabilitation):** The rebuilding, on the same lot, of housing standing on a site at the time of project commitment. Except that housing that was destroyed may be rebuilt on the same lot if HOME funds are committed within 12 months of the date of destruction the number of housing units on the lot may not be changed as part of the reconstruction project, but the number of rooms per unit may change. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing.
25. **Single-Room Occupancy (SRO):** Housing consisting of single-room dwelling units that is the primary residence of its occupant or occupants. The unit must contain food preparation and/or sanitary facilities if the project involves new construction, conversion of non-residential space, or reconstruction. If the units do not contain sanitary facilities, the building must contain sanitary facilities shared by the tenants.
26. **Sub recipient:** A public agency or nonprofit organization selected by the City of Providence to administer all or a portion of the City's HOME Program on its behalf. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a sub-recipient.
27. **Targeting:** Requirements of the HOME Program relating to the income or other characteristics of households that may occupy HOME-assisted units.
28. **Tenant-Based Rental Assistance (TBRA):** A form of direct rental assistance in which the recipient tenant may move from a dwelling unit with a right to continued assistance. Includes security and utility deposits associated with the rental of dwelling units. The City of Providence does not currently issue RFPs for TBRA.
29. **Very-Low-Income Families:** Families whose annual incomes do not exceed 50 percent of the median income for the area (adjusted for family size).

General Eligibility Requirements

Eligible Activities

HOME funds may be used to develop and support affordable rental housing and homeownership affordability through:

- Acquisition (including assistance to income-qualified homebuyers),
- New construction (includes adding additional units to an existing structure),
- Reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including related costs such as:
 - Real property acquisition,
 - Site improvements,
 - Demolition, and
 - Other eligible expenses including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations;
- Tenant-based rental assistance to eligible household(s), including security deposits;
- Operating expenses of community housing development organizations.

**All housing supported with HOME funds must be permanent or transitional housing.*

*** A HOME assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and will be subject to recapture.*

Eligible Properties:

- 1-4 Single family unit homes
- Condominiums/Cooperatives
- Group Homes
- Transitional Housing & Single Room Occupancy Units
- Permanent Supportive Housing
- Rental Unit housing (scattered site or development)
- May be one or more buildings on a single site, but project must be assisted with HOME funds as a single undertaking.

Method of Assistance:

- City of Providence HOME funds are provided through 0% interest loans (typically forgivable at either the successful resale of the project (if homeownership), or once the period of affordability has ended). If assisting a Low-Income Housing Tax Credit project, HOME funds may be provided as amortizing debt.

- **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/HOME-assisted unit.
- **Maximum HOME Investment:**

Maximum Per Unit Subsidy Amounts

October 1, 2019

0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4+ Bedrooms+
\$149,868	\$171,801	\$208,912	\$270,266	\$296,666

**Actual funding levels will vary project by project and may be lower based on cost reasonableness and needs of the project.*

- **Projects Containing both HOME and Non-HOME Units:** HOME funds may be used to assist one or more housing units in a multi unit project that contains other non-Home units. However, the following additional restrictions apply:
 - Only the **actual** HOME eligible development costs may be supported by the HOME program.
 - Actual Costs can be determined by the following:
 - If the assisted and non-assisted units **are not comparable** (non-HOME units contain luxury materials, for example) 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.

Eligible Project Costs

HOME funds may be used to pay the following eligible costs:

- Acquisition Costs
- Development Hard Costs
- Related Soft Costs
- Community Housing Development Organization Costs (if an approved CHDO-project)
- Relocation Costs (if required under the Uniform Relocation Act)

If a property supported (acquired, rehabilitated, etc.) with HOME funds is ultimately unable to provide affordable housing in accordance with HUD regulations, the project will be deemed ineligible and subject to the recapture of HOME funds. These project costs are explained in further detail in the following pages.

Acquisition Costs:

- Includes costs of acquiring improved or unimproved real property
- Acquisition of vacant land or demolition can only be undertaken for particular housing project intended to provide affordable housing.
- Costs to make utility connections to an adjacent street or to make improvements to the project site, in accordance with the provisions of § 92.206(a)(3)(ii) and (iii) are also eligible in connection with acquisition of standard housing.
- Acquisition costs must be supported by an independent real estate appraisal or assessment.

Development Hard Costs:

- Includes the actual cost of constructing or rehabilitating housing.
- **New Construction:** Project costs must meet the City of Providence Construction Standards.
- **Rehabilitation:** Project costs must meet the City of Providence Construction Standards.
- Demolition of Existing Structures (remember that Uniform Relocation Act applies if occupied);
- Creation of utility connections including off-site connections from the property line to the adjacent street.
- Improvements to the project site (only property owned by the project owner, where the project is located) that are in keeping with improvements of surrounding, standard projects. Including:

- On-site roads or driveways
- Sewer Lines
- Water lines
- Necessary and reasonable landscaping (including abatement or covering of soil if lead-contaminated)

** Costs must be necessary to the development of the project.*

- Costs to construct or rehabilitate laundry and/or community facilities located in the same building as the housing for the use of project residents (only applicable to multi-unit RENTAL housing).

Soft Costs:

- Costs include other reasonable and necessary costs incurred by the owner and associated with the financing, or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds.
- These costs include, but are not limited to:
 - Architectural Services;
 - Engineering Services;
 - Preparation of plans, drawings, specifications, or work write-ups;
 - Costs to process and settle the financing for a project;
 - Private lender origination fees;
 - Credit reports;
 - Fees for title evidence;
 - Fees for recordation;
 - Filing of legal documents;
 - Building permits;
 - Attorneys fees;
 - Private appraisal fees;
 - Fees for an independent cost estimate;
 - Builders or developers fees;
 - Costs of a project audit;
 - Affirmative marketing and fair housing information to prospective homeowners and tenants
 - Staff costs directly related to carrying out the project, such as:
 - Work specifications preparation,

- Loan processing inspections, and
- Other services related to assisting potential owners, tenants, and homebuyers.
- Housing counseling (only for individuals who ultimately occupy a HOME unit)
- All costs must be reasonable and thoroughly documented (including timesheets detailing actual time worked on HOME activities).
- Costs of environmental review and release of funds in accordance with 24 CFR Part 58 which are directly related to the project.
- Cost of funding an initial operating deficit reserve, not to exceed 18 months (ONLY eligible for new construction or rehabilitation projects):
 - Only can be used to pay project operating expenses, scheduled payments to a replacement reserve, and debt service.
 - Any HOME funds placed in an operating deficit reserve that remains unexpended after the period of project rent-up may *only be retained for project reserves with express City permission*.
- Relocation costs (for persons displaced by the project):
 - Replacement housing payments
 - Moving expenses
 - Other reasonable out-of-pocket costs incurred in the temporary relocation of persons.
 - Staff time associated with providing relocation to displaced persons (including referrals housing search assistance, property inspections, counseling, and other assistance necessary to minimize hardship).
- Payment of Construction Loan, Bridge Financing, or Guaranteed Loan (principle & interest), and related carrying costs if:
 - The Project meets all HOME requirements and the loan was used for eligible costs specified in HOME Regulations and this policies and procedures manual; &
 - The HOME assistance is part of the original financing for the project.
 - Permissible carrying costs include required insurance costs, construction loan interest, utility, and current tax payments during the development period.

Community Housing Development Organization (CHDO) Costs:

- A CHDO is defined as a private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations at 24 CFR Part 92.2.
- CHDO's must have paid staff with demonstrated capacity appropriate to the CHDO's role (this requirement cannot be met through volunteer, donated staff, shared staff, or board members).
- CHDO status must be recertified regularly by the City of Providence. Recertification shall occur no less than annually, and will be a required part of any submission if seeking CHDO funds. A certification shall be completed by the City in advance of any commitment of CHDO funds to a project. The City's CHDO Certification Application and internal CHDO Checklist (see Appendix E) shall be used to determine and certify eligible CHDO status. The completed CHDO Application and Checklist shall be stored in the project file.
- In an owner or developer role, the CHDO must own the HOME-assisted housing in fee simple absolute or have a long term ground lease.
- Costs may include operating expense and capacity building costs for eligible CHDOs; *however, this is a separate application process, need must be documented, and City approval must occur before these expenses will be permitted.*
- Operating expenses means reasonable and necessary costs for the operation of the community housing development organization, such costs include:
 - Salaries, wages, and other employee compensation and benefits;
 - Employee education,
 - Training, and travel;
 - Rent;
 - Utilities;
 - Communication costs;
 - Taxes; insurance;
 - Equipment; &
 - Materials and supplies.
- Costs **DO NOT** include operating expenses incurred by a CHDO acting as a subrecipient or contractor under the HOME Program.

Tenant Based Rental Assistance:

- Eligible costs include the rental assistance and security deposit payments made to provide tenant-based rental assistance for eligible households.

- Administration of tenant-based rental assistance is generally eligible only under Administrative Expenses (subject to administrative CAP). Specific exceptions will apply where costs for income certifications and unit inspections can be directly assigned to individual projects.
- *Please note: TBRA was not a proposed activity in the City's 2015-2019 Consolidated Plan and the City therefore has not included TBRA under its annual RFP to date.*

Ineligible Activities

HOME funds shall not be used to:

- Provide project reserve accounts, except as provided in § 92.206(d)(5), or operating subsidies;
- Provide tenant-based rental assistance for the special purposes of the existing section 8 program, in accordance with section 212(d) of the Act;
- Provide non-federal matching contributions required under any other Federal program;
- Provide assistance authorized under section 9 of the 1937 Act (Public Housing Capital and Operating Funds);
- Provide assistance to eligible low-income housing under 24 CFR part 248 (Prepayment of Low Income Housing Mortgages), except that assistance may be provided to priority purchasers as defined in 24 CFR 248.101;
- Provide assistance (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by the participating jurisdiction in the written agreement under § 92.504. However, additional HOME funds may be committed to a project up to one year after project completion (see § 92.502), but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount established under § 92.250.
- Pay for the acquisition of property owned by the City of Providence¹, except for property acquired by the participating jurisdiction with HOME funds, or property acquired in anticipation of carrying out a HOME project;
- Pay delinquent taxes, fees or charges on properties to be assisted with HOME funds.
- Pay for pre-award costs (costs incurred prior to the execution of the written agreement). (Eligible pre-award costs are narrowly defined under §92.206(d); and may only be reimbursed if prior written authorization was provided by the City.)
- Pay for any cost that is not expressly eligible under 92.206 through 92.209.
- Support activities in connection with litigation involving discrimination or fair housing as set forth in section 224 of the Act.

¹ Property acquired or land-banked with the Providence Redevelopment Agency may be purchased with HOME funds if purchased at or below fair-market value as determined by independent appraisal.

Eligible Beneficiaries/Residents

The HOME Program is designed to provide affordable housing to low-income households and individuals.

Eligible beneficiaries must meet the following requirements:

- Household must be at or below 80% of area median income (or applicable requirements for Rental Housing, below);
- Household must reside in or be relocating to the City of Providence;
- Household must not be an agent, consultant, officer, employee, and/or elected official of the City of Providence or a HOME recipient of funds (household may still be able to receive assistance IF a waiver is received by HUD); &
- Household must meet all other requirements where applicable.

Additional restrictions apply when HOME is used for rental housing. Renters must be 60% or less of area median income; and no less than twenty percent (20%) of the units in each rental housing project with five or more HOME assisted units must be occupied by families with incomes at or below 50% of area median income ("Low HOME Units").

Income Eligibility:

When determining the annual income of an individual or family, the HOME recipient must use the standard for calculating annual income under 24 CFR 5.609 ("Part 5"). HOME income is forecasted for the coming 12-months. All applicable source documentation for income under Part 5 must be compiled by the HOME recipient and calculated before a Purchase & Sale Agreement is executed or a lease is signed. Completed income certifications must be forwarded to the City's HOME Program Compliance Officer for review and approval.

Long-Term Affordability:

To ensure investments provide affordable housing over the long term, rent and occupancy restrictions continue throughout the period of Affordability.

The minimum length of an affordability period depends on the amount of the HOME investment in the property and the nature of the activity:

HOME Investment per Unit	Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years
New Construction of rental housing	20 years
Refinancing of rental housing	15 years

In some cases, the City or developer may opt for a longer period of affordability (typically 30 or more years) in order to benefit from State regulations governing taxation of long-term affordable housing. This is permissible; however, it is important to note that compliance will be required throughout the entire designated period of affordability unless the City's HOME Land Use Restrictive Covenant with Extended Use Provision is executed to legally differentiate the local versus federal periods of compliance.

Throughout the period of affordability, income eligible households must occupy the assisted units. When designated rental units become vacant during the period of affordability, subsequent tenants must be income-eligible and must be charged the applicable rent.

If a homebuyer project becomes non-compliant during the period of affordability, the following **resale or recapture** provisions shall apply:

*The City of Providence will use a homebuyer subsidy with the **Recapture** method to recover HOME funds from projects that fail to meet the minimum affordability requirements. This allows an income-restricted unit to be sold and the homeowner bearing the responsibility of repayment of the HOME funds that supported the homebuyer's original purchase. The proceeds from the repayment of the HOME subsidy will go to support an additional project.*

To ensure that the City recovers a reasonable amount of the HOME Program funds from the sale, transfer, foreclosure, or conveyance of a subsidized property within the minimum federally-required affordability period, the following recapture provisions will be made an express covenant of the borrower applicable to the loan:

If the mortgaged property is sold, refinanced, conveyed, assigned, leased, or otherwise transferred or if a senior lender forecloses on any senior mortgage prior to the end of the minimum federally-required affordability period as defined by 24 CFR 92.254(a)(4), the HOME Program loan assistance shall be repaid to the City of Providence, Department of Planning and Development, Division of Housing and Community Development on a net proceeds basis according to the following formula.

- *Net Proceeds = Sales price minus municipal liens, minus principal owed to senior lenders, minus selling costs;*
- *Homeowner Investment = Down-payment plus principal paid on first mortgage and any verifiable capital improvement investment made from the date of purchase;*
- *City's Investment = HOME Program assistance;*
- *Total Investment = Homeowner investment plus City's investment*
- *Amount of Net Proceeds to be returned to City upon sale prior to the end of the minimum federally-required affordability period = (City's investment / Total Investment) * Net Proceeds*

*In the event of resale of a property where there is not a direct subsidy to the homebuyer, the City will employ a **Resale Provision** to preserve the remaining affordability period to ensure the housing is retained for occupancy for low-income households. The Resale Provision requires that if the owner of an income-restricted property sells, conveys, or transfers his/her ownership interest in the property prior to the end of the minimum federally-required affordability period, the sale, conveyance, or transfer shall only be to an eligible, income-qualified purchaser. Other restrictions concerning notice of sale, maximum resale price, and marketing of affordable unit(s) shall apply and are fully detailed in the City's Resale Provision and recorded Land Use Restrictive Covenant.*

All property acquired with HOME funds is subject to a period of affordability, which is safeguarded by the appropriate legal instrument (Land Use Restrictive Covenant) and resale or recapture provision.

As outlined above, the City employs Recapture Provisions when direct subsidy is provided to a homebuyer. Resale is employed in the event an assisted property is acquired without direct subsidy to the buyer.

In the event of resale of a property where there is not a direct subsidy to the homebuyer, the City uses a Resale Provision to preserve the remaining affordability period to ensure the housing is retained for occupancy for low-income households. The Resale Provision requires that if the

owner of an income-restricted property sells, conveys, or transfers his/her ownership interest in the property prior to the end of the minimum federally-required affordability period, the sale, conveyance, or transfer shall only be to an eligible, income-qualified purchaser. Other restrictions concerning notice of sale, maximum resale price, and marketing of affordable unit(s) shall apply and are fully detailed in the City's Resale Provision:

During the period of affordability prescribed by covenant, for any subsequent sale the property may only be sold to a household properly certified by the City as eligible under the income limits as established by HUD and in effect at the time of sale. In addition, the property must be affordable to a reasonable range of households qualifying as eligible under the HUD income limits. Housing remains affordable if the subsequent purchaser's monthly payments of principal, interest, taxes and insurance do not exceed 30 percent of the gross income of a household with an income falling within the range of 70 to 80 percent of median income for the area, as determined by HUD. For multi-unit properties the sale price may be adjusted to reflect the additional value of the rental unit(s). Further, in the event that a subsequent sale generates net proceeds, as defined below, those proceeds will be shared as described in the definition of "Fair Return to the Mortgagor" and the amount owing to the City will be immediately paid from closing funds.

"Net Sales Proceeds" means the subsequent sales price of the property minus ordinary closing costs and any repayment of a senior loan(s).

"Fair Return to the Mortgagor" is defined as a share of available net sales proceeds from sale of the property. If there are sufficient proceeds from the sale, the owner shall receive equity invested, adjusted for the U. S. consumer price index, plus the value of any permanent improvements to the home as approved and determined by the City. Upon sale, after these amounts are reserved for the owner, any additional equity gain shall be apportioned between the City and the homeowners in proportion to their contributions. Proceeds allocated to the City may be used, upon approval by DCD, to lower the cost of the property to the subsequent low-income purchaser, if necessary to meet the affordability requirements. If no proceeds are available to the City, HOME funds may be provided in the form of downpayment assistance or another appropriate mechanism in order to enhance affordability (subject to DCD approval and availability of funds).

Site and Neighborhood Standards:

Proposed sites for potential HOME projects must meet the following site and neighborhood standards:

- Be adequate to accommodate the number and type of units proposed;
- Have sufficient utilities and streets to service the site;
- Be in full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, E.O. 11063;
- Promote greater choice of housing opportunities;
- Avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.
- Be accessible to social, recreational, educational, commercial, and health facilities and services,
- Be accessible to municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.
- Be so located to places of employment providing a range of jobs for lower-income workers.
- The neighborhood must not be one which is seriously detrimental to family life or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.

The site must not be located in an area of minority concentration, except as permitted below:

- Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration; or
- The project is necessary to meet overriding housing needs that cannot be met in that housing market area.

Please refer to 24 CFR 983.6 for more details regarding utilization of the exceptions listed above.

Site and neighborhood standards are part of any City underwriting analysis. A market analysis may be requested from the developer to provide justification for site selection and the need for HOME investment.

Program Policies & Requirements by Activity Type

Rental Housing Development:

The City of Providence Division of Housing & Community Development will provide *loans* to developers of affordable rental projects to assist with costs that are in excess of construction, permanent, and/or other subsidy financing and equity resources. The amount of funds invested in a rental housing project will always reflect the minimum amount of public subsidy necessary to achieve the maximum public benefit.

