



**HOME Investment
Partnerships Program**

**PROGRAM POLICY
MANUAL**

**Office of Community Development
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HOME PROGRAM POLICY MANUAL

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INTRODUCTION

This Policy Manual establishes the framework for guiding the operation of the Washington County HOME Program. It is intended to provide applicants, reviewing entities, and decision-makers with the basic criteria for entry, selection, and long term management of HOME projects.

This HOME Program Policy Manual will undoubtedly grow as the County encounters situations which either need to be standardized, or in some cases, where there is an apparent need to ensure the limited resources of the program are prudently applied.

Once adopted by the Board of Commissioners these policies became fully binding. Any variances, changes or waivers to these policies must be submitted in writing to the Policy Advisory Board (PAB). The PAB may recommend approval or denial of such requests. The conclusions of the PAB will be forwarded to the Board of Commissioners for final action.

Staff is in the process of developing a companion HOME Operating Manual which will outline detailed operating instructions for the management of HOME projects. The Operating Manual will provide users with step-by step directions on how to achieve and maintain compliance with federal, state, and local requirements as they apply to the development of housing.

HOME PROGRAM POLICY MANUAL

1. ORGANIZATIONAL/FUNCTIONAL ELEMENTS

1.1 PROGRAM FOCUS

Washington County, through its CDBG/HOME consortium intends, whenever possible, to create a flexible environment to promote a wide range of affordable housing development activities through creative and unique partnerships between the state, local jurisdictions, private industry and non-profit organizations. HOME and CDBG funds will be targeted to benefit Washington County residents who are most in need, as identified by the current Consolidated Plan.

1.2 GOVERNANCE

The Washington County Board of Commissioners make all final decisions regarding the reasonable and appropriate use of federal, state or local subsidies derived from, or used in conjunction with the CDBG and HOME programs. The Policy Advisory Board (PAB), which is comprised of representatives of signatories to intergovernmental cooperation agreements for the CDBG and HOME programs, and provide the Board of County Commissioners with recommendations on all matters related to these programs. In addition to holding public hearings on various matters related to the CDBG and HOME programs, the PAB can also appoint temporary or standing subcommittees to research, analyze, and apprise the PAB on any technical or other relevant aspect(s).

1.3 CONSOLIDATED PLAN

- 1.3.1 The Washington County Consolidated Plan identifies community development and housing needs and includes a comprehensive list of priorities and goals designed to address those needs over a projected five (5) year period.
- 1.3.2 Under the direction of the PAB, the Consolidated Plan is developed with information gathered from citizen input, OCD staff, appointed consultants, subcommittees, and stakeholder or focus groups.
- 1.3.3 At the conclusion of the development process, the PAB shall hold a public hearing to listen to any comments or recommendations for the Plan. Following the hearing, the PAB endorses the Consolidated Plan to the Board of County Commissioners, insuring that any public testimony is summarized and included in the Plan. Staff shall place approval of the final Consolidated Plan on the Board of Commissioners' consent agenda. If, in the PAB's determination there are issues that need to be addressed by the Board of Commissioners, the

PAB may recommend that the Plan be placed on the Board of Commissioner's regular agenda.