Before committing funds to a rental project, the City will evaluate the project and verify that the developer did not request or was not allocated any more HOME funds in combination with other governmental assistance than is necessary to provide the affordable housing.

Eligible Beneficiaries:

Eligible tenants must meet the following requirements:

FOR PROJECTS WITH LESS THAN 5 HOME UNITS:

- Renter households must be at or below 60% of area median income:

2019 Adjusted HOME Income Limits

AMI	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
60%	\$34,440	\$39,360	\$44,280	\$49,140	\$53,100	\$57,060	\$60,960	\$64,920

- Household must intend to reside in the unit as their principal residence;
- Household must not be an agent, consultant, officer, employee, and/or elected official of the City of Providence or a HOME recipient of funds (household may still be able to receive assistance IF a waiver is approved by HUD); &
- Household must meet all other requirements where applicable.

FOR PROJECTS WITH 5 OR MORE HOME UNITS:

- In rental projects with five or more HOME-assisted rental units, twenty (20) percent of the HOME-assisted units must be occupied by very low-income families as defined under 92.252. Household must be at or below the corresponding income limit based on the number of units in the HOME development, see below:

2019 Adjusted HOME Income Limits

Applicability	AMI	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
20% of HOME UNITS	50%	\$28,700	\$32,800	\$36,900	\$40,950	\$44,250	\$47,550	\$50,800	\$54,100
80% of HOME UNITS	60%	\$34,440	\$39,360	\$44,280	\$49,140	\$53,100	\$57,060	\$60,960	\$64,920

- Resident must intend to reside in the unit as their principal residence; Household must not be an agent, consultant, officer, employee, and/or elected official of the City of Providence or a HOME recipient of funds (household may still be able to receive assistance IF a waiver is received by HUD); &
- Household must meet all other requirements where applicable.

Deadlines for Completion and Rent-Up

Within **4 years of contract execution** rental projects must be complete, meaning 100% of HOME funds has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD (completion may occur after construction is completed, but before occupancy as long as beneficiary data is provided when the units are occupied).

The HOME-assisted units in a rental housing project must be occupied by households that are eligible as low-income families and must meet the requirements of this section to qualify as affordable housing. If eligible tenants do not occupy the housing within **six months** following the date of project completion, the Developer must submit marketing information and, if appropriate, amend its required marketing plan.

HOME funds invested in any housing unit that has not been rented to eligible tenants **18 months after the date of project completion** shall be **repaid** to the City of Providence and/or HUD. The affordability requirements also apply to the HOME-assisted non-owner-occupied units in single-family housing purchased with HOME funds in accordance with § 92.254. All tenants must have a written lease that complies with § 92.253.

Eligible Activities:

Activities allowed with the use of City funds are activities that support the development of affordable rental housing and address the needs identified in the Consolidated Plan. The activities may include but are not limited to:

- Acquisition of existing structure(s) for rehabilitation of affordable rental housing
- Rehabilitation of existing structure(s) of affordable rental housing
- New construction of affordable rental housing.

Eligible Types of Projects:

- 1-4 Single family unit homes
- Multi-family rental properties;
- Group Homes
- Transitional Housing & Single Room Occupancy Units
- Permanent Supportive Housing
- May be one or more buildings on a single site, but project must be assisted with HOME funds as a single undertaking;

Eligible Costs:

- Development hard cost for both new construction and rehabilitation
- Acquisition costs
- General management
- Related soft costs
 - Architectural, engineering or related professional services required:
 - Cost to provide information services such as affirmative marketing and fair housing information to prospective tenants as required by HUD
 - Operating cost directly related to carrying out the project, such as work specifications preparation, and loan processing inspections
 - Cost of environmental review and release of funds in accordance with **24 CFR Part 58** directly related to the project.

Prohibited Activities:

- Funds may NOT be used to pay for any cost that is not eligible costs under the HOME program (including 92.206 and 209), *like delinquent taxes, fees or charges on properties to be assisted.*
- Development of student housing and dormitories (including farm worker dormitories) is an ineligible activity.

Program Rules/Regulations:

Property Management Policies:

- The developer must use fair marketing practices when leasing HOME units. The City will review and approve the developer's marketing policy as part of the

application review and underwriting, and will incorporate the policy as part of the funding agreement.

- Developers/owners must distribute to residents and homebuyers:
 - All applicable HUD or Environmental Protection Agency (EPA) approved pamphlets;
 - “Renovate Right” Brochure (prior to any repairs that may disturb lead based paint in home built prior to 1978).
<http://epa.gov/lead/pubs/renovaterightbrochure.pdf>.
 - “Protect Your Family from Lead in Your Home”
 - “Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards” signed by renters prior to their becoming obligated under a rental contract
 - The City of Providence requires that developers/owners obtain evidence of tenant receipt of any pamphlet distributed. Owners may create their own receipt of disclosure.
- All HOME projects shall be in compliance with Fair Housing Act and Section 504 of the Rehabilitation Act of 1973.
- The owner cannot refuse to lease HOME-assisted units persons with a voucher for Section 8 Tenant-Based Assistance.
- The Developer must submit to the City of Providence for rents each year for HOME assisted units (during the period of affordability) for review and approval. Undue rent increases from year to year are prohibited.
- To ensure compliance with the affordability period, owners must establish systems to re-certify tenant income on an annual basis. Recertification documents will be monitored by the city.
- Tenants who no longer qualify as low-income families must pay as rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the family’s adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent governed by section 42. In addition, in projects in which the HOME units are designated as floating pursuant to paragraph (j), tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood.
- Any increase in rents for HOME-assisted units is subject to the provisions of outstanding leases, and in any event, the owner must provide tenants of those units not less than 30 days prior written notice before implementing any increase in rents.

- The lease between the tenant and the owner must be at least one year (12 months). Termination of the lease requires a 30 day notice of refusal to renew or termination of tenancy.
 - The lease must comply with all the lease requirements listed in the **Lease Requirements** section of this document
- Every unit assisted with HOME funds in subject to annually updated rent limits.
 - If the assisted unit has multiple subsidies, e.g. HOME and LIHTC the **more restrictive guidelines must be met** for the rent and income limits.
 - The tenant can at no time be charged more than HOME rent limits even in conjunction with another program.
 - The maximum HOME rent limits are recalculated on a periodic basis after HUD determines fair market rents and median incomes. Regardless of changes in fair market rents and in median income over time, the HOME rents for a project are not required to be lower than the HOME rent limits for the project in effect at the time of project commitment.
 - If a project has five or more HOME assisted units, the HOME regulation says that at least 20% of the HOME assisted rental units must be occupied by household at 50% of median income or below, and they must occupy units at or below the Low HOME Rent. (See chart below for rent limits)

2019 HOME Program Monthly Rent Limits

Applicability	Type	SRO	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
20% of HOME UNITS	Low HOME Rent	\$717	\$768	\$922	\$1,065	\$1,188	\$1,311	\$1,433
80% of HOME UNITS	High HOME Rent	\$786	\$889	\$1,060	\$1,328	\$1,488	\$1,622	\$1,758

- The Developer must submit to the City of Providence for rents each year for HOME assisted units (during the period of affordability) for review and approval. Undue rent increases from year to year are prohibited.
- The rent limit includes both rent and a utility allowance. To calculate the monthly utility allowances, use the chart below.
- For LIHTC projects, tax credit utility allowances are permitted. Again, the more restrictive rent limit applies.
- Add together the applicable allowances by unit size (number of bedrooms) and the utilities offered onsite.

HOME Program Utility Allowances

Utility schedules for projects not governed by LIHTC or Public Housing utility schedules are calculated by the City using HUD-accepted methodology for the applicable project. Please contact the City to determine appropriate Utility Allowance on your project.

Rental Project Fiscal Requirements:

- The owner may be requested to submit annual performance reports to the City of Providence for review (in a similar format to the pro-forma) as part of ongoing monitoring of rental projects. If problems are identified, the City of Providence may offer technical assistance and/or request additional documentation and corrective actions.
- For rental projects with 10 or more units financial statements prepared by an independent CPA (in the form of either a formal annual audit or CPA-compiled review) must be annually submitted to the City of Providence for review.
- All costs must be in direct relation to the City's HOME assisted unit and supporting documentation of all expenditures is required for all costs being paid for with HOME funding. *Requisitions will not be processed without adequate supporting documentation.*
- With the exception of acquisition and financing costs, HOME funds are available as reimbursement for eligible expenses.
- Related soft costs must be necessary for the development of the City HOME units, and documentation must be provided for any cost reimbursement.
- Costs requisitioned must be pre-approved and align with the Budget included as an Appendix to the City HOME Agreement. Any budget changes and change orders must be pre-approved by the City before any reimbursement is requested.
- Funding will be limited to the amount necessary to facilitate completion of the project and will not exceed a proportionate share of costs in a project with floating units.
- An agreement will be signed between the City and the recipient, which will satisfy Federal requirements and establishes the terms under which the funding is being provided. Funds will not be released until a funding agreement is executed and all applicable regulations have been met (i.e. environmental).
- All Agreements will be accompanied by a purchase order.
- The City will determine the number of HOME units based on the funding award. The City will allow the developer to determine if the assisted units are "**fixed**" or "**floating**"; however, this must be determined prior to underwriting and contracting.

- A “**fixed**” unit is when the owner applies funding requirements to specific units throughout the affordability period.
- A “**floating**” unit is when the units designated as HOME assisted may change over the term of affordability, as long as the number of HOME assisted unit in the project remains constant.
- Whatever decision the developer makes, there always has to be the required amount of designated HOME units in the projects.
- If floating, the developer will be required to track which units are HOME-designated and provide to the City no less than annually as part of ongoing project monitoring.

Property Standards:

- All properties constructed or rehabilitated with City HOME funds will meet minimum local codes and standards once construction is completed and occupied.
- All projects will be designed and constructed in compliance with the City of Providence Construction Standards.
- Monitoring visits will be conducted by the City to ensure property and construction standards are being met before, during, and after construction, and throughout the period of affordability (rental).
- All HOME assisted units must remain free of property maintenance and sanitary code deficiencies, and routine inspections are expected to be performed by the owner (until the affordability period ends).
- In addition to the annual inspections performed by the owner, *the City of Providence will perform a UPCS Inspection upon completion of the project, and every three years thereafter (until the affordability period ends).*
- UPCS inspections may be done as samples, as described below:

Units	Inspection Sample Size
1-4 HOME Assisted Units	100% of HOME Units must be inspected.
5+ HOME Assisted Units	51% of HOME Units or 4 Units (whichever is greater). <i>The City of Providence may also approve a different statistically valid sample size upon written request.</i>

- **Accessibility.** The housing must meet the accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601–3619).

- All new construction housing developments with 5 or more units must design and construct 5 percent of the dwelling units, or at least one unit, whichever is greater, to be accessible for persons with mobility disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.
- All renovations of existing structures with 15 or more units (where the cost of the alterations is 75 percent or more of the replacement cost of the completed facility) must have 5 percent of the dwelling units to be accessible for persons with mobility disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.
- Regardless of project size, all multifamily housing projects shall, to the maximum extent feasible, be made to be readily accessible to and usable by individuals with handicaps.
- In projects with less than 15 units, HOME recipients are not required to take any action would result in a fundamental alteration in the nature of its program or activity or in undue financial and administrative burdens.
- Construction progress inspections. The City shall conduct progress and final inspections of construction to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents.
- Requisitions for payment will be processed after the City has conducted an inspection to ensure work invoiced is in-place.

Homeownership Housing Development:

The City of Providence Division of Housing & Community Development may provide HOME assistance to developers of affordable homeownership projects to assist with costs that are in excess of construction, permanent, and/or other subsidy financing and equity resources. The amount of funds invested in a rental housing project will always reflect the minimum amount of public subsidy necessary to achieve the maximum public benefit.

Before committing funds to a housing project, the City will evaluate the project and verify that the developer did not request or was not allocated any more HOME funds in combination with other governmental assistance than is necessary to provide the affordable housing.

Eligible Beneficiaries:

Eligible homebuyers must meet the following requirements:

- Household must be qualified under the Part 5 Income Definition to be at or below 80% of area median income (**at time of purchase**):

2019 Adjusted HOME Income Limits

AMI	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
80%	\$45,850	\$52,400	\$58,950	\$65,500	\$70,750	\$76,000	\$81,250	\$86,500

- Household must reside in or be relocating to the City of Providence;
- Household must not be an agent, consultant, officer, employee, and/or elected official of the City of Providence or a HOME recipient of funds (household may still be able to receive assistance IF a waiver is approved by HUD);
- Household will ultimately use the dwelling unit as their principal residence;
- Household will ultimately legally own the dwelling unit/property (as evidenced through a fee simple title, 99 year leasehold interest, or other ownership type approved under HOME regulations); &
- Household must meet all other requirements where applicable.

Eligible Activities:

Activities allowed with the use of City funds are activities that support the development of affordable housing and address the needs identified in the Consolidated Plan. The activities may include but are not limited to:

- Acquisition of existing structure(s) for rehabilitation of affordable homeownership housing
- Rehabilitation of existing structure(s) of affordable homeownership housing
- New construction of affordable homeownership housing

Eligible Types of Projects:

- 1-4 single family unit homes
- Condominiums/Cooperatives
- Permanent Supportive Housing

Eligible Costs:

- Development hard cost for both new construction and rehabilitation
- Acquisition costs
- General management
- Related soft costs
 - Architectural, engineering or related professional services required:
 - Cost to provide information services such as affirmative marketing and fair housing information to prospective tenants as required by HUD
 - Operating cost directly related to carrying out the project, such as work specifications preparation, and loan processing inspections
 - Cost of environmental review and release of funds in accordance with 24 CFR Part 58 directly related to the project

Prohibited Activities:

- Funds may NOT be used to pay for any cost that is not eligible under the HOME program at 92.206 and 209, including *delinquent taxes, fees or charges on properties to be assisted*.
- Development of homeownership units where there is not a considerable market study illustrating demand for homeownership housing will not be supported with HOME funds.

Deadlines and Conversion of Units to Rental

All projects must be **fully complete** with units sold within **4 years of the commitment** of HOME funds. In addition, any unit not sold within **9 months** of the completion of construction **must be converted to rental and meet all of the requirements for HOME rental housing**. HOME funds provided for any such unit that is not rented within 18 months of conversion must be repaid to the City.

Program Rules/Regulations:

Property Management Policies:

- The developer must use fair housing marketing practices when selling HOME units, as required by the Fair Housing Act (4.2 U.S.C. 3601-29). The City will

review and approve the developer's marketing policy as part of the application review and it will incorporate the policy as part of the funding agreement.

- 100 percent of HOME funds must be invested in dwelling units that are occupied by households that qualify as low-income families (80% AMI and below).
- If HOME funds are used to develop one or more rental units along with the homeownership unit, the HOME affordability requirements apply to all HOME-assisted units.
- If HOME funds are used for downpayment and closing cost assistance only, the costs for that downpayment assistance may be attributed to only the homeownership unit, and the rental unit may remain market rate.
- All HOME projects shall be in compliance with Fair Housing Act and Section 504 of the Rehabilitation Act of 1973.
- The ownership interest may be subject only to the following:
 - Mortgages, deeds of trust or other debt instruments approved by the City of Providence; or
 - Any other encumbrances or restrictions that do not impair the marketability of the ownership interest, other than the HOME Program restrictions on resale.

Fiscal Policies:

- All cost must be in direct relation to the City's HOME assisted unit and supporting documentation of all expenditures is required for all costs being paid for with HOME funding.
- With the exception of acquisition and financing costs, HOME funds are available as reimbursement for eligible expenses.
- Related soft costs must be necessary for the development of the City HOME units, and documentation must be provided for any cost reimbursement.
- Funding will be limited to the amount necessary to facilitate completion of the project and will not exceed a proportionate share of costs in a project with multiple units. All projects will be underwritten according to the City of Providence HOME Underwriting Guidelines. Individual homebuyers must also be underwritten per the guidelines.
- Before monies are released, an agreement will be signed between the City and the recipient. The agreement will satisfy Federal requirements and establishes the terms under which the funding is being provided. Funds will not be released until a funding agreement is executed and all applicable regulations have been met (e.g. environmental review requirements).

- Term of Affordability:

- The city will provide gap financing in the form of a deferred loan or grant to affordable housing projects. Funding agreements will define the term of affordability according to the Federal regulations (**see chart below**).

HOME Investment per Unit	Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years

- Affordability requirements shall be recorded on the property through:
 - A deed restriction or covenant running with the land; and
 - Loan documents.

** Loan default and subsequent foreclosure negates the principal residence limitation, but not the affordability restrictions.*
- All homeowners must be provided HUD-certified homebuyer counseling prior to purchase.
- All units must be sold at or below the HUD HOME Homeownership Value Limits (95% of the median purchase price for the area for the specified housing type) or at a price that is determined to be affordable for a household earning at or below 80% of area median income
- Privately-owned or developed homes purchased with downpayment or closing cost assistance must also fall below HUD Homeownership Value Limits.
- See chart below:

2019 HOME Unit Sale Limits (Updated Annually)

Project Type	1-Unit	2-unit	3-unit	4-unit
Rehab or Existing HOME Purchase Price Limit	\$220,000	\$282,000	\$342,000	\$423,000
New Construction or Purchase of Standard Housing HOME Purchase Price Limit	\$295,000	\$378,000	\$458,000	\$567,000

Unit prices may vary (underneath this limit) based on neighborhood trends, target buyers, and project underwriting.

- The sale of a property and any assistance to a homebuyer require that the buyer be underwritten according to the City’s HOME Project Underwriting Guidelines

for Homebuyers (see Appendix). 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 qualification of subsequent buyers will be governed by the HOME covenant and land use restriction on the property.

- **Change in Ownership:**
 - If the housing does not continue to be the principal residence of the family for the duration of the period of affordability, that housing must be made available for subsequent purchase only to a buyer whose family qualifies as a low-income family and will use the property as its principal residence, or subject to recapture (in cases of downpayment assistance only).
 - The price at resale must provide the original HOME-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of low-income homebuyers. Fair return and subsequent affordability shall be as defined in the City's Action Plan the year the project is funded and in the agreements and covenants executed on the property.