1.4 HOME CONSORTIUM

- 1.4.1 Washington County's HOME Consortium shall be comprised of the following: the County; non-entitled cities within the county that have signed CDBG/HOME Intergovernmental Cooperation Agreements, and the CDBG entitled but non-PJ HOME cities of Beaverton and Hillsboro.
- 1.4.2 As additional cities become CDBG eligible but are below the threshold to be designated a Participating Jurisdiction (PJ) under the HOME program, they may remain with the County's CDBG/HOME Consortium and continue to concurrently participate in the HOME program. CDBG entitlement cities may choose to operate CDBG independently (outside the County Consortium) but, in order to qualify to receive any HOME resources, the jurisdiction must formally join the County's HOME Consortium.
- 1.4.3 Under federal guidelines, to participate in the HOME program as a consortium member, cities shall be required to execute a three (3) year Intergovernmental Cooperation Agreement.
- 1.4.4 For the purposes of this policy and possible writing of future agreements, the following definitions shall apply:
- * "City Set-Aside" means a portion of the HOME Consortium funds dedicated by the County to a City.
 - * "Adjusted City Set-Aside" means the net amount of HOME Consortium funds allocated to a City after appropriate consortium administrative assessments have been calculated and withheld from the initial "City Set-Aside."
- 1.4.5 At the expiration of any three (3) year agreement, a jurisdiction can opt to remain a member of the consortium and continue to receive consideration for funding or decline membership. If the HUD allocation formula is less than \$750,000 for that particular city, they will forfeit receiving any HOME Consortium funds. If a jurisdiction reaches the HUD threshold figure, they may elect to act independently as a recognized PJ at the expiration of any intergovernmental agreement currently in effect.
- 1.4.6 The manner in which CDBG entitled cities participate in the County's HOME Consortium as a non-PJ shall be limited to the selection of one (1) of two (2) options set forth below. The selected option shall be binding for the full three (3) year term of the cooperation agreement. The County will take into consideration the effect of any major de-obligation of the City member's CDBG entitlements on the City's ability to continue to function at the option level originally selected by the City Member. If warranted, the County may agree to allow the City Member to make a transfer between options, provided the City Member seeks

such a transfer at least sixty (60) days prior to the commencement of the next scheduled program year.

Under the provisions of the transfer criteria, the City Member shall only be allowed to make one change between Options one (1) and two (2) during any three (3) year term. Having joined the County's HOME Consortium as a non-PJ, the city(s) can select one (1) of the following options:

- * Option #1. Allows the County to administer all HOME funds on behalf of the City, including selection of projects. No separate "City Set-Aside" would be made. The City shall compete for the general pool of Consortium funds reserved for project selection. Projects shall be selected annually by the County's Policy Advisory Board, or by members of a HOME Project Selection Panel (HPSP) appointed by the PAB. If an HPSP is appointed, the City shall appoint one (1) representative to the HPSP. The Washington County Board of Commissioners shall make the final determination regarding the selection of projects. All administrative funds authorized under current regulations accrue to the County.

- * Option #2. Allows a City to specifically designate its HOME "Adjusted City Set-Aside" to projects strictly within its jurisdiction, independent of the County's selection process. The City may operate an independent selection and evaluation process using any city authorized mechanism. As with Option #1, project implementation and administration remain with the County. All administrative funds authorized under current regulations accrue to the County.

1.4.7 County program staff will ensure cooperation agreements reflect all local, state, and federal regulatory requirements.

1.4.8 At some point in the future, the number of CDBG entitled/non-PJ cities will increase. The County shall reserve the right to rescind its policy of making set-asides to non-PJ jurisdictions. This policy will be automatically reviewed for such action by the PAB as soon as OCD staff indicates any additional cities are added to such status.

1.5 CONFLICTS OF INTEREST

1.5.1 Conflict of Interest Issues Applicable to County Staff, Public Officials and Subrecipients

a). HOME regulations (24 CFR 92.356) state that "no persons 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 in interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves, their immediate family members or those with whom they have business ties during their tenure or for one year thereafter."

b). Under Chapter 244 of the Oregon Revised Statutes, the PAB and its appointed subcommittee members act in the capacity of “public officials.” It is therefore the responsibility of each such member to consider the possibility of the existence of a potential or actual conflict of interest prior to voting on any matter of which the outcome will result in a pecuniary benefit either for himself or herself, a relative, or any business in which any such person(s) have, or may have, a financial interest; or, as a result of that relationship, stands to receive a remuneration. If any such actual or potential conflict exists, the member should contact OCD staff to determine what to do. Because staff may need to consult with County Counsel, members should discuss potential or actual conflicts of interest as soon as possible once they become aware of them.

c). Failure to Make Necessary Declaration. The failure to declare a potential or actual conflict of interest in advance of any decision-making process may result in the PAB recommending remedial action, which may include, but is not limited to, temporary or permanent withdrawal of any awards and the suspension of offending individuals. If circumstances warrant, the PAB may endorse a recommendation to the County asking that the matter be referred to State Ethics Commission.