Property Standards:

- All properties constructed or rehabilitated with City HOME funds will meet the minimum local codes and standards once construction is completed and occupied.
- All projects will be designed and constructed in compliance with the City of Providence Construction Standards.
- Monitoring visits will be conducted by the City to ensure property and construction standards are being met before, during, and after construction.
- Monitoring visits will be conducted by the City to ensure property and construction standards are being met before, during, and after construction.
- Prior to occupancy or resale, the City shall conduct a Uniform Physical Conditions Standard inspection. No transfer shall be authorized by the City until a property passes UPCS inspection. Projects that fail UPCS shall be informed of the deficiencies to be corrected and the protocol to request a new inspection once remedied.
- All new construction housing developments with 5 or more units must design and construct 5 percent of the dwelling units, or at least one unit, whichever is greater, to be accessible for persons with mobility disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.

- All renovations of existing structures with 15 or more units (where the cost of the alterations is 75 percent or more of the replacement cost of the completed facility) must have 5 percent of the dwelling units to be accessible for persons with mobility disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.
- Regardless of project size, all multifamily housing projects shall, to the maximum extent feasible, be made to be readily accessible to and usable by individuals with handicaps.
- In projects with less than 15 units, HOME recipients are not required to take any action would result in a fundamental alteration in the nature of its program or activity or in undue financial and administrative burdens.

Overarching Program Regulations and Requirements

Recordkeeping

The City of Providence, HUD, the Comptroller General of the United States or any of their authorized representatives, has the right to access the Project and any books, documents, papers or other records of a HOME-assisted unit.

Developers/owners shall maintain all books and records pertaining to HOME assisted units with the provisions of 24 CFR §92.508 for a period of not less than five (5) years after the affordability period ends and all matters pertaining to the project (e.g., audit, disputes or litigation) are resolved under applicable federal or state laws, regulations or policies.

Developers/Owners shall maintain records for inspection by the City. The developer/owner will make any additional records requested available to the City of Providence upon request.

The City of Providence shall maintain all records in the local HOME project file as described in the project File Checklist (see template(s) below). The local HOME project file shall be routinely maintained by the assigned Senior Compliance Officer.

For its Downpayment and Closing Cost Assistance Program, the City has monitored and accepted its subrecipient's documentation and recordkeeping. Periodic monitoring will be conducted to ensure adherence to recordkeeping standards.

HOME RENTAL PROGRAMS

Project File Checklist

1. Name of project _____
2. Project Address _____
3. Developer _____
4. Type of project (circle one) rental- acquisition/rehab/resale, Or rental new construction
5. # of HOME units _____ Total # of units in project _____
6. HOME funds awarded \$ _____
7. Status of project and the file _____

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
Developer Documentation				
1) Application and Proforma				
2) Project Narrative (Including description of development team experience)				
3) Evidence of Site Control				
4) Rhode Island Housing Application (if project includes tax credits (LIHTCs))				
5) Appraisal ("As is" value for all properties – "as built" value also required unless another lender provides first mortgage financing)				
6) Market Study				
7) Evidence of Zoning (Building permit or letter from local zoning administrator)				
8) If non-City regulatory agreements will be in place, the required documentation				
9) Commitments for non-HOME funds				
10) If any existing building was completed prior to 01-01-1978, additional submission requirements re: lead based paint				
11) Relocation Plan, including: a) Current tenant profile b) Current rent and utility schedule				

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
c) Relocation process and budget				
12) Preliminary plans and specifications				
13) Statement re: Demolition				
14) Energy Efficiency and Sustainability plan				
15) Affirmative marketing plan				
16) Tenant Selection plan				
17) Minority and Women’s Business Enterprise Outreach/Participation plan				
18) Organizational documents / ownership structure				
19) Plan for Special Needs Services for residents (if applicable; otherwise note N/A)				
20) Audited corporate or partnership financial statements				
Underwriting Requirement Considerations				
21) Subsidy Layering Analysis (if more than one source of public funds in project financing)				
22) For mixed income properties: evidence of “cost allocation” to determine HOME-assisted units.				
23) Maximum subsidy per unit limit 221(d)(3)				
24) Rent loss (assume 7.0%)				
25) Initial Debt Service Coverage Ratio				
26) Inflation 2.0% for revenues and 3.0% for expenses				
27) First mortgage business terms must agree with the commitment loan commitment				
28) Developer fee				
29) Good Faith Estimate and Budget				
30) Cost reasonableness review				
31) Architectural Drawings (renderings)				
32) Section 504 determination & applicability				

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
33) HOME Developer Agreement a) # of HOME units identified and designated as Low (50%) or High (80%) by bedroom size b) Fixed/Floating designated				
34) City Award Letter				
35) IDIS Set-up				
Property/Acquisition				
36) Environmental review record/clearance				
37) Purchase contract				
38) Appraisal (within 60 days of final offer)				
39) Notice to Owner - URA				
40) General Information Notice - URA				
41) Tenant relocation notices/documents (if applicable)				
Closing/settlement statement				
42) Confirm purchase price (equal to or less than) Current Market Appraised Value				
43) Flood Insurance Certificate (if appl.)				
44) Letter of instruction (if City not present at closing)				
45) City attended closing (provide name of staff in Notes column)				
46) Recorded legal documents with affordability requirements (land use restriction covenants, mortgage & note)				
Inspection/Work Scope				
47) Initial inspection				
48) Property standards inspection				
49) Lead Based Paint Risk Assessment (if pre-1978)				
50) Notice of Evaluation/Presumption of LBP				
51) Asbestos abatement report				
52) Work write up and cost estimate				

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
Construction/Rehabilitation (if applicable)				
53) Letter of plan approval from municipality				
54) Davis Bacon (12 or more total units)				
55) Section 504 included in work write up				
56) Contractor bid documents				
57) Contractor eligibility (debarment check)				
58) Procurement review documents				
59) Certification of efforts/bid tabulations				
60) Notice to contractors				
61) Bid tabulation sheet				
62) Construction/rehabilitation contract				
63) Pre-construction conference report				
64) Municipal permits				
65) Notice to proceed				
66) Progress payment documentation a) Invoice from contractor b) Lien waiver from contractor c) Inspection conducted by City d) Check issuance date				
67) Change orders (if applicable)				
68) LBP clearance report (if applicable)				
69) Notice of Lead Hazard Reduction Activities (if applicable)				
70) Abatement report (if applicable)				
71) Final inspection report				
72) Final invoice from contractor				
73) Waiver of liens from general contractor, subcontractors, and suppliers				
74) Warranties (if applicable)				

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
75) Receipt of final payment form				
76) Notice of occupancy				
Project Financial Records				
77) Project pro forma				
78) IDIS set-up				
79) City of Providence Purchase Order				
80) Cost eligibility/reasonableness review				
81) HOME disbursement records				
82) IDIS Project Completion Form				
Initial Occupancy				
83) Rents provided to owner				
84) Utility allowances provided to owner				
85) Income guide provided to owner				
86) Income calculation sheet provided to owner				
87) Lease				
88) LBP Pamphlet (Protect Your Family from Lead)				
89) Income certification & verification				
90) Lead-Based Paint disclosures to tenants (if appl.)				
91) Source documentation collected				
92) Initial Occupancy Compliance form				

HOMEBUYER DEVELOPMENT PROJECT

Project File Checklist

1. Name of project _____ 1b. IDIS# _____
2. Project Address _____ 2b. Address of unit/house _____
3. Developer _____
4. Type of project (circle one) acquisition/rehab/resale Or HB down-payment assistance, Or HB new construction
5. # of HOME units _____ Total # of units in project _____
6. HOME funds awarded \$ _____
7. Status of project and the file _____

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
Developer Documentation (if applicable)				
1) Developer application				
2) Good Faith Estimate and Budget				
3) Architectural Drawings (renderings)				
4) Cost reasonableness review				
5) HOME Developer Agreement				
6) Mortgage (developer loan)				
7) Promissory Note (developer loan)				
8) Land Use Restriction Covenant (developer)				
9) Project abstract				
10) Award letter				
93) IDIS Set-up				
11) City of Providence Purchase Order				
Property/Acquisition				
12) Environmental review record/clearance				
13) Purchase contract				
14) Appraisal				
15) "Notice to Owner" of Voluntary Acquisition				
16) Tenant relocation notices/documents (if applicable)				

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
Closing/settlement statement				
17) Confirm purchase price - Current Market Appraised Value				
18) Letter of instruction (if City not present at closing)				
19) City attended closing (provide name of staff in Notes column)				
20) Closing (Settlement) Statement				
21) Copy of Title Report				
Inspection/Work Scope				
22) Initial inspection				
23) Property standards inspection				
24) Lead Based Paint Risk assessment (if pre-1978)				
25) Notice of Evaluation/Presumption of LBP (if applicable)				
26) Asbestos abatement report (only if demo)				
27) Work write up and cost estimate				
Construction/Rehabilitation (if applicable)				
28) Letter of approval from municipality (only for new construction)				
29) Davis Bacon (12 or more total units) – Labor standards certification				
30) Contractor bid documents				
31) Contractor eligibility (debarment check)				
32) Procurement review documents				
33) Certification of subrecipient efforts/bid tabulations				
34) Notice to contractors				
35) Publication of notice				
36) Construction/rehabilitation contract				
37) Pre-construction conference report				

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
38) Municipal permits				
39) Notice to proceed				
40) Progress payment documentation Invoice from contractor Lien waiver from contractor Inspection conducted by City Check issuance date				
41) Change orders (if applicable)				
42) LBP clearance report (if applicable)				
43) Notice of Lead Hazard Reduction Activities (if applicable)				
44) Abatement report (if applicable)				
45) Final inspection report				
46) Final invoice from contractor				
47) Waiver of liens from general contractor, subcontractors, and suppliers				
48) Warranties (if applicable)				
49) Receipt of final payment form				
50) Notice of occupancy				
Sale to Homebuyer				
51) Program application - homebuyer				
52) LBP Pamphlet (Protect Your Family from Lead)				
53) Income certification & verification				
54) Buyer counseling training certificate				
55) Sale price review-maximum property value not exceed 203(b) limit - (appraisal) (print-out)				
56) Maximum subsidy per unit limit 221(d)(3)				
57) Purchase contract				
58) Signed written agreement with resale or recapture provisions				
59) Purchase agreement addendum				
60) Lead-Based Paint disclosures (if appl.)				

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	NOTES
61) Commitment letter				
94) Buyer underwriting on file & reviewed a) Front End Ratio ____ 33% ____ b) Back End Ratio ____ 43% ____				
62) Recorded legal documents with affordability requirements (land use restriction covenant, mortgage & note)				
63) Lease Agreement (2 – 4 family unit)				
64) Flood Insurance Certificate (if appl.)				

Environmental Review

The environmental effects of each activity carried out with HOME funds must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and the related authorities listed in HUD's implementing regulations at 24 CFR Parts 50 and 58.

The National Environmental Policy Act (NEPA) and "other federal laws and authorities" require that an environmental review be conducted for all federally assisted actions (except those exempted under 24 CFR Part 58). The reviews should be viewed as a planning tool used by the City and its partners to determine (1) whether its proposed actions will have an impact on the environment, or (2) whether the environment will have an impact on the proposed action.

Completion of the environmental review process is mandatory before taking a physical action on a site, or making a commitment or expenditure of HOME or non-federal funds for property acquisition, rehabilitation, conversion, lease, repair or construction activities. ("Non-HUD funds" means any other federal, state, local, private, or other funds.) Completion of the environmental review process includes:

- Completion of the appropriate level of environmental review,
- Publication or posting of required public notices, when applicable,
- Submission of a Request for Release of Funds and Certification (HUD-7015.15) to HUD, when applicable, and
- Approval of the request for release of funds and related certification by HUD, when applicable (HUD form 7015.16 – Authority to Use Grant Funds)..

Further, the City may not commit HOME funds until HUD has approved the Request for Release of Funds and related certification (RROF) unless the activity has been determined exempt in accordance with 24 CFR §58.34 and §58.35(b).

The City will take the necessary steps to assure that its partners refrain from undertaking any activities that would have an adverse environmental impact or limit the choice of reasonable alternatives until HUD has issued an approval of the Request for Release of Funds and Certification for the project, where applicable.

As the Responsible Entity and environmental preparer, the City will determine the appropriate level of review, ensure that the review is completed in accordance with the related laws and authorities, and obtain any further clearance that may be required by HUD as the review authority under 24 CFR Part 58.

The appropriate level of environmental review depends on the classification of the activity or project. The City is expected to aggregate activities when determining the classification:

- Exempt Activities found at 24 CFR 58.34, and Categorically Excluded Activities Not Subject to 24 CFR 58.35(b), for which the suggested format is provided at: <http://portal.hud.gov/hudportal/documents/huddoc?id=excludednotsubject.doc>
- Categorically Excluded Activities Subject to 58.35(a), for which the suggested format is provided at: <http://portal.hud.gov/hudportal/documents/huddoc?id=exclusionsuggestedformat.doc>
- All other activities not listed in these sections are subject to requirements found at 24 CFR 58.36 for an Environmental Assessment and the suggested Format for an Environmental Assessment (EA) can guide the preparer through the process: <http://portal.hud.gov/hudportal/documents/huddoc?id=nepa.doc>
- In rare instances where the complexity of the project exceeds the scope of an EA, an Environmental Impact Statement may be required according to 24 CFR 58.37.

Any funds committed to a HOME activity or project will be conditional on the completion of the environmental review and approval of the request for release of funds and related certification, except as authorized by 24 CFR Part 58. No HOME funds will be disbursed without the establishment of an Environmental Review Record in the HUD Environmental Review Online System (HEROS), the appropriate level of Review completed, and receipt of the Authority to Use Grant Funds (AUGF) from HUD (if required). In some instances, architectural, engineering, or related professional services [“pre-development costs” as allowed in 92.206(d) (1)] may be required to prepare plans, drawings, and specifications necessary in order to achieve environmental clearance for the larger development project under 24 CFR Part 58.. In such cases, the developer must seek written authorization from the City to incur these pre-development costs, and the City must document that these costs are considered “exempt” under 24 CFR Part 58 in the project’s Environmental Review Record.

Lead Based Paint Hazards

The HOME Program requires owners/developers to take actions to reduce lead-based paint hazards in HOME-assisted units. Owners must comply with 24 CFR 35, the regulations implementing the Lead-Based Paint Poisoning Prevention Act along with requirements for dealing with lead-based paint found in the Uniform Physical Condition Standards (UPCS). Current Part 35 requirements stipulate that all occupants receive and acknowledge notice of the possible presence of lead paint.

Level of Assistance in Property	Hazard Reduction Requirements	Summary of Requirements
Acquisition, Leasing, Support Services, or Operation	Paint stabilization	Provision of pamphlet Visual assessment Paint stabilization Notice to occupants Ongoing LBP maintenance
Assistance of more than \$5,000 per unit up to and including \$25,000 per unit	Interim controls.	<p><i>Interim controls</i> means a set of measures designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards.</p> <p>Once work is completed a passing a RI Department of Health Lead Safe Certificate must be realized for the exterior, common spaces, and all assisted units.</p> <p>Interim controls include, but are not limited to, repairs, painting, temporary containment, specialized cleaning, clearance, ongoing lead-based paint maintenance activities, and the establishment and operation of management and resident education programs.</p>
Assistance of more than \$25,000 per unit	Abatement of lead-based paint hazards.	<p><i>Abatement</i> means any set of measures designed to permanently eliminate lead-based paint or lead-based paint hazards (see definition of “permanent”) on the exterior, common spaces, and all assisted units.</p> <p>Once work is completed a passing RI Dept of Health Lead Safe Certificate or Lead Free Certificate must be realized for the exterior, common spaces, and all assisted units.[A Lead Safe Certificate will only be accepted for rehabbed properties where full and complete removal of all lead-painted components is documented to not be structurally possible. A Lead Free Certificate must be accompanied by supporting documentation that abatement methods were followed. In all other instances, a Lead Free Certificate is mandated.]</p>

		<p>Abatement includes:</p> <p>(1) The removal of lead-based paint and dust-lead hazards, the permanent enclosure or encapsulation of lead-based paint, the replacement of components or fixtures painted with lead-based paint, and the removal or permanent covering of soil-lead hazards; and</p> <p>(2) All preparation, cleanup, disposal, and post abatement clearance testing activities associated with such measures.</p>
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The Lead-Based Paint Poisoning Prevention Act applies to all units in a property assisted with HOME funds. During the compliance review, staff will monitor to ensure that the owner has conducted all necessary activities and maintained appropriate documentation in their files.

Owners/developers must be in compliance with 24CFR 35 and Sections 302 and 401 (b) of the Lead-Based Paint Poisoning Prevention Act. This subpart implements the provisions of 42 U.S.C. 4852d, which impose requirements on the sale or lease of housing. The seller or lessor of housing shall:

- Disclose to the purchaser or lessee the presence of any known lead-based paint and/or lead-based paint hazards;
- Provide available records and reports;
- Provide the purchaser or lessee with a lead hazard information pamphlet;
- Give purchasers a 10-day opportunity to conduct a risk assessment or inspection; and
- Attach specific disclosure and warning language to the sales or leasing contract before the purchaser or lessee is obligated under a contract to purchase or lease target housing.

In addition, any disturbance of a painted surface on housing constructed prior to 1978 requires additional testing, notices and remediation as specified by 24 CFR 35.

Lease Requirements

The lease between a tenant and an owner of rental housing assisted with HOME funds must be for not less than one year, unless by mutual agreement between the tenant and the owner.

Prohibited lease terms. The lease may not contain any of the following provisions:

- *Agreement to be sued.* 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;
- *Treatment of property.* 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. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law;
- *Excusing owner from responsibility.* 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;
- *Waiver of notice.* Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;
- *Waiver of legal proceedings.* 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;
- *Waiver of a jury trial.* Agreement by the tenant to waive any right to a trial by jury;
- *Waiver of right to appeal court decision.* 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
- *Tenant chargeable with cost of legal actions regardless of outcome.* Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- *Termination of tenancy.* An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing; or for other good cause. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

Davis Bacon Act & Related Acts:

Any contract for the construction of affordable housing with **12 or more units** will require that all laborers and mechanics who are employed to perform work on any project, or any contractor or construction work which is financed, in whole or in part, with assistance which is received under the Housing and Community Development Act of 1974 shall be paid wages at rates which are not less than those that prevail in the locality for similar construction and shall receive overtime compensation in accordance with the Contract Work Hours and Safety Standards Act.