1.5.2. Conflict of Interest Provisions Applicable to Owners, Developers and Sponsors

a). HUD regulations (24 CFR 92.365(f)) prohibit officers, employees, agents and consultants of owners, developers and sponsors of HOME-assisted projects and their immediate family members from occupying a HOME-assisted housing unit. HUD specifies that this provision does not apply to employees or agents who occupy a rental housing unit as a project manager or maintenance worker.

b). The County may grant exceptions to this requirement if it determines that the exception will further the purposes of the HOME program or the efficient and effective administration of a HOME-assisted project under the criteria set forth in 24 CFR 92.356(f)(2). All requests for an exception must be submitted in writing to the County and state the nature of the conflict and a reason why a waiver might be justified. The County shall respond to the request in writing, stating the reason for acceptance or denial of the request. An example of an acceptable reason is the desire to appoint a low income resident of a HOME-assisted unit as a board member of the owner, sponsor or developer in furtherance of the HOME goal of low-income representation on CHDO boards.

1.6 COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS (CHDOs)

1.6.1 The County encourages partnerships between Community Housing Development Organizations (CHDOs) and the County. Those partnerships are predicated on the assumption that the prospective CHDO is qualified to develop and/or own and manage HOME-funded housing in Washington County, and that the organization can annually meet the requirements for CHDO certification set forth by HUD in 24 CFR 92.2.

1.6.2 The County recognizes two tiers of CHDOs:

- a). Tier 1 CHDOs, which are certified annually as CHDOs per 24 CFR 92.2 and, on a three year cycle, demonstrate that they meet additional standards of quality and sustainability in the areas of organizational capacity, financial management, housing development and asset management, and services to program participants. To apply as a Tier 1 CHDO, the organization must have at least 51% of its total housing units located in Washington County.
- b). Tier 2 CHDOs, which are certified annually as CHDOs per 24 CFR 92.2, demonstrate that they meet the same additional standards as Tier 1 CHDOs of quality and sustainability in the areas of organizational capacity, financial management, housing development and asset management, and services to program participants. However, Tier 2 CHDOs have less than 51% of their housing units located in Washington County.

1.6.3 As an element of its partnership with CHDOs, the County will set aside five percent (5%) of its annual HOME entitlement for CHDO operating support, the maximum permitted by HUD. The County will provide operating support to Tier 1 CHDOs only.

Every three years, prospective CHDOs may submit an application to be a Tier 1 CHDO. If a CHDO is so certified, the County will set aside from its pool of CHDO operating support funding for this organization for three years, pending the continued availability of HOME resources and a continued high level of performance by the organization as an annually-certified CHDO.

Available funds will be awarded to all Tier 1 CHDOs equally. No CHDO may receive more than \$50,000 annually in HOME Operating Support, nor may the HOME Operating Support constitute 50% or more of the CHDO's operating budget, per HOME requirements.

Prior to the first year of the cycle, Tier 1 CHDOs, in collaboration with the County, will integrate the goals of their existing strategic plans into a work plan that must be approved by both the County and the CHDO as a condition of the award of operating support.

All CHDOs must maintain internal staff capacity for housing development in order to obtain commitments of HOME CHDO set-aside funds for a development project from the County. This capacity is limited to paid employees who are responsible for the day-to-day operations of the CHDO with demonstrated development experience. Prior to a commitment of HOME CHDO set-aside funds, a CHDO must provide the County with documentation it has complied with the requirement of internal staff capacity with demonstrated development experience.

1.6.4 The PAB may elect to extend the three-year Tier 1 CHDO certification for all existing Tier 1 CHDOs for no more than one additional year (four years total) provided that the OCD Program Manager affirms that no Tier 1 CHDO applications from new organizations are anticipated in the upcoming HOME application process. The vote on the one-year extension must occur on or before the July PAB meeting prior to the beginning of the HOME

application process during which new applications would otherwise be accepted. If an extension is approved, it must apply to all existing Tier 1 CHDOs.