The contractor and its subcontractors shall also comply with all applicable Federal laws and regulations, which pertain to labor standards, including the minimum wage law. Developers of projects where Davis Bacon applies shall contact the Community Development Division prior to bidding to obtain the current, applicable wage rate.

Further, recipients of HOME funds shall:

- Not discriminate against any employee or applicant for employment on the basis of religion and not limit employment or give preference in employment to persons on the basis of religion; and
- Not discriminate against any person applying for such public services on the basis of religion and not limit such services or give preference to persons on the basis of religion; and

Uniform Relocation Assistance

All owners/developers shall be in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601 et seq.), in accordance with the following objectives:

- To ensure that owners of real property to be acquired for Federal and federally-assisted projects are treated fairly and consistently, to encourage and expedite acquisition by agreements with such owners, to minimize litigation and relieve congestion in the courts, and to promote public confidence in Federal and federally-assisted land acquisition programs;
- To ensure that persons displaced as a direct result of Federal or federally assisted projects are treated fairly, consistently, and equitably so that such persons will not suffer disproportionate injuries as a result of projects designed for the benefit of the public as a whole; and
- To ensure that Agencies implement these regulations in a manner that is efficient and cost effective.

Owners/developers can familiarize themselves with expectations and requirements (including sample notices) for Relocation by reviewing HUD resources at:

https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/13780

Program Income, HOME Receipts, & Other Proceeds

Income or proceeds may be generated as a result of investment of HOME funds, and must be treated in accordance with HOME regulations.

Program income is the income received by a grantee directly generated from the use of HOME funds (or HOME Program Income funds). Program income can come from the following:

- Proceeds from the sale or long-term lease of real property acquired, rehabilitated or constructed with HOME funds;
 - In some instances, retention of proceeds may be permitted by the City based on a calculation of federal vs. non-federal investment. Consent is provided on a per-project basis, and expressly noted in the written agreement.
- Income from the use or rental of real property owned by grantee that was acquired, rehabilitated or constructed with HOME funds, minus the costs incidental to generating that income;
- Payments of principal and interest on loans made with HOME;
- Proceeds from the sale of loans or obligations secured by loans made with HOME;
- Interest on program income; and
- Any other interest or return on the investment of HOME.

Program income is not:

- Tenant payments for renting housing units in a HOME-assisted rental property;
- Proceeds generated from a Community Housing Development Organization (CHDO) project (income generated from a project designated by the City as a CHDO set-aside project is called CHDO proceeds); or
- Funds recaptured as a result of a homebuyer property being sold within the HUD-imposed affordability period.

Use of Program Income

All HOME program income must be used in accordance with the HOME program rules. Program income never loses its identity as federal funds regardless of the number of times it is reinvested in projects.

All HOME program income must be returned to the City, unless the City expressly authorizes the CHDO to retain program income as CHDO Proceeds. The City will require a settlement statement (closing statement) be provided upon the sale of any HOME-assisted property to determine if program income is being generated that is subject to remittance to the HOME Local Account.

HOME program income must be expended by the City before the City can draw down additional HOME funds. However, the transition to grant-based accounting with the FY 2015 funding changes the treatment.

- For pre-2015 HOME grants, the City does not need to manually fund IDIS activities with program income in order to create a program income draw. If program income funds were drawn first, IDIS would automatically adjust the activity's funding to increase the amount of program income committed to the activity and reduce the amount of HOME Treasury funds committed by an equal amount.
- Beginning with 2015 HOME grants, the City will now need to manually fund HOME activities with program income in the Grant- specific funding layer. The same program income funds committed to an activity must be disbursed for that activity. This rule is true for all funds in the City's local account.

CHDO (Community Housing Development Organization) Proceeds

CHDO proceeds are the net proceeds of transactions involving CHDO set-aside funds. The City may require the funds to be returned as Program Income, or allow the CHDO to keep the funds and reuse them for HOME or other low income housing activities.

Proceeds might result from the following CHDO set-aside activities:

- The permanent financing of a CHDO project which is used to pay off a CHDO financed construction loan.
- The sale of CHDO-sponsored rental housing to a second non-profit.
- The sale of CHDO-developed homeownership housing to eligible buyers.
- The principal and interest from a loan to a buyer of CHDO developed homeownership housing.

HOME funds that are recovered (either through recapture or repayment) when HOME assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full HUD-imposed affordability period are not CHDO Proceeds. Also, rental income, which is generated from a CHDO-owned project, does not constitute project proceeds.

All CHDO proceeds must be returned to the City unless the City has specifically authorized retention by the CHDO in the HOME Written Agreement, and has approved the reuse of funds.

Recaptured Funds

Recaptured funds are HOME funds recouped by the City when HOME-assisted homeownership housing does not continue to be the principal residence of the assisted homebuyer for the full HUD-required affordability period. The amount of the recapture is determined by the City's recapture requirements contained within this Policies & Procedures Manual.

Recaptured funds must be used in accordance with the HOME program rules, and must be expended by the grantee before drawing down additional HOME funds.

In addition, the City and its grantees must track and report program income and recaptured funds separately. Recaptured funds can be used like program income with the exception that they may not be used for any administrative costs since they represent a return of the original HOME investment.

Projecting Program Income & Recaptured Funds

Because PI needs to be expended before new HOME funds can be drawn, it is important to (1) project the PI anticipated to be collected during a Program Year and (2) identify a pipeline of projects to fully utilize HOME allocations and available program income in a timely manner. The City budgets for anticipated recaptured funds and PI during its Annual Action Plan process.

Conflict of Interest

No person who is an employee, agent, consultant, officer, or elected official or appointed official of the City of Providence or recipient which are receiving HOME funds 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 benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

Construction Standards

Housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. Housing must conform to any design plans and specifications provided as part of a developer or owner application and approved by the City of Providence Division of Housing & Community Development and Department of Inspections & Standards.

Newly-constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

All other HOME-assisted housing (e.g., acquisition, rehabilitation) must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 92.251 and 5.705.

All new construction or rehabilitation activities must be appropriately permitted by the City of Providence Department of Inspections and Standards. All required building and other permits, as well as zoning approvals, must be issued and approved by DIS officials before the commencement of the project, and final sign-offs provided to the City at completion of the project. Failure to comply may result in a stop-work order, denial of HOME assistance, or both.

All HOME-assisted housing must comply with the applicable Lead Safe Housing Rule standard. See Lead Based Paint Hazards section.

The housing must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619).

Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing.

An owner of rental housing assisted with HOME funds must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 5.705.

The following requirements apply to housing for homeownership that is to be rehabilitated after transfer of the ownership interest:

Before the transfer of the homeownership interest, the City of Providence will:

- Inspect the housing for any defects that pose a danger to health; and
- Notify the prospective purchaser of the work needed to cure the defects and the time by which defects must be cured and applicable property standards met.

The housing must be free from all noted health and safety defects before occupancy

and not later than 6 months after the transfer. The housing must meet the property standards in paragraph (a) (1) of this section not later than 2 years after transfer of the ownership interest.

Fair Housing:

Recipients of HOME funds are held to Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4), the Fair Housing Act (42 U.S.C. 3601 et seq.), E.O. 11063 20Title VI of the Civil Rights Act of 1964, P. L. 88-352 and the regulations of HUD with respect thereto, including 24 CFR, Parts 1.

HOME recipients are prohibited from discriminating on the basis of:

- Race
- Color
- Religion
- National origin
- Disability Status (Including prior Alcohol & Illegal Substance Addictions)
- Familial status
- Ethnicity
- Gender
- Gender Identity
- Language(s) Spoken
- Literacy
- Sexual Orientation
- Veteran Status

Discrimination is prohibited in the assistance, tenant selection, sale, rental, and financing of dwellings. It is also prohibited in program administration and any enforcement mechanisms.

No person in the United States shall on the ground of race, color, national origin (or any of the other items listed above) be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funding and/or assistance. Assistance includes:

- Grants and loans of Federal funds,
- The grant or donation of Federal property and interests in property,
- The detail of Federal personnel,
- The sale and lease of, and the permission to use (on other than a casual or transient basis), Federal property or any interest in such property without consideration or at a nominal consideration, or at a consideration which is reduced for the purpose of assisting the recipient, or in recognition of the public interest to be served by such sale or lease to the recipient, and
- Any Federal agreement, arrangement, or other contract which has as one of its purposes the provision of assistance.

<https://www.providenceri.gov/planning/fair-housing-equal-opportunity-programs/>

Affirmative Marketing & Minority Outreach

Each HOME developer must adopt affirmative marketing procedures and requirements for rental and homebuyer projects containing 5 or more HOME- assisted housing units.

HOME developers shall use the Equal Housing Opportunity Slogan, logo, or statement must in all advertisements, public service announcements, press releases, and information mailings. The HUD Fair Housing poster must be displayed in offices where rental activity takes place for all properties with five or more units.

Affirmative marketing steps consist of actions to provide information and otherwise attract eligible without regard to:

- Race,
- Color,
- National origin,
- Sex,
- Religion,
- Familial status or
- Disability.

The affirmative marketing procedures do not apply to families with Section 8 tenant-based rental housing assistance or families with tenant-based rental assistance provided with HOME funds.

The affirmative marketing requirements and procedures adopted must include:

- Methods for informing the public about Federal fair housing laws and the affirmative marketing policy;
- Procedures 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);
- Records that will be kept describing actions taken to affirmatively market units and records to assess the results of these actions; and

Developers to the maximum extent possible, will be inclusive of minorities and women, and entities owned by minorities and women, including, without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services, in all contracts entered into by the participating jurisdiction with such persons or entities, public and private, in order to facilitate the activities of the participating jurisdiction to provide affordable housing authorized under this Act or any other Federal housing law applicable to such jurisdiction.

The City of Providence maintains a list of qualified, bonafide MBE/WBE contractors that can be provided prior to solicitation of HOME-assisted projects.

Housing Accessibility

Most housing properties fall under several different laws. Federal programs and the age of the property determine which laws apply.

- Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) protects race, religion, sex and national origin
- The Fair Housing Amendments Act of 1988 (Amendments Act - FHAA) added disability and familial status
- The Americans with Disabilities Act (ADA) of 1990 addresses public accommodations (rental offices and common areas are considered public accommodations)
- Section 504 of the Rehabilitation Act of 1973 (Section 504) applies to those receiving federal assistance

Disability Rights in Housing

Federal laws define a person with a disability as "Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment."

In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and mental retardation that substantially limits one or more major life activities. Major life activities include walking, talking and hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.

Disability Rights in Private and Public Housing regardless of whether you live in private or public housing, Federal laws provide the following rights to persons with disabilities:

- Prohibits discrimination against persons with disabilities. It is unlawful for a housing provider to refuse to rent or sell to a person simply because of a disability. A housing provider may not impose different application or qualification criteria, rental fees or sales prices, and rental or sales terms or conditions than those required of or provided to persons who are not disabled.

Example: A housing provider may not refuse to rent to an otherwise qualified individual with a mental disability because they are uncomfortable with the individual's disability. Such an act would violate the Fair Housing Act because it denies a person housing solely on the basis of their disability.

- Requires housing providers to make reasonable accommodations for persons with disabilities. A reasonable accommodation is a change in rules, policies, practices, or services so that a person with a disability will have an equal opportunity to use and enjoy a dwelling unit or common space. A housing provider should do everything they can to assist, but they are not required to make changes that would fundamentally alter the program or create an undue financial and administrative burden. Reasonable accommodations may be

necessary at all stages of the housing process, including application, tenancy, or to prevent eviction.

Example: A housing provider would make a reasonable accommodation for a tenant with mobility impairment by fulfilling the tenant's request for a reserved parking space in front of the entrance to their unit, even though all parking is unreserved.

- Requires housing providers to allow persons with disabilities to make reasonable modifications. A reasonable modification is a structural modification that is made to allow persons with disabilities the full enjoyment of the housing and related facilities.

Examples of a reasonable modification: would include allowing a person with a disability to install a ramp into a building, lower the entry threshold of a unit, or install grab bars in a bathroom.

Reasonable modifications are usually made at the resident's expense. However, there are resources available for helping fund building modifications. Additionally, if you live in federally assisted housing the housing provider may be required to pay for the modification if it does not amount to an undue financial and administrative burden.

For more information, see the Reasonable Accommodations section of the Section 504 Frequently Asked Questions page.

http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504

Housing Accommodations

New multifamily housing be designed and constructed to be accessible. In covered multifamily housing consisting of 4 or more units with an elevator built for first occupancy after March 13, 1991, all units must comply with the following seven design and construction requirements of the Fair Housing Act:

- Accessible Entrance on an Accessible Route
- Accessible Public and Common-Use Areas
- Usable Doors
- Accessible Route Into and Through the Dwelling Unit
- Accessible Light Switches, Electrical Outlets, Thermostats, and Environmental Controls
- Reinforced Walls in Bathrooms
- Usable Kitchens and Bathrooms
- In covered multifamily housing without an elevator that consists of 4 or more units built for first occupancy after March 13, 1991, all ground floor units must comply with the Fair Housing Act's seven design and construction requirements.

For information on how to comply with the physical accessibility requirements of the Fair Housing Act, visit the Fair Housing Accessibility FIRST Web site:

<http://www.fairhousingfirst.org/>

These requirements apply to most public and private housing. However, there are limited exemptions for owner-occupied buildings with no more than four units, single-family housing sold or rented without the use of a broker, and housing operated by organizations and private clubs that limit occupancy to members.

If you live in federally assisted multifamily housing consisting of 5 or more units, 5 percent of these units (or at least one unit, whichever is greater) must meet more stringent physical accessibility requirements. Additionally, 2 percent of units (or at least one unit, whichever is greater) must be accessible for persons with visual or hearing disabilities. For more information, visit Section 504 Questions and Answers:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504faq

People with Disabilities in Federally Assisted Housing

Federal law makes it illegal for an otherwise qualified individual with a disability to be excluded, solely because of his or her disability, from programs receiving federal financial assistance.

For more information on the rights of persons with disabilities in federally assisted housing as well as the responsibilities of housing providers who receive federal financial assistance, visit our Section 504: Disability Rights in HUD Programs site:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504

Zoning and Land Use: It is unlawful for local governments to utilize land use and zoning policies to keep persons with disabilities from locating to their area. For more information, see the Joint Statement of DOJ and HUD on Group Homes, Local Land Use, and the Fair Housing Act:

http://searchjustice.usdoj.gov/search?q=crt%20housing%20final8_1&q=site%3Awww.justice.gov%2Fcrts&sort=date%3AD%3AL%3Ad1&output=xml_no_dtd&client=default_frontend&proxystylesheet=default_frontend&site=default_collection

State and Local Laws: Many states and localities have fair housing laws that are substantially equivalent to the Federal Fair Housing Act. Some of these laws prohibit discrimination on additional bases, such as source of income or marital status. Some of these laws may impose more stringent design and construction standards for new multifamily housing.

The Americans with Disabilities Act

In most cases, the ADA does not apply to residential housing. Rather, the ADA applies to places of public accommodation such as restaurants, retail stores, libraries, and hospitals as well as commercial facilities such as office buildings, warehouses, and factories. However, Title III of the ADA covers public and common use areas at housing developments when these public areas are, by their nature, open to the general public. For example, it covers the rental office since the rental office is open to the general public.

Title II of the ADA applies to all programs, services, and activities provided or made available by public entities. This includes housing when the housing is provided or made available by a public entity. For example, housing covered by Title II of the ADA includes public housing authorities that meet the ADA definition of "public entity," and housing operated by States or units of local government, such as housing on a State university campus.

For more information on the Americans with Disabilities Act, visit the Department of Justice ADA Home Page. <http://www.ada.gov/>

For information on how HUD processes housing discrimination complaints, see Fair Housing-It's Your Right:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/FHLaws/yourrights

US Department of Housing & Urban Development Office of Fair Housing & Equal Opportunity UFAS Accessibility Checklist:
http://portal.hud.gov/hudportal/documents/huddoc?id=UFASAC_Phas5708.pdf

Financial Management Requirements:

Projects and programs receiving HUD funds must abide by the financial management requirements of the Federal Office of Management and Budgets which pertain to their particular type of organization, whether it is an institution of higher education, a hospital, other non-profit, a state, a local government, etc. For instance, a CHDO serving as a sub-recipient for the City and as a development organization has different requirements based on their activity.

Regulations governing financial management of HOME-assisted programs and activities can be found in 2 CFR Part 200: <https://www.law.cornell.edu/cfr/text/2/part-200>.

Some of the basic financial requirements include:

- **2 CFR 200:** Uniform Administrative Requirements for grants and Agreement with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations
- **2 CFR 200-Subpart E:** Cost Principles for Non-Profit Organizations
Eligible costs, procurement
- **2 CFR 200-Subpart F:** Audits of States, Local Governments and Non-Profit Organizations

Audit requirements for non-profit organizations

Non-profit organizations subject to regulations in the part 200 and part 800 series of title 24 of the CFR shall comply with the audit requirements of 2 CFR 200-Subpart F. For HUD programs, a non-profit organization is the mortgagor or owner (as these terms are defined in the regulations in the part 200 and part 800 series) and not a related or affiliated organization or entity.

Protection of Personally Identifiable Information (PII)

In the normal course of HOME grant administration, the Division of Community Development and its subrecipient or developer partners will receive personally identifiable information (PII), such as names, addresses, income verification documents, disability status, employment status, etc., from applicants and/or beneficiaries. HOME activities most likely to result in the receipt of PII include housing applications, homebuyer income certifications, and rental unit occupancy data. The Division of Community Development and its subrecipients shall take the following steps to protect personal identifiable information:

- Maintain hard copies of PII records in secure cabinets
- Password protect electronic folders and/or files containing PII

Filing cabinets and electronic passwords are shared with staff only. Community Development releases records containing PII upon request, after verification, by the following entities:

- Federal and state auditors
- Other federal or state agencies for duplication of benefits analyses.

If records containing PII are subject to Freedom of Information Act or Rhode Island Access to Public records requests, such records shall only be released in accordance with state and federal law.

All active Division of Community Development files are maintained in limited access areas. Office areas containing paper records are accessible to employees only. Electronic records are stored on restricted access shared drives supported by city servers. **Other Federal Requirements**

The Federal requirements set forth in 24 CFR Part 5, subpart A, are applicable to participants in the HOME program. The requirements of this subpart include:

- Nondiscrimination and equal opportunity;
- Disclosure requirements;
- Debarred, suspended or ineligible contractors; and
- Drug-free workplace.

Calculating Annual (Gross) Income

The annual income definition found at 24 CFR Part 5 is used by a variety of Federal programs including Section 8, public housing and the Low-Income Housing Tax Credit Program and will be used as the qualifying standard for City of Providence HOME-funded programs. Annual income is used to determine program eligibility and, in some programs, the level of assistance the household will receive. This definition was formerly commonly referred to as the Section 8 definition.

The Part 5 definition of annual income is the *gross amount of income of all adult household members* that is *anticipated to be received* during the coming 12-month period. Each of the italicized phrases in this definition is key to understanding the requirements for calculating annual income:

- **Gross amount.** For those types of income counted, gross amounts (before any deductions have been taken) are used;
- **Income of all adult household members.** The Part 5 definition of annual income contains income “inclusions” – types of income to be counted – and “exclusions” – types of income that are not considered (for example, income of minors); and
- **Anticipated to be received.** The Part 5 annual income is used to determine eligibility and the amount of Federal assistance a family can receive. Therefore, Developers shall use a household’s expected ability to pay, rather than past earnings, when estimating housing assistance needs.

Beneficiaries of HOME funds- homebuyers, homeowners, or tenants- must be determined income eligible based upon a review of their projected **gross anticipated annual income** by all adult household members (everyone 18 years of age and older).

- The income determination cannot be more than **6 months** old at the time the assistance is received.
- The income of household receiving tenant based rental assistance or living in rental housing cannot exceed the HOME income limits for their designated unit over time.

All HOME recipients are required to document:

- Income of **ALL** Adults (persons 18 and over), even if there is no income
- If there are more than one ADULT in a household, documentation **must** be provided for each ADULT household member.
- If an adult has more than one income source or job, each source of income should have its own documentation (i.e. paystubs for employment & benefit letter for Jane Smith).

To determine if applicants are income eligible, recipients shall review and verify income using the following (*but not limited to*):

- Pay stubs
- SSI/SSDI benefit letters
- Pension Statements
- Wage statements
- Interest statements
- Unemployment compensation statements
- Tax returns, W-2 forms
- Profit and loss statement from business (also required for any regular self-employment income earned, such as Etsy, Uber or Lyft)
- Other third party documentation (bank statements, etc.)

Recipients of the City's HOME program must use Part 5 definition for determining income. The Part 5 definition includes assets in its calculation of income.

Monitoring & Project Oversight

City of Providence will review the proper maintenance, marketing, occupancy, rents and utility allowances of housing funded with HOME funds by applying the procedures that are described in detail in this document.

HOME activities will be evaluated on the basis of the following program areas:

- Adherence to HOME guidelines, procedures and regulations for programs as a whole and for individual projects;
- Consistency with City's Annual or 5-Year Consolidated Plan goals, priorities, and objectives.
- Internal procedures and policies;
- Overall administration, management;
- Fair Housing compliance;
- Construction quality, ongoing housing condition and maintenance
- Davis-Bacon, Lead Based Paint, and other Federal Requirements as applicable
- Cost reasonableness and financial accountability
- Environmental Review

The City of Providence may withhold, reduce, or terminate funding to a developer or subrecipient where deficiencies have not been sufficiently corrected to the City of Providence and/or HUD's satisfaction.

Overall Approach and Project Selection for Monitoring

Project oversight will be provided on all active development projects and will be similar to but generally more rigorous than ongoing monitoring.

Ongoing monitoring will be based primarily on the analysis of regular reports, reports from regular inspections and documents submitted for review as projects are developed and managed through the affordability period. In addition, periodic reviews of market data and cost data may be undertaken. This desk monitoring will be supported by field visits to funded organizations and examination of housing product.

The first line of approach for monitoring will be the maintenance of files and file checklists to assure that all required documentation is produced, reviewed and on hand as needed.

The selection and prioritization of documents, files and organizations to be monitored will utilize a risk reduction approach. The following priorities will be considered:

- The early part of a key project phase such as acquisition, construction or rent-up will take absolute priority over other efforts and all development projects will be monitored and inspected at these early phases.

Beyond that basic priority, the following factors will also affect priorities:

- New organizations and any organization with unresolved compliance issues,
- Particular functions being carried out by new staff.
- Any project that may have special compliance challenges or that is substantially different in terms of size, complexity, or other factors from other projects the City or the developer has undertaken.
- Because the HOME-assisted projects have ongoing affordability requirements, the compliance specialist will also monitor and inspect a sample of units in completed projects.

Contract Requirements for Partners

All contracts and agreements include reporting requirements for developers and agreement to open records and open sites.

Terms include:

- Agreement to submit or open any and all records and sites upon request;
- Notification by inclusion in the funding agreement of required records;
- Reporting requirements specific to each project;
- Budgets and limitations on budget changes.

Monitoring Tools, Resources and Readiness Procedures

Monitoring staff will maintain up to date files for the monitoring activity as a whole, each activity type, and each project. Tools and documents to be maintained in a ready state include:

- Portfolio Tracking spreadsheet (electronic file)
- Templates for File Checklists and document review checklists (attached)
- HUD required checklists found at <http://www.hud.gov/offices/cpd/library/monitoring/handbook.cfm#7>
- IDIS reports and Web-based Performance Reports (PR16, PR 25, PR 27, Snapshot and Open Activities reports)
- Relevant correspondence by developer or project
- Previous monitoring reports and audits by developer or project
- Project budgets and contractual performance requirements by project
- Agreement and covenant templates
- Current and historic files of HOME income, rent, subsidy and sale price/valuation limits as regularly published by HUD

Resources required for monitoring include: the HOME Final Rule, as amended; applicable cross-cutting regulations; CPD Notices dealing with HOME; the *Technical Guide for Determining Income and Allowances for the HOME Program* (HUD-1780-CPD).

Note that oversight and monitoring rely on the use of the tools indicated above and addressing the issues raised by evaluating performance in relation to the published

checklists and limits, and in relation to the contractual terms for each project is the essence of effective action.

Schedule Overview

The City will monitor on ongoing, annual and situational bases. Schedule details relating to each regulation and each stage of development may be found in the relevant attachments. In addition to the overall schedule and approach in this plan, a specific schedule may be generated for each developer and project. Here is a summary of the City's approach and basic scheduling standards.

Situational

Certain reviews and monitoring will be scheduled or carried out in response to events, especially for projects under planning and development, based on the specific stage or circumstances of the project. This will include:

- Acquisition and Procurements
- Disbursement Requisitions
- Relocation
- Contracts prior to execution
- Design review; 504 compliance
- Environmental review
- Construction-related wages, hours, Section 3, Equal Opportunity, Debarment, and other labor related interviews and document reviews
- All critical construction phases will be inspected on site by City building officials including a pre-commitment inspection to determine deficiencies and reasonableness of the proposed construction and costs.
- Any complaints by neighbors or parties to the project, or un-reconciled paperwork, may call for an on-site inspection, or in-person interview.
- Monitors must also confirm that project underwriting has occurred.

For rental projects, situational monitoring will also include:

- Review of initial affirmative marketing, tenant selection and screening, and lease contents
- Review of initial income certifications and rents

For homebuyer units, situational monitoring will also include:

- Review of initial affirmative marketing, homebuyer selection and screening
- Review of initial income certifications and affordability for homebuyers
- Review of covenants.

Ongoing

All expenditure requests will be reviewed for proper documentation (see also attachment on payment processing procedures), completion of construction costs charged, if applicable, and reconciled with budget. (On some projects, construction completion payments may be based on certification by supervising architect.)

Project schedule and timeliness of progress will be monitored.

Annual

Each year various city staff as indicated below will review:

- Overall performance and financial health of the developer;
- Accounting procedures and records;
- Status and certification of CHDO, if applicable;
- For rental property:
 - Condition of property
 - Proper occupancy and rents according to HOME and other program regulations
 - Affirmative marketing procedures
 - Fair housing and tenant selection;
 - Lease provisions
 - Financial health of property
- For homebuyer property
 - Occupancy as principal residence
 - Proper enforcement of covenants and loan agreements

Pre-on-site-Monitoring Preparation:

Prior to an on-site monitoring visit, the City will provide written notification of the visit to recipient. The recipient will be asked to provide the City with the following:

- Disbursement and expenditure reports
- Agreements/contracts
- Policy guidelines and procedures, administrative plans, and operation manuals
- Files for review
- Beneficiary data

Staff will provide program monitoring over three phases:

1. Contract Development Phase
 - Ensuring that projects are consistent with the Consolidated Plan
 - Ensuring that all Environmental Review requirements have been met
 - Ensuring clients are income-eligible
2. Development Phase
 - Ensuring that project costs, budgets, and timelines are adhered to
 - Ensuring conformance to HOME standards through periodic property inspections
3. Post-Development Phase (Long-Term)
 - The duration and frequency of on-sight subrecipient monitoring and inspections is based on the length of the affordability period and the total number of project units.

Project Monitoring Plan:

A written report will be prepared and provided to the recipient following the completion of each monitoring review. The report will include the following information:

- An explanation of the purpose and scope of the review
- A list of findings, comments, recommendations and corrective actions to be taken
- A list of the files reviewed
- A list of the houses/units inspected
- A summary of the project funds expended to date
- An evaluation of project performance to date
- A time frame for taking corrective action

Follow up and Enforcement Actions:

Failure by a developer or owner to carry out corrective action as specified within the specified timeline will result in notification to the Director of DCD and consultation with the City Solicitor regarding next steps for enforcement or collection of funds.

Post-Development Portfolio Tracking & Long-Term Monitoring Plan

In order to track project monitoring and ensure long-term compliance and habitability of its assisted-housing, the City has created a central portfolio tracking database.

Portfolio Tracking

The portfolio is tracked in the City's i-drive under a document called "HOME Portfolio". This shared spreadsheet contains the basic project information, along with the applicable recorded Book/Page and affordability period for each project funded by HOME.

Upon project completion, the HOME Senior Compliance Officer is responsible for the initial data input into the sheet. Projects are logged by type of project and sponsor/developer.

The HOME Senior Compliance Officer is responsible for monitoring the portfolio, with the assistance of inspectional staff. As project affordability terminates, projects shall be removed from the active portion of the portfolio.

APPENDIX

APPENDIX A: UNDERWRITING GUIDELINES

APPENDIX B: RENTAL PROJECT UNDERWRITING CHECKLIST

APPENDIX C: HOMEOWNERSHIP PROJECT UNDERWRITING CHECKLIST

APPENDIX D: HOMEBUYER UNDERWRITING GUIDELINES

APPENDIX E: CHDO APPLICATION & CHECKLIST

APPENDIX F: CITY OF PROVIDENCE SUBORDINATION POLICY

APPENDIX G: INSPECTION PROCEDURES & CHECKLISTS

APPENDIX A: UNDERWRITING GUIDELINES

The City is required by HUD to develop and use established underwriting guidelines to evaluate and ensure that the level of HOME investment does not exceed the amount that is necessary to provide quality affordable housing that is financially viable. Prior to funding the project, the City must certify to HUD through its IDIS system that underwriting has been completed. To guide its underwriting and ensure its certification to HUD is made with all required supporting documentation and due consideration, the City utilizes the internal checklists found in Appendix B, C, & D.

For purposes of the City's HOME program, underwriting involves the analysis of project assumptions and risks to determine if the public investment is reasonable and the project can be expected to meet all applicable program requirements during the period of affordability. Subsidy layering is a component of project underwriting, which involves assessing whether the proposed level of HOME assistance is appropriate given the level of project investment by other financing sources.

The City shall examine project sources and uses, cost and profit reasonableness, market demand, developer experience and capacity, and financial commitments to ensure the project is viable, sustainable, and that public investment is warranted.

The underwriting and subsidy layering requirements at §92.250 are applicable to rental and homeownership projects for which HOME funds are committed on or after August 23, 2013. For projects which are only partially funded by HOME, the City must assess the financial viability of the entire project, not just the HOME-assisted units.

The regulations at §92.2 define a HOME "project" as a site or sites together with any building under common ownership, management, and financing and assisted as a single undertaking. The project includes all the activities associated with the site and building.

While the underwriting requirements of Part 92 generally apply to all HOME-assisted projects, there are some activities for which not all elements of the underwriting analysis are required:

- For direct homebuyer assistance which is not part of a HOME-funded development activity and for homeowner rehabilitation assistance activities when the HOME loans are amortizing, the general project underwriting and subsidy layering requirements of §92.250 will apply.
- For HOME-funded direct homebuyer assistance that is not part of a HOME-funded development activity, the underwriting guidelines at §92.254(f)(1) apply

(including analysis of housing and family debt, monthly family expenses, assets available to acquire the housing, resources needed to sustain homeownership, including the terms of planned mortgages), but:

- A market analysis is not required; and
- An evaluation of developer capacity is not required.
- See City of Providence Homebuyer Assistance Program Policies.

Under the provisions of §92.250(b) of the HOME Rule, the City may not invest any more HOME funds, alone or in combination with other governmental assistance, than is necessary to provide quality affordable housing that is financially viable through the affordability period (see §92.252 or 92.254).

In addition, the City must ensure that the return to the owner or developer is reasonable and does not exceed our local standards based on the size, type and complexity of the project.

At minimum, all project applicants should expect that the City shall review:

- The sources and uses of funds for the proposed project and make a determination that all project costs are reasonable;
- An assessment of the current market demand in the area where the project will be located;
- An assessment of the experience and the financial capacity of the developer or rental project owner; and
- An assessment of the firm written financial commitments for the project.

Sources & Uses

The City shall examine each project's development budget, which must depict "Sources and Uses". The *Pro Forma* Excel worksheet provided within the online application for funds is the preferred budget format.

All **Sources** (both private and public) of funds with dollar amount(s) must be displayed and appropriated to project line items (**Uses**) in the *Pro Forma*. The project application must note the timing of availability for each source, and whether funds are firmly committed.

The City must confirm that financing sources are in place before it can commit HOME funds to a project. As such, the City will seek the following from its developers before HOME funds can be firmly committed:

- 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 (i.e. a written certification from the developer).

Uses are the project costs that are budgeted to be paid during the development phase. The City must 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.

Applicants are required to use the *Pro Forma* Excel Worksheet format to ensure project budgets are 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 reserves the right to request additional documentation, a second opinion and/or reference from the appropriate source (i.e., an independent construction cost estimator, another architect or lawyer), or deny the project HOME funding.

Note that for projects with tax credits to be sold, the proceeds from the sale of these credits must be identified as a Source.

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);
- If LIHTC are utilized, documentation on the syndication costs (legal, accounting, tax opinion, etc.) from the organization/individual who will syndicate and sell the offering to ensure that the project can support the fees necessary to syndicate/fund the project.

- 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 will review to be certain that the developer has projected interim financing interest and carrying costs to reflect the expected project absorption.

Through its underwriting review, the City is required to determine if all of the proposed costs of development are “necessary and reasonable” in compliance with OMB 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 will include the following factors:

- Costs of comparable projects in the same geographical area
- The qualifications of the costs estimators for the various budget line items
- Comparable costs published by recognized industry cost index services (such as RS Means or HousingPro).
- A review of whether proposed costs are sufficient to achieve all program requirements, including property standards, to provide quality housing for at least the affordability period. The City must 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.
- A review of whether proposed costs are eligible under HOME. Eligible costs are defined under §92.206. Those costs not expressly defined in 92.206 cannot be paid with HOME.

Operating Pro Forma

A rental project applicant must furnish an operating pro forma (project income and expense statement) projected for the HOME period of affordability at a minimum. Again, the City’s *Pro Forma* template is the preferred format of submission.

The City must 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, and ensure that long-term operating projections over the period of affordability are based on reasonable

assumptions and demonstrate that project can cover expenses and debt service throughout the affordability period.

The City will scrutinize the pro forma to ensure the cash flow projections are realistic in light of economic conditions. The cash flow projections should be neither unduly conservative nor overly optimistic. The City will evaluate the pro forma to ensure that adequate investments will be made in the property's maintenance and upkeep, and that the project can absorb any periodic income or expense shocks (such as increases in vacancy or utility rates) during the affordability period.

It is the City's role to balance the need for public subsidy to make the project viable while safeguarding the investment of HOME funds in the project by ensuring that projected income and expenses are reasonable, and provide resources that are sufficient for the property's upkeep and planned capital repairs during 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. Both the City and a qualified developer should assume that operating costs will increase at a faster rate than revenues.

Operating revenues must be based on achievable rent levels, reasonable vacancy and collection loss, and conservative estimates of non-residential sources of incomes.

- In most projects, non-residential revenue from fees/late charges, commercial income, interest, laundry/vending, or other similar sources likely will be modest, therefore should be found to have been projected conservatively.
- Even in strong rental markets, HUD recommends setting initial rents somewhat below program limits or projected market rents because HOME rents may not increase as rapidly as market rents.
- Vacancy projections should reflect local market conditions and account for both physical vacancy and collections loss.
- The rate of projected growth for rental income and other revenues should be appropriate to the local market and regulatory limits.
- In projects with deeply targeted rents, lower than average rates of revenue increase should be used, as utility allowances will surpass rent increases. Net Operating Income (gross revenue minus operating expenses) should be sufficient to cover debt service obligations and mandatory replacement reserve funding and generate reasonable but not excessive Cash Flow throughout the period of affordability. If deficits are projected, the HOME subsidy may be increased to reduce amortizing debt and the deficit reserves might be funded from other sources.

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.

- Most operating costs (e.g. water/sewer rates or lawn mowing) do not vary based on how much tenants are paying in rent. Whenever possible, the City should compare against other projects in the property manager’s portfolio or the neighborhood.
- Management and other fees to the owner should be reasonable in the local Providence market.
- Any identity of interest (also referred to as related party) relationships with contracted property management, repair/rehabilitation contractors, or other project vendors must be disclosed.
- Minimum replacement reserve deposits should be specified based on the characteristics of each project. Reserve needs may vary based on the type of physical product, the target population, and whether the building is newly constructed or rehabilitated.
- Any debt service or other funding/reserve requirements related to ‘secondary’ financing in mixed financed deals, if applicable.
- Cash flow should be evaluated both as a “debt coverage ratio” and as a percentage of operating costs and debt service.

Market Assessment

Prior to committing HOME funds, the City must assess “the current market demand in the neighborhood in which the project will be located” by comparing the proposed project against current market data to address two key issues: pricing and absorption. The City will determine whether the project can be expected to be rented or sold to within the regulatory time frames and at the cost or price estimated by the developer, as timely occupancy of HOME units by eligible tenants is critical to comply with statutory requirements as well as the sale and rental occupancy deadlines established in the regulations.