- 1.6.5 The County may award Predevelopment Loans to Tier 1 CHDOs for specific development projects at any time during the year. These loans will meet the definition of a site control loan and/or a seed money loan, as specified in 24 CFR 92.301. The maximum predevelopment loan to any Tier 1 CHDO for a specific project is \$150,000, with a maximum initial award of \$100,000 and an additional \$50,000 only made available should additional funding be needed to further the predevelopment activities. The Predevelopment Loan amount will be determined based on the predevelopment needs of the project assessed during underwriting by the Housing and Community Development Specialist, as information is made available by the CHDO in its Predevelopment Loan application. The PAB may set further restrictions on eligible predevelopment loan expenses, and these will be set forth in the instructions that accompany applications for predevelopment funding.
- 1.6.6 The CHDO must repay the predevelopment loan to the County from permanent loan proceeds (not including HOME funding). At its sole discretion, the County may waive repayment of the loan in whole or in part if there are impediments to project development that the County determines are reasonably beyond the control of the CHDO.
- 1.6.7 Predevelopment funding will be available as non-interest bearing unsecured loans.

2. HOME PROPOSALS

2.1 SPONSOR ELIGIBILITY CRITERIA

- 2.1.1 In order to submit a HOME funding application, a sponsor must be either a non-profit housing development agency with IRS certified 501(c)(3) status, a government agency, or a for-profit developer/owner.
- 2.1.2 Faith-based Applicants are eligible for HOME assistance on the same basis as any other eligible organization. However, organizations that are directly funded under the HOME program may not engage in religious worship, instruction, or proselytization as part of the assistance provided by HOME funds. If the organization conducts such activities, the activities must be offered separately, in time or location, from the assisted HOME activity and the participation must be voluntary on the part of the HOME beneficiaries.
- 2.1.3 All non-profit entities making an application for HOME assistance must attach a copy of their IRS “tax-exempt status” letter issued by the IRS.
- 2.1.4 In addition to meeting the basic criteria listed in 2.1.1 & 2.1.2 above, Community Housing Development Organizations (CHDOs) must meet the specifications outlined in the County’s HOME Operating /Procedures Manual by submitting a CHDO Application/Recertification Form annually which will be made available by the County.
- 2.1.5 In order to serve as many applicants as possible, the County shall limit sponsors to submitting a single HOME development project application in each program year. This limitation does not include CHDO Operating Grant applications or projects that are requesting an additional (out-of-cycle) influx of HOME funds into an on-going project.
- 2.1.6 A sponsor may not have more than three (3) HOME assisted projects under development at any one time. In order for a HOME assisted project that is in development not to be counted in either of these totals, the project must be completed and the units placed in service within sixty (60) days after the due date for the HOME application.

2.2 STAFF EVALUATION & APPLICATION CUT-OFF DATE

- 2.2.1 The Policy Advisory Board (PAB) will approve the design and content of a HOME Application Staff Evaluation Form. The form will be completed by OCD staff for each HOME application submitted during any given annual cycle. Staff comments or recommendations for items categorized as “Objective” on the staff evaluation form are always based on irrefutable evidence and shall not give cause for those to be contested. Staff may provide background or comment on “Subjective” rating areas, but those shall be judged solely at the discretion of individual PAB members when casting their votes during the actual rating process.

- 2.2.2 Staff will make its evaluations available to the PAB at a time and date established by the PAB. After its initial review, the PAB will direct staff to distribute copies to sponsor/applicants. Prior to the selection/evaluation process, applicants shall be entitled only to a single copy of the staff evaluation as it pertains to their particular proposal(s) submission.
- 2.2.3 To enable staff to meet the timelines established by the PAB, staff will establish a binding cut-off date by which time all sponsor/applicants must have fully reconciled any outstanding omissions, irregularities, conflicts, or issues pointed out by staff. Staff will announce the cut-off date at the annual HOME pre-application workshop. Once applications have been received at OCD, staff will reconfirm the cut-off date by sending each prospective sponsor a reminder via e-mail. No additional reminders will be made and a sponsor's failure to provide the required information by the established cut-off date will result in a recommendation to withdraw the proposal from further processing or consideration.