The City’s HOME market assessment seeks to quantify and document demand for a specific project. The HOME market assessment must evaluate whether proposed rents or resale prices are supported in the project area. Further, the potential pool of potential buyers or tenants must be determined to ensure timely market absorption.

The cost of a market assessment, if project size dictates, may be charged as an administrative or project delivery cost under HOME. The market assessment can take different forms, including independent market studies, waiting lists and other market information assembled by the applicant, or market data compiled by the City independently. The City is not required by HUD to pay for an external, independent market study or to perform a full, formal market study. The scope of the assessment should be relative to the project scope.

In the case of smaller 1-4 family projects, the market assessment may be satisfied through an in-house review of comparable units, and a review of the developer's current (< 2 years from date of application) income-qualified waitlist for similar-sized units.

The City's market assessment, aided by materials submitted by the developer, shall generally accomplish the following:

- Evaluate general demographic, economic, and housing conditions in the community.
- Delineate 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.
- Quantify 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.
- Analyze the 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.
- Assess 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).
- Evaluate 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 in order to fully occupy it. The lower this rate, the more likely a project is to succeed.
- Estimate the absorption period. Plan 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 as a whole.
- Assessments for projects serving special needs can often be completed using primary data from service providers whose existing client base will form the primary pool of potential tenants.

For projects with 5+ units, a developer-supplied market analysis will be required at the time of application that satisfies the elements above.

In some cases, other funders (such as Rhode Island Housing) may require independent market studies. The City will accept the independent market study prepared for another funder if the study is found to contain the elements outlined above.

Sales Plan – Homebuyer Projects

For homeownership projects, the City will 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 will evaluate the sales plan for:

- Timelines: Analyze the speed that the developer anticipates selling homes. Is this realistic given the market?
- 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 will examine listing times, and the foreclosure and shadow (delinquent but not foreclosed) inventories.
- Other affordable homeownership options already available, including projects in the pipeline.
- The price, location, amenities and financing of units that are most directly comparable with the housing proposed. Pricing needs to be competitive and locational factors can offset the program advantages.
- Cash flow: the City will analyze the developer's intended plans for use of the sales revenues.
- 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?
- Is the anticipated return to the developer from the sales revenue reasonable or should the City require some of these proceeds be returned to the HOME local account as program income?

Profit to the Developer

The HOME regulations at (§92.250(b) require that any profit or return on the owner's or developer's investment will not exceed established standards. This analysis includes profit that is projected to flow to the developer as operating cash flow from rental projects, sales proceeds from homebuyer units (if not considered as program income by the City) and any other professional fees being paid to the developer or related entities.

The City will determine a reasonable 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 are permitted to financially benefit from HOME-assisted projects in several allowable ways:

- **Developer Fees:** 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 or lease the property. Developer fees are allowed under the HOME program, but must fall within reasonable limits.

The City's developer fee schedule reflects the local market and is based on 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.

Project Type	Max Fee Permitted
Preservation of developer-owned expiring affordable project	10%
Acquisition & new construction (1-4 units)	12%
Acquisition & rehabilitation (1-4 units)	12%

- Sales revenues: Developers of for-sale properties may keep some or all of the sales proceeds, as deemed reasonable by the City.
- Cash-Flow: Assuming that the rental property is properly structured and financed, successfully attracts residents, and is effectively managed; the project likely will have net cash-flow after the payment of debt service. Cash-flow is distributed to the owner and/or investors as a return on their original investment.
- Tax Benefits: Rental owners and/or investors can also benefit from tax savings—a reduction in the income taxes they owe due to tax losses or tax credits.
- Equity Appreciation: Over time, the value of the rental project sponsor/owner's ownership share in the project will increase as debt financing is paid down (due to the portion of debt service that is applied to the loan principal), and depending on market conditions, the property appreciates in value.
- Identity of Interest (IOI) Roles: Some developers may also own construction companies and if this company is used for the HOME project, the construction firm may earn reasonable profit and overhead as a component of the development budget. If the rental property owner also operates a property management company contracted to service the property, the developer may earn fees from those activities. These and other IOI contracts require additional scrutiny to make sure that they are clearly disclosed, priced at arms-length rates, and subject to cancellation if the IOI contractor does not provide acceptable service.
- City will also consider how the sales revenues will be distributed, especially if the HOME assistance was provided as a grant to the developer or if the unit sells for more than the development cost. In instances where sales prices have appreciated and/or the project finishes under budget, the City shall share in unanticipated sales revenues pro rata with the developer (split pro rata by federal vs. non-federal level of investment).

Profit from rental project operations must also be analyzed and determined to be reasonable. The simplest evaluation is the cash flow return on the investment. The cash-on-cash rate of return measures the annual cash-flow that is distributed to an

investor as a percentage of the funds invested (Annual Cash Flow/Equity Invested = X%). An evaluation of what constitutes an acceptable rate of cash-on-cash return depends upon the perceived level of risk in the project (is cash flow actually going to be there) and the level of return available in other investments (e.g., what is the going rate on lower risk investments such as Treasuries).

For projects where developers do not actually invest equity into a project (other than that from the syndication of tax credits), returns may be evaluated against guidelines on reasonable per-unit per-year cash flow allowances, and can be controlled by: requiring annual installment payment on HOME loans; requiring reduced rents on affordable units to serve lower-income tenants, or other means.

Developers shall adhere to the City's standards related to the use and distribution of project cash flow, including payment to reserves, payment of related party fees (e.g., asset management fees, investor service fees, incentive or performance fees) to the developer or owner, and the relative priority of distribution for net cash flow.

Subsidy Layering & Gap Analysis

The amount of investment needed to make a project feasible, or "gap analysis", is an evaluation of the gap between approved costs (Uses) and available financing and other subsidies (Sources). The gap is influenced by many factors, some of which can be modified prior to commitment, including:

- Level of physical improvements;
- Rent levels and affordability;
- Income levels being served (e.g., a target population of 60 percent of median income could require less assistance than if the target population is below 30 percent of area median income); and
- Payment terms of all funding, including HOME and other public funding. In addition to conducting the subsidy layering review described above, before committing HOME funds to a project to help fill the financing gap, the City will evaluate debt capacity. This evaluation will review whether the lender's financing terms are reasonable and comparable to those available from other lenders.
- Evaluate Equity Contributions. Evaluate the full spectrum of returns that are accruing to owners and investors. If it appears that the project is returning a higher level of return than is warranted given project risk and market conditions, then the City can require additional equity investment (or reduce the level of HOME assistance).
- Also, evaluate the calculations of tax credit basis and market price to determine if the projected amount of tax credit equity is reasonable. If the total amount of HOME assistance and other sources exceeds the amount that the City determines is necessary to make the project feasible and viable for at least the affordability period, the City may consider:
 - Reducing the amount of HOME assistance;
 - Increasing the number of HOME assisted units in the project or lowering the target income levels and rents to be charged; and

- Imposing loan terms that bring the rate of return into line with standards.

The City reserves the right to deny HOME assistance if the applicant refuses to make reasonable adjustments or to limit its return/costs in compliance with underwriting guidelines or if it appears that HOME funds are not needed to close a financing gap.

While the City will identify the amount of subsidy needed through gap and other project analysis, the City must also determine that the amount of HOME assistance needed will be used on program-eligible costs or activities. The City therefore further reserves the right to request amendments to project pro formas to ensure funds are applied appropriately to project costs.

APPENDIX B: HOME RENTAL PROJECT UNDERWRITING CHECKLIST

HOME RENTAL PROJECT UNDERWRITING CHECKLIST		
PROJECT NAME		
Market assessment		Notes
<input type="checkbox"/> Recent rental data for project area reviewed (one or more of following): <ul style="list-style-type: none"> <input type="checkbox"/> Independent market study <input type="checkbox"/> Developer supplied market analysis <input type="checkbox"/> City market data analysis <input type="checkbox"/> Other evidence of demand (applications/waiting list/client lists, etc.) 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Conclusions: <ul style="list-style-type: none"> <input type="checkbox"/> Developer has targeted appropriate households and a reasonable range of renters that can afford the HOME units <input type="checkbox"/> Market evidence supports the proposed rents as competitive in the market <input type="checkbox"/> Market evidence supports absorption of units within 18 month regulatory deadline 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
Developer experience & financial capacity assessment		
<input type="checkbox"/> Developer experience information reviewed (one or more of the following): <ul style="list-style-type: none"> <input type="checkbox"/> Qualifications statement listing comparable prior projects <input type="checkbox"/> Status of current projects under development & management <input type="checkbox"/> Key staff resumes or statements of relevant experience/skills <input type="checkbox"/> Development team qualifications, resumes, professional licenses 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Developer financial information reviewed (one or more of the following): <ul style="list-style-type: none"> <input type="checkbox"/> Most recent corporate audit or reviewed financial statements <input type="checkbox"/> Current balance sheet & income/expense <input type="checkbox"/> Most recent tax returns (990s for nonprofit developers) <input type="checkbox"/> Banking references <input type="checkbox"/> Corporate credit report (e.g. Dun & Bradstreet) or personal credit report 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	

<input type="checkbox"/> Conclusions: <ul style="list-style-type: none"> <input type="checkbox"/> Development entity has the experience/capacity to oversee development <input type="checkbox"/> Development entity has adequate financial management systems in place <input type="checkbox"/> Development team has expertise to operate project & oversee management <input type="checkbox"/> Development entity has the financial liquidity & resources to complete the project 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Additional requirements if CHDO project: <ul style="list-style-type: none"> <input type="checkbox"/> CHDO has paid staff with relevant experience to meet 92.2 staff capacity requirement <input type="checkbox"/> CHDO has financial management systems consistent with 2 CFR 200.302 - .303 	<input type="checkbox"/> <input type="checkbox"/>	N/A
Project underwriting assessment		
<input type="checkbox"/> Project information reviewed (one or more of the following): <ul style="list-style-type: none"> <input type="checkbox"/> Sources – construction & permanent <input type="checkbox"/> Uses of funds <input type="checkbox"/> Income & expenses – initial year <input type="checkbox"/> Long-term proforma (affordability period) <input type="checkbox"/> Unit schedule, HOME unit designation – square footage 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Readiness: applicant has the following in place & able to begin construction within 12 mos.: <ul style="list-style-type: none"> <input type="checkbox"/> Ownership or site control <input type="checkbox"/> Local approvals (zoning, building) <input type="checkbox"/> If pre-1978 rehab, LBP risk assessment conducted <input type="checkbox"/> Plans and specifications completed <input type="checkbox"/> Construction bidding/contract <input type="checkbox"/> Firm funding commitments 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Environmental review: 1 of the following <ul style="list-style-type: none"> <input type="checkbox"/> Environmental review to be done <input type="checkbox"/> Project assessment information received / environmental review in process <input type="checkbox"/> Environmental review completed / release of funds received 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	

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<input type="checkbox"/> Sources <ul style="list-style-type: none"> <input type="checkbox"/> Written commitments provided for all other development financing <input type="checkbox"/> Sources are adequate to cover development uses 	<input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Uses <ul style="list-style-type: none"> <input type="checkbox"/> Costs are fully budgeted and complete <input type="checkbox"/> All costs are reasonable & not excessive <input type="checkbox"/> Contingencies are reasonable 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Acquisition cost is reasonable, and supported by: <ul style="list-style-type: none"> <input type="checkbox"/> Appraisal <input type="checkbox"/> Broker opinion <input type="checkbox"/> In-house comparables analysis 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Construction/rehabilitation scope & costs <ul style="list-style-type: none"> <input type="checkbox"/> Project will meet all property standard requirements of 92.251 <input type="checkbox"/> If 5+ new or 15+ substantial rehab units, project includes Section 504 accessible units <input type="checkbox"/> If 12+ HOME units, construction work reflects Davis-Bacon <input type="checkbox"/> If pre-1978 structure, scopes includes LBP costs <input type="checkbox"/> If rehab, scope of work and budget is sufficient meet useful life requirements for major system and structure components (if 26+ units, CNA received & reviewed) 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Construction/rehabilitation costs (if applicable) are supported by: <ul style="list-style-type: none"> <input type="checkbox"/> Architect/developer estimate <input type="checkbox"/> Independent cost estimate <input type="checkbox"/> PJ cost estimate <input type="checkbox"/> Competitive bids <input type="checkbox"/> Construction contract 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Soft costs <ul style="list-style-type: none"> <input type="checkbox"/> Soft costs are complete, reasonable and supported <input type="checkbox"/> Marketing expenses are adequate <input type="checkbox"/> Developer fees (and related party fees) are appropriate and not excessive 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	

<input type="checkbox"/> HOME assisted units – occupancy <ul style="list-style-type: none"> ○ All proposed HOME assisted units will serve Low-Income (< 80% AMI) ○ Project will help PJ meet its 90% @ 60% AMI program year requirement. ○ If 5+ HOME units, at least 20% of units will serve HHs @ 50% AMI ○ HOME units can be rented within 18 month deadline 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> HOME assisted units – rents <ul style="list-style-type: none"> ○ Rents will meet HOME limits, adjusted for tenant-paid utilities ○ If applicable, units for occupancy < 50% AMI meet Low HOME Rent Limits 	<input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Operating income & expenses <ul style="list-style-type: none"> ○ Revenue reflects rent limits, is reasonable & sufficient to cover operations ○ Operating expenses are reasonable 	<input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Long-term pro forma <ul style="list-style-type: none"> ○ Pro forma reflects reasonable rent projections for HOME units ○ Net income is sufficient to maintain financial viability for period of affordability ○ Contributions to reserves are sufficient to provide for replacement costs during the period of affordability ○ Net income is reasonable given owner investment 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
Cost Allocation & HOME Assistance		
<input type="checkbox"/> Cost allocation (calculations attached) <ul style="list-style-type: none"> ○ Requested HOME funds are within Maximum Subsidy & Eligible Costs ○ Proposed HOME units are sufficient to cover requested funds 	<input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> HOME assistance <ul style="list-style-type: none"> ○ Total amount of HOME assistance to is reasonable & necessary to provide quality affordable housing that is financially viability for period of affordability ○ Fees to the developer (& related parties) are not excessive ○ Net income to owner is reasonable given owner investment (will there be CHDO proceeds?) 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
<input type="checkbox"/> Subsidy layering – either: <ul style="list-style-type: none"> ○ Other public sources reviewed as part of HOME assistance review and comply with subsidy layering guidelines ○ No other public subsidies 	<input type="checkbox"/> <input type="checkbox"/>	

Signed

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APPENDIX C: HOMEOWNERSHIP PROJECT UNDERWRITING CHECKLIST

HOME Homebuyer Development Project Underwriting Assessment	
Market assessment	
<input type="checkbox"/> Recent homebuyer data for market area reviewed (one or more of following): <ul style="list-style-type: none"> <input type="checkbox"/> Independent market study <input type="checkbox"/> Developer supplied market analysis <input type="checkbox"/> PJ market data analysis <input type="checkbox"/> Other evidence of demand (applications/waiting list/client lists, etc.) <input type="checkbox"/> Buyers pre-identified or units pre-sold; no further analysis 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> Conclusions: <ul style="list-style-type: none"> <input type="checkbox"/> Developer has targeted appropriate households and a reasonable range of buyers that can afford the units exist <input type="checkbox"/> Market evidence supports the proposed prices as competitive in the market <input type="checkbox"/> Market evidence supports absorption of units within projected absorption period and 9 month regulatory deadlines 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Developer experience & financial capacity assessment	
<input type="checkbox"/> Developer experience information reviewed (one or more of the following): <ul style="list-style-type: none"> <input type="checkbox"/> Qualifications statement listing comparable prior projects <input type="checkbox"/> Status of current projects under development & management <input type="checkbox"/> Key staff resumes or statements of relevant experience/skills <input type="checkbox"/> Development team qualifications, resumes, professional licenses 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> Developer financial information reviewed (one or more of the following): <ul style="list-style-type: none"> <input type="checkbox"/> Most recent corporate audit or reviewed financial statements <input type="checkbox"/> Current balance sheet & income/expense <input type="checkbox"/> Most recent tax returns (990s for nonprofit developers) <input type="checkbox"/> Banking references <input type="checkbox"/> Corporate credit report (e.g. Dun & Bradstreet) or personal credit report 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

<ul style="list-style-type: none"> <input type="checkbox"/> Conclusions: <ul style="list-style-type: none"> <input type="checkbox"/> Development entity has the experience/capacity to oversee development <input type="checkbox"/> Development entity has adequate financial management systems in place <input type="checkbox"/> Development team includes required counseling expertise <input type="checkbox"/> Development team has the expertise/skills to complete & sell the project <input type="checkbox"/> Development entity has the financial liquidity and resources to carry the project to completion 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> Additional requirements if CHDO project: <ul style="list-style-type: none"> <input type="checkbox"/> CHDO has paid staff with relevant experience to meet the 92.2 staff capacity requirement <input type="checkbox"/> CHDO has financial management systems consistent with 84.21 	<input type="checkbox"/> <input type="checkbox"/>
Project underwriting assessment	
<ul style="list-style-type: none"> <input type="checkbox"/> Readiness: applicant has most of the following in place or able to begin construction within 12 months as required by regulation: <ul style="list-style-type: none"> <input type="checkbox"/> Ownership or site control <input type="checkbox"/> Local approvals (zoning, building) <input type="checkbox"/> If pre-1978 rehab, LBP risk assessment conducted <input type="checkbox"/> Plans and specifications <input type="checkbox"/> Construction bidding/contract <input type="checkbox"/> Firm funding commitments 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> Environmental review <ul style="list-style-type: none"> <input type="checkbox"/> Environmental review completed / release of funds received <input type="checkbox"/> Project assessment received / environmental review in process 	<input type="checkbox"/> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> Sources <ul style="list-style-type: none"> <input type="checkbox"/> Commitments provided for all other development financing <input type="checkbox"/> Sources are adequate to cover development uses 	<input type="checkbox"/> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> Uses <ul style="list-style-type: none"> <input type="checkbox"/> Costs are fully budgeted and complete <input type="checkbox"/> All costs are reasonable & not excessive <input type="checkbox"/> Contingencies are reasonable 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

<ul style="list-style-type: none"> <input type="checkbox"/> Acquisition cost is reasonable, and supported by: <ul style="list-style-type: none"> <input type="checkbox"/> Appraisal <input type="checkbox"/> Broker opinion <input type="checkbox"/> In-house comparables analysis 	<ul style="list-style-type: none"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> Construction/rehabilitation costs <ul style="list-style-type: none"> <input type="checkbox"/> Unit meets all requirements of 92.251 OR <input type="checkbox"/> Rehab scope of work and budget is sufficient to produce compliance with HOME property standards, including 5 year useful life for major system and structure components 	<ul style="list-style-type: none"> <input type="checkbox"/> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> Construction/rehabilitation costs (if applicable) are supported by: <ul style="list-style-type: none"> <input type="checkbox"/> Architect's estimate <input type="checkbox"/> Independent cost estimate <input type="checkbox"/> PJ cost estimate <input type="checkbox"/> Competitive bids <input type="checkbox"/> Construction contract 	<ul style="list-style-type: none"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> Soft costs <ul style="list-style-type: none"> <input type="checkbox"/> Soft costs are complete, reasonable and supported <input type="checkbox"/> Marketing expenses are adequate <input type="checkbox"/> Developer fees (and related party fees) are appropriate and not excessive 	<ul style="list-style-type: none"> <input type="checkbox"/> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> Closing costs – all closing costs are consistent with local market standards 	<ul style="list-style-type: none"> <input type="checkbox"/>
<ul style="list-style-type: none"> <input type="checkbox"/> HOME assistance - project <ul style="list-style-type: none"> <input type="checkbox"/> Total amount of HOME assistance to is reasonable & necessary to provide quality affordable housing that is financially viability for period of affordability <input type="checkbox"/> Net sales proceeds to the developer (if any) is not excessive (or all net sales proceeds after approved costs will be returned to the City) <input type="checkbox"/> Costs proposed to be paid with HOME funds are eligible <input type="checkbox"/> If CHDO project, no more than 10% of CHDO funds will not be used for development costs and only provided for direct buyer assistance 	<ul style="list-style-type: none"> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Sales Analysis	
<input type="checkbox"/> Sales prices <ul style="list-style-type: none"> <input type="checkbox"/> Sales prices or the process for setting prices have been identified <input type="checkbox"/> Sales prices are affordable to a reasonable range of LI buyers 	<input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> Buyer assistance <ul style="list-style-type: none"> <input type="checkbox"/> Buyer counseling that meets requirements has been committed/delivered <input type="checkbox"/> First mortgage rate & fees expectations/commitments are reasonable & consistent with PJ policy & affordable to a reasonable range of LI buyers <input type="checkbox"/> Buyer(s) downpayment & closing cost requirements are reasonable <input type="checkbox"/> The amount & terms of buyer assistance will be appropriate based on buyer needs or gap consistent with City buyer underwriting policy <input type="checkbox"/> Based on projections, buyer(s) should be able to sustain homeownership for at least the affordability period <input type="checkbox"/> Homebuyer assistance will be secured by required resale/recapture restrictions 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<input type="checkbox"/> Net sales proceeds analysis <ul style="list-style-type: none"> <input type="checkbox"/> Net sales proceeds, if any, to be retained by the developer are reasonable as part of total developer compensation <input type="checkbox"/> Excess net sales proceeds will be required to be returned to the City (or retained by the CHDO as CHDO Proceeds) 	<input type="checkbox"/> <input type="checkbox"/>

Signed

Dated

APPENDIX D: HOMEBUYER PROGRAM GUIDELINES

In partnership with the City of Providence, the Housing Network of Rhode Island is providing Down Payment and Closing Cost Assistance to income eligible homebuyers in the City of Providence.

PROGRAM OVERVIEW

Program Requirements:

Applicants to this program must:

- have a household income at or below 80 percent of area median income (AMI);
- have a signed Purchase and Sales agreement;
- submit a Uniform Residential Loan Application;
- submit a copy of an independent property appraisal;
- submit signed “Right to Withdraw” form (see “Rights to Withdraw” form section for additional information)
- be purchasing a 1-3 family home in the City of Providence;
- live in the home as their primary residence;
- complete eight (8) hours of HUD approved Homebuyer Education prior to closing;
- if purchasing a multi-family, complete a three (3) hour Landlord class and a three (3) hour Lead Hazard Awareness Seminar;
- contribute \$1,500 of their own funds to the transaction;
- Be willing to abide by all other program restrictions and repayment requirements;
- Application fee of \$200.00 (see “Application Fee” section for additional information).

Assistance Details:

- Assistance **up to a maximum of \$20,000**, based on demonstrated need, for applicants with household income at or below 70% of AMI;
- Assistance **up to maximum of \$10,000**, based on demonstrated need, for applicants with household income above 70% of AMI but below 80% of AMI;
- Request for assistance below \$2,500 will not be considered;
- Assistance is given as no interest, forgivable **loan** if the property is held for the duration of the restriction period.

Underwriting Guidelines:

Applicants receiving Down Payment and Closing Cost Assistance must satisfy HUD’s current underwriting requirements for front (35%) – and back- end (45%) ratios. The “Down Payment Assistance Underwriting Template” will be utilized to evaluate sustainability and affordability.

Term of the Restriction:

During the restriction period, the unit must remain owner occupied. Each year the applicant will be required to submit proof of residency to the Housing Network of Rhode Island.

- 5 year restriction period if assistance is \$15,000 or less.
- 10 year restriction period if assistance is more than \$15,000.

Repayment of Assistance:

If the property is sold or refinanced prior to the expiration of the restriction period, the full amount of assistance is required to be repaid.

Allowable Property Types:

- Single family housing;
- Two and three family housing unit;
- Condominiums

HOME Purchase Price Limit:

Property purchase price as stated in the Purchase and Sales agreement cannot exceed the following limits:

Unit #	Existing Homes:	New Construction:
1 Unit	\$220,000	\$295,000
2 Units	\$282,000	\$378,000
3 Units	\$342,000	\$458,000

Allowable Ownership Structure:

- Ninety- nine year lease
- Fee simple

Property Standards:

- Selected housing unit(s) must pass a required City home inspection with a score of 80 or above;
- Housing must meet and comply with state and local building codes;
- Must submit Smoke Alarm Certificate;
- Property must pass a visual inspection for lead-based paint hazards. Properties will be evaluated in accordance with UPCS standards and will be ineligible for assistance if chipping and peeling paint exceeds “de minimus” levels (over 20 square feet)

Application Fee:

The application fee check made out to the City of Providence for \$200.00 is due at the time of application. The fee is refundable if:

- The applicant successfully closes on the property identified within the application.
- The home does not pass the City of Providence inspection and the seller is unwilling to make necessary repairs to successfully pass inspection.

Right to Withdraw Form:

Must be completed by applicant, signed by seller, and submitted as part of the application. A sample is provided on HNRI’s website for review.

APPLICATION PROCESS:

The entire application process may take between **45 to 60 days** to complete. Once the application, including all the required documentation is deemed complete, the Housing Network of Rhode Island will review the application. Client will be notified by mail as to the outcome of their application. The applicant must allow at least (30) days' from receipt of the approval letter when scheduling their closing. This timeframe allows for adequate time to process the Down Payment & Closing Cost Assistance loan documents and release of funds.

- Application packets can be downloaded from www.housingnetworkri.org or picked up at: Housing Network of Rhode Island, 1070 Main Street Suite 304, Pawtucket, RI 02860
- Applications must be completed in their entirety and submitted (via mail or in person to Housing Network of RI, 1070 Main Street, Pawtucket RI 02860) with all required documents to the Housing Programs Coordinator. EMAIL SUBMISSIONS ARE NOT ACCEPTED.
- The last page of the application includes a checklist of all required documents. The application fee must accompany application. The application will be reviewed for completeness before advancing application for income verification.
- In the event of an incomplete application, the applicant will be notified by mail of missing documents and the application will be placed on hold for 30 days pending receipt of the requested information. Applications that remain incomplete after 30 days will be closed out.
- Complete applications will be advanced for income verification.
- A decision letter will be mailed to the applicant regarding their eligibility for the program and a tentative award amount.
- If additional information is needed to make an accurate determination regarding income eligibility, the applicant will be notified via mail, and the application will be placed on hold pending receipt of the requested information.
- Applications that are not closed out within 6 months will be required to submit all new documents.
- Upon completion of the Homebuyer and/or Landlord class and Lead Hazard Awareness Seminar, the applicant must provide a copies of the Certificate of Completion for all classes.
- Once an applicant is notified of the eligibility for the program, an inspection of the property will be scheduled with the City of Providence. This inspection is in addition to a standard inspection a homebuyer may do prior to purchasing a home.
- Upon completion of the City of Providence inspection, the Housing Programs Coordinator will notify the applicant if the unit passed or failed the City inspection, and if any additional actions were recommended by the City of Providence.

- If the unit passes inspection, the Housing Programs Coordinator will requisition the down payment assistance check from the City of Providence and begin drafting the closing documents. (Prior to requisitioning the down payment assistance check, the applicant must have submitted Certificates of Completion for a HUD approved Homebuyer Education class, and if purchasing a multifamily unit, the 3 hour Landlord class and the 3 hour Lead Hazard Awareness class. All other required supporting documents must also be received prior to requisition of assistance.)
- The Housing Programs Coordinator will schedule a one on one session with the applicant to review all of the closing documents, program restrictions and compliance requirements.
- At the time of closing, recorded documents will include: a mortgage, loan agreement and a promissory note outlining the terms of repayment of the assistance. (template versions of these documents are available on HNRI's website for review) The Housing Network of Rhode Island must review and approve the final Closing Disclosure, which shall include a \$75 recording fee for recording the City of Providence mortgage and reference the assistance received as "Loan from City of Providence DPA" (guidance in preparing for closing is available on HNRI's website)
- **This program prohibits cash out to the buyer/borrower at the closing.**

Down Payment & Closing Cost Assistance Internal Process

1. Application packets received. Date stamped on first page of application, time received recorded and initialed by applicant.
2. Enter check information into check log, check to Executive Director.
3. Client file is started – last name, first name
4. Application and enclosed documents are reviewed for completeness against Internal Checklist. Review of bank statements, looking for any non payroll deposits in excess of \$500 or any reoccurring transfers from someone other than the account holder. Average account balance is calculated using template. Other items to note: single parent – is child support being received? Do tax returns match up with application information? Are any additional sources of income (other than rental income) shown on the 1003? Documents are affixed within client file. If *complete*, application is advanced for income certification. If *incomplete*, letter is drafted notifying the applicant of the deficiencies and/or deposits being questioned, signed by HPC, copied for file and sent to applicant. Application is put on hold pending return of requested documents. Once all the outstanding documents have been received and deposits/questions are satisfactorily answered, the application is deemed *complete*, and advanced for income certification.
5. Income certification is the calculation of projected annual household income for the purposes of determining program eligibility. Income certification is completed using the Income Calculation template. Print copy of calculation for the file. Client follow up as necessary. Part 5 Income form is completed for HNRI ED signature.
6. Award determination is made using the DPAP Award template, Uniform Residential Loan Application and P&S. Award letter is drafted for HNRI ED signature. Copy of signed letter is included in file, original is mailed to applicant.
7. Verification for Employment Letter is mailed to the client's employer with cover sheet. Copy of both is retained for the file.
8. Listing agent is contacted to schedule inspection (Tuesday or Thursday, 10am and 2pm). Once the offered appointment is confirmed, complete scheduling template and email (as PDF) to Michael Coyle with cc to Jameela Dunston.

9. Environmental Review form is completed and is emailed (as PDF) to Ann Marie Scofield with cc to Jameela Dunston.
10. HNRI receives confirmation from Jameela Dunston that property has passed or failed inspection. If failed inspection, appropriate parties are notified. Failed inspections have an opportunity to have deficiencies corrected and re-inspected.
10. If property passes inspection, check request is prepared with client and closing attorney name appearing on *Payable to*. HNRI ED to sign and submit via email to Jameela Dunston. Applicant's social security number is provided via telephone to Jameela Dunston. Check requests are submitted by Tuesday mornings and a check is available on the following Monday afternoon.
11. Closing documents (mortgage, loan, promissory note, statement of the buyer, income certification, occupancy certification, transmittal letter) are prepared.
12. One on one counseling session is scheduled with client to review closing documents, sign several documents and answer any questions.
13. Final review of Internal Checklist to confirm that all of the necessary documents have been provided and are in the file.
14. Closing letter is prepared letting the lender and attorney know that the client has met all the pre-closing requirements of the program and is able to proceed to closing. The letter provides information regarding the loan amount, additional funds the client must still contribute and information that should be included within the Closing Disclosure.
15. Closing Disclosure is submitted by lender or attorney for review, allowing for at least 24 hours to review. When acceptable, parties are notified that closing is able to proceed and pick up of closing packet is coordinated. Closing documents are updated to reflect closing date and closing packet is prepared.
16. After closing, executed documents are returned to HNRI and closing folder is made for the applicant.
17. Close out form is completed and attached to the requisition.
18. Final close out of application is completed and sent to Nelson Rodriguez, with cc to Jameela Dunston. Documents to be sent include the completed Close out form, scanned copies of the executed mortgage, promissory note, and Closing Disclosure.

19. HNRI data collection and monitoring spreadsheets are updated.

*** Please make sure that we have copies of everything for the file ***

*** All of the templates referred to within this document can be found on the HNRI Dropbox account under the *Down Payment Assistance Program* folder ***

UNDERWRITING TEMPLATE (EXCEL CALCULATOR)

DOWN PAYMENT & CLOSING COST ASSISTANCE			
Applicant Name:			
Date:			
General Disposition Information			
Homebuyer % AMI (HNRI to complete)			Mortgage Amount
Sales Price			Interest Rate
Projected Downpayment (including DPA funds)			Term (months)
Projected % Downpayment	#DIV/0!		Monthly Mortgage Payment
Housing Costs			
	Monthly		Comments
Principal & Interest			
Private Mortgage Insurance (PMI)			
Real Estate Taxes			
Homeowner's Insurance			
PITI Costs	\$0.00		
Utilities (heat, hot water, electricity, sewer, water)			
Total Housing Costs	\$0.00		
Homebuyer Affordability Calculations			
Income			
	Monthly		Comments
Employment Income			
Child Support/Alimony Income			
SSI/Disability Income			
Other Income			
Rental Income			
Total Income	\$0.00		
Front End Ratio (Max. Allowable = 35%)			
Monthly Income	\$0.00		
Total Housing Costs	\$0.00		
Front End Ratio	#DIV/0!		
Back End Ratio (Max. Allowable = 4%)			
Monthly Income	\$0.00		
PITI	\$0.00		
Monthly Car Payments			
Monthly Credit Cards Payments			
Monthly Student Loan Payments			
Other Monthly Debt Payments			
Total Monthly Debt Payments	\$0		
Back End Ratio	#DIV/0!		

APPENDIX E: CHDO APPLICATION & CITY CERTIFICATION CHECKLIST

CHDO STATUS PROFILE FORM

1. Organization Name:

2. Date of Incorporation:

3. Parent Organization, if any: _____

4. IRS Tax Status: _____ 501(c)3 received
 _____ 501(c)4 received / pending

5. Mission Statement:

6. Board Composition:
 - A. Please attach a Board of Directors list and indicate:
 - B. member's position, if any, on the board
 - C. if the member is a low-income community member
 - D. if member is member of an organization representing the low-income community or
 - E. if member is a public official representing a low-income community

7. Finance and Accounting Standards and Procedures:
 - A. Please provide a copy of your current, annual operating budget
 - B. Please provide a copy of last three years of your financial statements
 - C. List the sources of operating funds and indicate if these funds are likely to continue
 - D. Copy of organization's insurance
 - E. Proof organization conforms to accountability standards of Attachment F of OMB Circular A-110, "Standards of Financial Management Systems" by supplying:
 - i. A notarized statement by President or CFO stating conformance
 - ii. A certified letter from a CPA, or
 - iii. A HUD approved audit summary

8. Summary of Services & History of Service:
 - A. Please attach a detailed description of services your organization provides to the community as well as housing related experience.

B. Please attach information indicating the history of your organization serving the community and providing housing-related services.

C. If seeking additional certification as a Community-Based Development Organization (CBDO) as defined by 24 CFR 570.204, describe how the proposed activities fit into a larger neighborhood revitalization strategy and project.

9. Developments Completed: Total_____

_____ Rental_____Ownership _____Rehab _____ New Construction

10. Staff Capacity:

- A. Please provide an organizational structure chart
- B. Please provide all staff resumes
- C. Please provide a detailed list of staff experience successfully completing projects similar to those to be supported with HOME funds, or copies of contracts with consulting firms with such experience to train organization's key staff
- D. Documentation of staff training and evaluation procedures

Is the Executive Director experienced in housing development? _____

Are there others on staff with prior development experience? _____

11. Attachments:

- A. By-laws
- B. Charter
- C. Articles of Incorporation
- D. 501(c)3 Certification from IRS
- E. 501(c)4
- F. Policy and procedure for project selection/housing development
- G. Fair Housing Marketing Policy
- H. Neighborhood Plan

(organizations may use this form or feel free to substitute their own computer format)

CHDO CHECKLIST (EXTERNAL)

The information contained in this checklist refers to the definition of Community Housing Development Organization (CHDO) in Subpart A, Section 92.2 of the HOME Final Rule. These items must be received from your organization before it may be certified as a CHDO.

I. LEGAL STATUS

A. The nonprofit organization is organized under State or local laws, as evidenced by:

_____ **A Charter, OR**
_____ **Articles of Incorporation.**

B. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

_____ **A Charter, OR**
_____ **Articles of Incorporation.**

C. Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986, as evidenced by:

_____ **A 501(c) Certificate from the IRS.**

D. Has among its purposes the provision of decent housing that is affordable to low and moderate-income people, as evidenced by a statement in the organization's:

_____ **Charter,**
_____ **Articles of Incorporation,**
_____ **By-laws, OR**
_____ **Resolutions.**
_____ **A HUD approved audit summary**

II. CAPACITY

A. Conforms to the financial accountability standards of Attachment F of OMB Circular A-110, "Standards for Financial Management Systems," as evidenced by:

_____ **A notarized statement by the president or chief financial officer of the organization;**

_____ **A certification from a Certified Public Accountant; OR**

_____ **A HUD approved audit summary.**

B. Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

_____ **Resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR**

_____ **Contract(s) with consulting firms or individuals who have housing experience similar to projects to be assisted with HOME funds to train appropriate key staff of the organization.**

C. Has a history of serving the community where housing to be assisted with HOME funds will be used, as evidenced by:

_____ **Statement that documents at least one year of experience in serving the community, OR**

_____ **For newly created organizations formed by local churches, service, or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.**

NOTE: *The CHDO or its parent organization must be able to show one year of serving the community from the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as developing new housing, rehabilitating*

existing stock, and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president of the organization or by a HUD-approved representative.