2.3 SETTING ANNUAL MINIMUM POINT THRESHOLDS

- 2.3.1 At the regular meeting of the PAB, preceding the meeting set to actually rate projects, the PAB may elect to establish a minimum point cut-off for those project proposals eligible to compete for HOME assistance. At the subsequent rating session, any project that receives a score below the established cut-off shall automatically be eliminated.
- 2.3.2 Projects that were eliminated for failing to meet the minimum point threshold will have no standing during the program year in which they competed and were eliminated. Sponsors of eliminated projects that could be HOME-eligible and could address priorities identified in the current Consolidated Plan will be encouraged to continue to refine their proposals and consider resubmitting them for competition in a subsequent program year.

2.4 EVALUATION/SELECTION PROCESS

- 2.4.1 Based on discussions with the PAB, OCD staff will distribute advisories and provide public notice announcing the level of HOME assistance expected from the federal government for the forthcoming program year. Via such advisories and through its annual pre-application HOME Workshop, staff will provide potential applicants with a set of calendar dates that shall govern the timing for submission, evaluation and selection of HOME proposals.
- 2.4.2 The initial step in the proposal evaluation process will require staff to screen applications to ensure each proposal thoroughly describes the project type, provides an analysis of need, identifies the development team, presents a detailed development and operating budget, and describes a financing plan which includes costs and cash flow projections. Other critical information shall also be solicited through the general instructions which identify the information all sponsors must include in the HOME Application Form. Staff may require sponsors/applicants to submit additional information, in which case the provisions of Policy

Section 2.2.3 shall apply insofar as meeting the requirement to provide the information or data by a specific cut-off date.

- 2.4.3 According to established schedule, staff will review its evaluation of each HOME proposal with the PAB. At the conclusion of that review, the PAB may establish a minimum point threshold in accordance with Policy Section 2.3 above. Staff shall notify each individual proposal sponsor if their proposal met the minimum point threshold and inform them of the date/time for their oral interview before the evaluation/selection panel. Sponsors that did not meet the threshold will be advised accordingly and will not be invited to further reviews (oral or otherwise).
- 2.4.4 HOME Sponsor/Applicants shall be required to appear before the County's selection panel, formed by the PAB, at the date, time and place prescribed. Because of time and space limitations, each applicant agency will be held to bringing no more than three (3) presenters to the interviews.
- 2.4.5 Following the interview sessions, staff will collect and tabulate the evaluation documents from the selection panel. The results will not be officially announced until the entire membership of the PAB receives, reviews, and endorses the selection results. To expedite release of their deliberations and announcement of finalists, staff will ensure the PAB meeting for such review is scheduled within relative close proximity to the actual rating/selection process.
- 2.4.6 The PAB may, at its discretion, elect not to use a separate selection panel in which case interviews, evaluation, selection and formal announcement of their results will take place at a regularly scheduled PAB meeting.
- 2.4.7 Projects shall be awarded funding in the order of their ranking by the PAB. The top ranked project shall receive funding first, up to its full HOME request. If there are not sufficient funds available to fulfill the full HOME request of the first-ranked project in that year, the balance of funding shall be provided in the second year on a non-competitive basis, subject to the availability of HOME funds and fulfillment of Interim Obligations by the sponsor, as prescribed in Policy 3.9 Forward Funded Projects.
- 2.4.8 If funds remaining after top-ranked project(s) is fully funded equal an amount greater than or equal to 50% of the HOME request of the next-ranked project, the sponsor of the next-ranked project shall have the option of accepting those funds and becoming the forward-funded project for the next application cycle.
- 2.4.9 If funds remaining after top-ranked projects are funded equal an amount less than 50% of the HOME request of the next-ranked project, the remaining funds shall be carried over to the next funding cycle. To ensure that HOME commitment deadlines are met or to address the opportunities or needs of other potential project funders (including but not limited to Oregon Housing and Community Services), an exception to this 50% rule may be presented by the OCD Program Manager for PAB approval.