III. ORGANIZATIONAL STRUCTURE

A. Maintains at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations, as evidenced by the organization's:

- _____ **By-Laws,**
- _____ **Charter, OR**
- _____ **Articles of Incorporation.**

*Under the HOME Program, for urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area (**but not the whole state**).*

B. Provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of all HOME-assisted affordable housing projects, as evidenced by:

- _____ **The organization's By-laws,**
- _____ **Resolutions, OR**
- _____ **A written statement of operating procedures approved by the governing body.**

C. A CHDO may be chartered by a State or local government, however, the State or local government may not appoint: (1) more than one-third of the membership of the organization's governing body; (2) the board members appointed by the State or local government may not, in turn, appoint the remaining two-thirds of the board members; and (3) no more than one-third of the governing board members are

public officials, as evidenced by the organization's:

- _____ **By-Laws,**
- _____ **Charter, OR**
- _____ **Articles of Incorporation.**

D. If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's:

- _____ **By-Laws,**
- _____ **Charter, OR**
- _____ **Articles of Incorporation.**

IV. RELATIONSHIP WITH FOR-PROFIT ENTITIES

A. CHDO is not controlled, nor receives directions from individuals or entities seeking profit from the organization, as evidenced by:

- _____ **The organization's By-laws, OR**
- _____ **A Memorandum of Understanding (MOU).**

B. A CHDO may be sponsored or created by a for-profit entity, however:

(1) The for-profit entity's primary purpose does not include the development or management of housing, as evidenced by:

- _____ **The for-profit organization's By-laws**

AND;

(2) The CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced by the CHDO's:

- _____ **By-Laws,**
- _____ **Charter, OR**
- _____ **Articles of Incorporation.**

EXCERPTS FROM AN IRS LETTER

A sample of typical requests from the IRS to organizations seeking 501(c)(3) status is provided below. Although all situations are unique, this sample can help an organization more effectively plan and prepare for the process. For additional information, contact your local IRS office.

(1) Submit a detailed description of all the activities of the organization -- past, present, and planned -- showing how you operate or will operate to achieve your purposes. Each activity should be separately described and the description should include as a minimum, the following:

- (a) Its purpose and nature.
- (b) Frequency and duration.
- (c) How, when, where, and by whom it was, is, or will be conducted.
- (d) The requirements a person or organization must meet in order to participate in or receive benefit from the activity.
- (e) The amounts of any charges or fees and the basis for them.
- (f) What the activity has accomplished or will accomplish.
- (g) State what percentage of the total time and effort of the organization is devoted to carrying out each activity.

(2) If the organization pays, has paid, or will pay compensation to or on behalf of persons who are officers, directors, or trustees or members of their families, or any other compensation, submit the following:

- (a) The name and title or relationship of such person to whom payment has been, is being, or will be paid.
- (b) The nature and/or purpose of payments (i.e., salary, wage, housing allotment, car allowance, etc.) and the amount of payment made or to be made on behalf of such person. If payments are to be made in more than one category, state each separately.
- (c) A detailed description of the positions filled by and the duties and services for which compensation will be paid.

- (d) The amount of time each person devotes to the position (if prospective, how the payment will be affected by an upward or downward adjustment in time based on need of the organization).
 - (e) The qualifications (training, background, experience) of such person for the position, duties, and services.
 - (f) If any such person is employed outside the organization, the hours per week and weeks per year devoted to such outside employment.
 - (g) Who determines compensation to be paid? What criteria is used to determine compensation?
 - (h) How do you or will you insure that all compensation paid is "reasonable" and in return for service rendered?
 - (i) Does the organization pay or plan to pay any of the personal living expenses of employees, directors, officers, founders, members, etc.? If so, explain in detail. Be specific.
- (3) Submit copies of any brochures, pamphlets, newsletters, advertisements, or other literature regarding your organization.
- (4) Providing housing for individuals who earn a certain percentage of an area's median income is not sufficient to establish that you are operated exclusively for charitable purposes, a prerequisite for exemption under Section 501(c)(3). Basing a determination of exempt status on a strict percentage test is generally not sufficient to confer tax-exempt status under Section 501(c)(3).

If it appears that the organization may be engaged in assisting the poor and distressed, the organization must be able to show how it qualifies under 501(c)(3). If you claim to be eliminating prejudice and discrimination, submit descriptions of the

existing prejudicial and discriminatory conditions that exist in the areas you are targeting for assistance and an explanation of how your activities will seek to alleviate such conditions. Be specific in your descriptions. Describe any educational or other programs you will provide to eliminate prejudice and/or discrimination.

(5) If you claim to combat community deterioration, submit descriptions of the areas you will be targeting for relief. Provide evidence of the deterioration of the community. State whether any of the areas you will be targeting for assistance have been recognized as depressed by a governmental agency.

(a) Submit a copy of such determination as to the condition of the area served.

(b) Submit a description from the authorizing agency as to how that agency defines "blight."

(6) State whether any of your housing recipients will earn more than 80% of the area's median income.

(7) Why do you include moderate income families in your housing activities? How will this serve a charitable purpose? Discuss in detail.

(8) Have you been issued an employer identification number? If so, please let us know the number that has been assigned to you.

(9) Please submit any additional information you feel will help us better understand your organization.

CHDO Commitment Requirements Certification Checklist (INTERNAL)

Before committing CHDO set-aside funds to an organization, the City shall certify that the organization:

1. Meets the definition of a “community housing development organization” in §92.2;
2. Has a project eligible for the set-aside that the organization will own, develop, or sponsor in accordance with §92.300(a); and
3. Has paid staff with demonstrated experience appropriate to the role the organization will play for the project being funded.

CHDO Requirements	Rule Citation	Check if CHDO meets requirement & documentation is in file
ORGANIZATIONAL REQUIREMENTS		
1. Legal structure		
1.1. The organization is organized under state or local law.	§92.2 CHDO Definition ¶ (1)	<input type="checkbox"/>
1.2. The organization has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons.	§92.2 CHDO Definition ¶ (7)	<input type="checkbox"/>
1.3. The organization has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual.	§92.2 CHDO Definition ¶ (2)	<input type="checkbox"/>
1.4. The organization is not under the control or direction by any individual or entity seeking to derive profit or gain.	§92.2 CHDO Definition ¶ (3)	<input type="checkbox"/>
1.5. The organization has one of the following IRS tax exempt statuses: 1.5.1. Exemption under 501(c)(3) or 501(c)(4); 1.5.2. Subordinate of a central nonprofit under IRC Section 905; or 1.5.3. A private nonprofit that is a wholly owned subsidiary of an organization that has 501(c)(3) or (c)(4) status and meets the CHDO definition.	§92.2 CHDO Definition ¶ (4)	<input type="checkbox"/>
1.6. The organization is not a governmental entity (including participating jurisdiction, other jurisdiction, Indian tribe, public housing agency, Indian housing authority, housing finance agency, or redevelopment authority).	§92.2 CHDO Definition ¶ (5)	<input type="checkbox"/>
2. Independence		
2.1. Public officials & employees of a governmental entity may comprise no more than 1/3 of the board.	§92.2 CHDO Definition ¶ (5)	<input type="checkbox"/>
2.2. Officers and employees of a governmental entity cannot be officers (e.g. CEO, CFO, or COO) or employees of a CHDO.	§92.2 CHDO Definition ¶ (5)	<input type="checkbox"/>

CHDO Requirements	Rule Citation	Check if CHDO meets requirement & documentation is in file
2.3. If the organization was created by a governmental entity, then the governmental entity that created the organization may not appoint more than 1/3 of the board members and board members appointed by the governmental entity may not appoint remaining 2/3.	§92.2 CHDO Definition ¶ (5)	<input type="checkbox"/> Applicable
2.4. If the organization was created by a for-profit entity, then 2.4.1 through 2.4.4 apply:		<input type="checkbox"/> Applicable
2.4.1. The for-profit entity that sponsored or created the organization may not have as its primary purpose the development or management of housing, such as a builder, developer, or real estate management firm.	§92.2 CHDO Definition ¶ (3)(i)	<input type="checkbox"/>
2.4.2. The for-profit entity that created the organization may not appoint more than 1/3 board members, and for-profit-appointed members may not appoint remaining 2/3 of board.	§92.2 CHDO Definition ¶ (3)(ii)	<input type="checkbox"/>
2.4.3. Officers and employees of the for-profit entity that created the organization cannot be officers or employees of the CHDO.	§92.2 CHDO Definition ¶ (3)(iv)	<input type="checkbox"/>
2.4.4. The organization must be free to contract for goods & services with others.	§92.2 CHDO Definition ¶ (3)(iii)	<input type="checkbox"/>
3. Accountability to the Low Income Community		
3.1. The organization must have a designated service area (i.e. the “community” in which it produces housing). A community can be a neighborhood or neighborhoods, city, county, metropolitan area, or multi-county area (but not the entire State).	§92.2 CHDO Definition ¶ (8)(i)	<input type="checkbox"/>
3.2. At least 1/3 of the board members are: 1) low-income; 2) residents of a low-income neighborhood; or 3) elected representatives of a low-income neighborhood organization.	§92.2 CHDO Definition ¶ (8)(i)	<input type="checkbox"/>
3.3. The organization has a formally adopted process for low-income beneficiaries to advise it on decisions regarding design, siting, development, and management of housing.	§92.2 CHDO Definition ¶ (8)(ii)	<input type="checkbox"/>
3.4. The organization has at least 1 year of serving the community, or, if it is formed by local churches, service organizations, or neighborhood organizations, its parent organization meets this requirement.	§92.2 CHDO Definition ¶ (10)	<input type="checkbox"/>

CHDO Requirements	Rule Citation	Check if CHDO meets requirement & documentation is in file
4. Capacity		
4.1. The organization has paid employees with demonstrated experience relevant to the CHDO's role in undertaking the HOME activity to be funded. (Note: this does not include volunteers, board members, donated or shared staff, or consultants – except as described in 4.1.1. below.)	§92.2 CHDO Definition ¶ (9)	<input type="checkbox"/>
4.1.1. During the first year of an organization's participation as a CHDO only, capacity can be demonstrated through a contract with a consultant who has housing development experience to train appropriate key staff of the organization.	§92.2 CHDO Definition ¶ (9)	<input type="checkbox"/>
4.2. The organization has financial management systems that conform to 24 CFR 84.21.	§92.2 CHDO Definition ¶ (6)	<input type="checkbox"/>
CHDO ROLE		
5. CHDO set-aside project CHDOs can undertake either homebuyer or rental projects, as described below, with CHDO set-aside funds:		<input type="checkbox"/> Applicable
5.1. Homebuyer projects in accordance with §92.254 To qualify under CHDO set-aside, must meet either 5.1.1 or 5.1.2, and 5.1.3:		<input type="checkbox"/> Applicable
5.1.1. Developer: The organization is or will be the owner in fee simple and the developer of new or rehabilitated units for sale to low-income buyers, or	§92.300(a)(6)	<input type="checkbox"/>
5.1.3. The organization will control the development process including, at a minimum, arranging financing for the project and being in sole charge of construction.	§92.300(a)(6)(i)	<input type="checkbox"/>
5.2. Rental projects in accordance with §92.252 To qualify under CHDO set-aside, must meet one of the following:		<input type="checkbox"/> Applicable
5.2.1. Own: The organization is or will be owner in fee simple absolute (or will hold a long term ground lease) for at least the period of affordability. If project involves rehabilitation or construction, organization will <u>oversee</u> all aspects of development.	§92.300(a)(2)	<input type="checkbox"/>
5.2.2. Develop: The organization is or will be owner in fee simple absolute (or will hold a long term ground lease) for at least the period of affordability, and will <u>be in sole charge</u> of all aspects of the development process.	§92.300(a)(3)	<input type="checkbox"/>
5.2.3. Sponsor: Must meet one of the following:		<input type="checkbox"/> Applicable

CHDO Requirements	Rule Citation	Check if CHDO meets requirement & documentation is in file
5.2.3.1. The organization will own and develop project that it will convey at a predetermined time after completion to a designated private nonprofit (that was not created by a governmental entity).	§92.300(a)(5)	<input type="checkbox"/>
5.2.3.2. The project will be owned and/or developed by an eligible CHDO affiliate, including: <ul style="list-style-type: none"> • A wholly owned subsidiary of the CHDO; or • A limited partnership of which the CHDO or its wholly owned subsidiary is the sole general partner; or • A limited liability company of which the CHDO or its wholly owned subsidiary is the sole managing member. 	§92.300(a)(4)	<input type="checkbox"/>
CHDO PREDEVELOPMENT		
6. CHDO pre-development loan If a project specific pre-development loan is being provided, in addition to meeting CHDO qualification listed in Items 1 – 4 above and having a set-aside eligible project under Item 5, the predevelopment loan must be designated as one of following two loan types:		<input type="checkbox"/> Applicable
6.1. TA/site control loan: The loan is for allowable costs specified in §92.301(a)(2) for planning an eligible set-aside project.	§92.301(a)	<input type="checkbox"/>
6.1.1. Document the environmental exemption under 24 CFR 58.34(a) and/or 58.35(b).	§92.352	<input type="checkbox"/>
6.2 Seed money loan: The loan is for allowable preconstruction costs specified in §92.301(b)(1) for planning an eligible set-aside project.	§92.301(b)	<input type="checkbox"/>
6.2.1 Document the environmental exemption under 24 CFR 58.34(a) and/or 58.35(b).	§92.352	<input type="checkbox"/>
CHDO OPERATING		
7. CHDO operating expenses If CHDO operating expenses are being provided, the organization must meet the CHDO qualification requirements listed in Items 1 – 4 above, or the organization must meet requirements in 1-3 and item 4.2 above and be receiving the operating funds specifically to hire staff to meet the requirements in 4.1 above. In addition, the CHDO must meet the following requirements	§92.208(a) & §92.300(e)-(f)	<input type="checkbox"/> Applicable
7.1. The organization is funded from the set-aside for a project under development, or is reasonably expected to be funded within 24 months, from the CHDO set-aside	§92.300(e)	<input type="checkbox"/>

CHDO Requirements	Rule Citation	Check if CHDO meets requirement & documentation is in file
7.2. The operating expense funds will be used for eligible operating costs that are reasonable and necessary	§92.208(a)	<input type="checkbox"/>
7.3. Operating expense funding (including from other PJs and any Pass-Through funding) in the fiscal year will not exceed the greater of \$50,000 or 50% of the CHDO's total operating expenses in that year	§92.300(f)	<input type="checkbox"/>
CHDO CERTIFICATION		
<p>8. CHDO Certification</p> <p><input type="checkbox"/> The organization meets all CHDO regulatory thresholds.</p> <p>And one or more of the following:</p> <p><input type="checkbox"/> The organization has a project meets the project eligibility requirements of 92.300 for a reservation of CHDO set-aside funds.</p> <p><input type="checkbox"/> The organization has a project that qualifies for a pre-development loan for eligible costs under 92.301.</p> <p><input type="checkbox"/> The organization qualifies for Operating Expenses.</p> <p>Staff Signature _____ Date _____</p> <p>Name _____</p> <p>Title _____</p>		

APPENDIX E: SUBORDINATION POLICY

Requests for HOME loan subordination must meet the following requirements:

- No debt-consolidation, no cash-outs, no line of credit or home equity loan will be considered unless one of the following conditions is met:
 - A court has issued a Divorce Decree assigning property equity;
 - Property equity is used to satisfy a governmental lien;
 - Property equity is used to remove municipal code violations;
 - Property equity is used to modify the property for owner-occupied elderly or handicapped use.
- The total loan-to-value cannot exceed 90%.
- Only one subordination will be allowed per loan applicant.
- Any exception must be approved by the Director.

Requestors must complete the City's Loan Service Request Form, which can be obtained by calling 401-680-8434.

Loan service requests cannot be processed without:

- Good Faith Estimate
- Pre-Closing HUD Form 1
- Payoff letter from first mortgage and last mortgage statement
- Certified Property Appraisal
- Proposed subordination agreement
- Documentation to support qualification for one of the exceptions listed above.

Under no circumstances shall the recorded Land Use Restrictive Covenant be discharged during the period of affordability.

APPENDIX G: INSPECTION PROCEDURES & CHECKLISTS

The City must utilize established written inspection procedures. These procedures include detailed inspection checklists, description of how and by whom inspections will be carried out, and procedures for training and certifying qualified inspectors.

This Manual also describes how frequently the property will be inspected, consistent with [§92.209](#), and [§92.504\(d\)](#).

All properties constructed or rehabilitated with City HOME funds will meet the minimum local codes and standards once construction is completed and occupied.

All projects will be designed and constructed in compliance with the City of Providence Construction Standards.

Monitoring visits will be conducted by the City's Division of Housing & Community Development Inspectors to ensure work invoiced is in place.

Additionally, Department of Inspection & Standards building inspectors will inspect periodically and at project completion to ensure property and construction standards are being met before, during, and after construction. A Department of Inspections & Standards Certificate of Occupancy must be issued for all substantial rehabilitation or new construction projects at the time of project completion. All required permits must be obtained on HOME-funded projects. Failure to obtain required permits will result in termination of funds.

If lead paint is disturbed and remediated through the course of the project, the City's Lead Inspector or a qualified private inspector will conduct any required comprehensive or clearance inspections in accordance with RI Dept. of Health and HUD requirements.

Prior to occupancy or resale, the City's Division of Housing & Community Development Inspector(s) shall also conduct a Uniform Physical Conditions Standard inspection. No transfer shall be authorized by the City until a property passes UPCS inspection. Projects that fail UPCS shall be informed of the deficiencies to be corrected and the protocol to request a new inspection once remedied.

The Uniform Physical Conditions Survey checklist utilized by City inspectors can be found here: https://www.hud.gov/sites/documents/DOC_26481.PDF.

The City's Division of Housing & Community Development inspectors must possess and maintain a RI Dept. of Health Lead Risk Assessor license, and attend regular refresher trainings with the RI Dept. of Health and HUD on inspectional protocols when offered.