2.5 PROGRESS REPORTS/MONITORING

- 2.5.1 Progress Reports Required. Progress reports must be submitted to the County's Housing Services Specialist on a semi-annual basis after the HOME Grant Agreement has been executed whether or not the project is requesting reimbursement payments of HOME funds.
- 2.5.2 The HOME recipient's financial system must be capable of generating financial status reports which indicate the dollar amount allocated for each activity, including any budget revisions, the amount obligated, and the amount expended for each activity for each funding source. The system must permit the comparison of actual expenditures and revenues against budgeted amounts. Additionally, at the end of the fiscal year, sponsors will be required to submit HOME beneficiary data within sixty (60) days from final draw down.
- 2.5.3 OCD staff shall conduct on-site monitoring according to a schedule developed in accordance with governing HOME regulations. In addition to the annual monitoring, staff may schedule additional on-site monitoring of HOME assisted rental housing to verify periods of affordability and to determine compliance with the property standards and affordability requirements of 24 CFR 92.251 and 92.252.

3. AWARDS

3.1 AWARD WRITTEN AGREEMENTS

- 3.1.1 HOME Program staff, working in conjunction with County Counsel or other authorized legal representation, will ensure written agreements covering the award of HOME funds meet the specifications of 24 CFR 92.504. To the greatest extent possible, the County's HOME agreement will be formatted in such a manner to enable re-issue of a similar "boilerplate" or standardized document to future award recipients.
- 3.1.2 The County may alter certain aspects of its "boilerplate" or issue a customized version of a written agreement depending on any unique role or project activity being assigned to a sponsor. Customized agreements will only be issued if a role or activity does not easily allow conformance to the use of a standardized agreement. In customized versions of its written agreements with sub-recipients, the County shall be limited to excluding only the elements of 24 CFR 92.504 that do not apply to the unique role or activity proposed.
- 3.1.3 Written agreements are enforcement and performance documents. Agreements shall specify remedies for breach, including suspension or termination if the sponsor materially fails to comply with any terms of the agreement. Written agreements must be dated by signatories in order to verify compliance with the HOME statute of a legally binding commitment.
- 3.1.4 The County will not disburse any HOME funds to any entity until fully executed agreements are in place and the award recipient has met any pre-construction conditions designed to meet federal, state, or local requirements.
- 3.1.5 HOME applicants may enter into partnerships or joint ventures with other entities, but the County will require a lead agency to be designated to accept full legal and fiduciary responsibility for any HOME project or activity. The PAB may recommend designating alternate sponsorship, if, based on material evidence, there are unresolved suitability or prior performance issues with one or more of the identified partners.
- 3.1.6 Written agreements must be fully executed within 24 months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnerships Agreement. Sponsors may execute agreements prior to the expiration of the initial 24-month commitment period, but no sponsor will be allowed more than a total of four (4) years to complete a HOME project. Any extension to a HOME project beyond four (4) years is subject to the approval of the OCD and HUD. The request for this approval should provide information about the status of the project, steps being taken to overcome any obstacles to project completion, proof of adequate funding to complete the project, and a schedule with milestones for completion of the project. The four-year (4) start-to-completion period commences the day that the County and the sponsor have both executed a HOME Investment Partnerships Program Project Agreement for the HOME project.

3.2 VOLUNTARY/INVOLUNTARY WITHDRAWALS

- 3.2.1 Pre-Agreement Voluntary Withdrawals. Applicants may petition the County to withdraw from funding “without prejudice.” The Agency shall indicate to the County (in writing) the reasons for its decision to relinquish HOME funding. In the absence of a written agreement to the contrary, the sponsor is prohibited from incurring any costs following a notice of a Pre-Agreement Voluntary Withdrawal. Therefore, the County will not be responsible for any costs the sponsor may have incurred contrary to such prohibition. The County, under the terms of Policy 4.4.3, will reassign the entire amount originally reserved for the project.
- 3.2.2 Pre-Agreement Involuntary Withdrawals. The County reserves the exclusive right to require a sponsor to withdraw a HOME Project. Such determination will be made by staff and endorsed by the PAB and will be based on evidence that there are material changes in the financial condition of the applicant or project. Evidence that the sponsor cannot assemble promised project components in time to meet the obligation to enter into a written agreement within two (2) years, as specified in Policy 3.1.6, above, shall result in an automatic involuntary withdrawal.
- 3.2.3 Post-Agreement Voluntary Withdrawals. Sponsors shall be required to submit a written request for withdrawal. If no HOME funds were obligated or expended, the sponsor will be required to relinquish access to the HOME award. The agreement between the sponsor and the County will determine what legal steps shall be required to memorialize the withdrawal.
- 3.2.4 Post-Agreement Involuntary Withdrawals. For good cause, and acting under the terms of the written agreement between the parties involved, the County, acting through its PAB, will inform the Agency of its intent to withdraw funding.
- 3.2.5 In the event the sponsor spent or obligated HOME funds prior to a voluntary or involuntary withdrawal, the sponsor shall be required to return the full measure of any expended HOME funds to the U.S. Treasury. The County will provide the sponsor with directions on how to meet this requirement and establish the date by which the transaction must be completed. In addition to returning expended HOME funds to the U.S. Treasury, the sponsor automatically forfeits claim to any HOME funds remaining in the project account.
- 3.2.6 In the event of a voluntary or involuntary withdrawal, the sponsor shall be required to dispose of any real property acquired with the use of HOME funds. The real property must be sold at fair market value and the proceeds forwarded to the U.S. Treasury.
- 3.2.7 If, in the judgment of the PAB, a viable substitute sponsor is willing and available to assume control of a formerly withdrawn project, the County may elect to transfer full sponsorship to the newly designated agency in lieu of using its redistribution policy. A newly designated project sponsor assumes no liability for previously obligated or expended funds of the original sponsor and is entitled to the balance of funds originally earmarked for the project, or an adjusted amount set by the PAB.

3.3 PERMITTED CHANGES TO AWARDS

- 3.3.1 Projects that have either been selected for funding and are awaiting start-up, or projects that are currently in progress may, out of necessity, require that certain changes be made. Prior consultation with OCD staff will establish if the sponsor is proposing a minor or major change.
- 3.3.2 Minor Change(s). If, in the judgment of staff, a sponsor is merely requesting a minor change which would have no significant effect on ranking and rating of the original application and does not materially alter compliance with any agreed upon covenants, conditions, or compliance criteria, and/or the net effect of the change allows for continued compliance while enhancing the project, the proposed change will not require PAB review and endorsement.
- 3.3.3 To ensure staff has sufficient details upon which to render a decision, and to preclude any future disputes, sponsors shall be required to submit a written request. Once reviewed and subsequently approved or disapproved, the staff decision will be forwarded to the requestor in writing. Staff may elect to send a copy of its determination to the PAB.
- 3.3.4 Sponsors denied the ability to make a minor change shall have no right of appeal.
- 3.3.5 Major Change(s). Sponsors shall be required to submit a written request whenever proposing to make a major change or a series of changes that significantly alter the scope, design, cost, level or number of beneficiaries originally projected for the project and used during the proposal selection or contracting processes.
- 3.3.6 Requests must be submitted to staff at least fifteen (15) working days prior to any regularly scheduled meeting of the PAB. The PAB will make a recommendation to accept or reject the request for a major change. The PAB will consider the sponsor's request along with any staff recommendation when weighing its decision to allow or disallow the proposed change. Major changes approved by the PAB will be memorialized by either amending the Approved Budget Summary, the Agreement for the project, or both. Changes that increase or decrease the amount of funding previously awarded will require amending any Trust Deed and Promissory Note given as security for the project.
- 3.3.7 Sponsors denied approval to proceed with a major change to a project can file an appeal for reconsideration with the Washington County Board of Commissioners. Such a request shall be in writing and clearly state why the sponsor does not accept the initial determination of the PAB. If the appeal is determined to be without merit or unsupported, the decision by the BCC shall be final.

3.4 REDUCTION OF AWARDS

- 3.4.1 Upon notification from HUD that a program-wide reduction in funding may be imminent, OCD staff will transmit a written advisory to all potentially affected sponsors and participating cities that are non-PJ's. Such notice will generally cite an estimated reduction, which will be applied to the overall entitlement on a percentage basis.

In the notation from staff there will be a statement that the proposed reduction will be applied proportionally amongst projects and activities selected or forecasted for the next round of funding. For example, if HUD orders a 10 percent (10%) reduction in the entitlement, all program activities, without exception, will be reduced by the same percentage.

Within program areas, the lowest ranked project/s will be reduced by that amount which impacts this program area as a whole. The participating jurisdictions and/or the affected applicant may elect not to accept funds at the lesser amount.

- 3.4.2 As a matter of routine practice, staff will ensure that all HOME written agreements/contracts and Intergovernmental Cooperation Agreements carry specific language that absolves the County of any liability in the event funds are reduced or eliminated by the federal government. If already under contract with the County, sponsors shall be required to enter into negotiations with the County to execute contract or budget revisions to reflect any reduction in funding.
- 3.4.3 Sponsors and other sub-recipients (non-PJ cities) shall have the discretion to amend the project budget to best suit their ability to absorb the loss of federal assistance. However, staff shall inform the PAB if the reduction significantly changes the overall character and scope of the project. If, for any reason, the reduction diminishes the ability of the sponsor to successfully complete the project, and the sponsor is unable to secure alternative resources to compensate for the reduction, the PAB may recommend the project be involuntarily withdrawn in accordance with Policy 3.2 above.
- 3.4.4 Sponsors shall have the option to voluntarily withdraw from a project so long as the voluntary withdrawal is made in a timely manner under Policy 3.2. "Timely Manner" is defined as a period not to exceed sixty (60) days following the date of notification from the County that a reduction in funding will be placed into effect.

3.5 LONG-TERM ASSET MANAGEMENT/REPLACEMENT RESERVES

- 3.5.1 The County's Operating/Procedures Manual shall indicate target levels associated with budgeting, escrowing, maintenance and preventive maintenance set-asides. Without compromising the ongoing requirement for viable long-term asset management, prior to establishing its guidelines, the County will take into consideration steps it may take to minimize the impact of administrative cost-burden to project sponsors.

- 3.5.2 The PAB shall establish a per unit/year default amount for replacement reserves on new construction or for “full” renovation projects. The amount will be established based on the characteristics of individual projects and may be adjusted to keep pace with inflation.
- 3.5.3 Replacement reserves for acquisition and/or rehabilitation projects shall be set on a project-specific basis.
- 3.5.4 As a matter of policy, monitoring of asset management and replacement reserve accounts is an essential requirement. Although the County may defer some monitoring responsibility to the primary lender, such delegation will nonetheless require copies of key reports be furnished to the County.
- 3.5.5 In the absence of an adequate system for monitoring assets and reserves by lenders, the County’s Office of Community Development will ensure its project monitoring system absorbs such function. If, in its judgment, OCD staff determines a project does not generate sufficient revenues to meet its financial obligations or is operating at critically marginal levels, staff will refer the particulars to the PAB for review.
- 3.5.6 In keeping with a policy to make prudent selection decisions in advance of funding rather than attempting to resurrect “troubled” projects, the County will ensure prospective applicants can adequately defend the assumptions behind their budget estimates for reserves as part of the application process.

3.6 UNDERWRITING STANDARDS

- 3.6.1 The general criteria for HOME project underwriting standards will be developed by the OCD staff and approved by the PAB. The approved standards will be included in the County’s HOME Operating/Procedures Manual, and, in some cases, excerpts may be made available to prospective sponsors at pre-application workshops.
- 3.6.2 Projects will be weighed against each applicable element of the Underwriting Standards. The County will focus its assessment and analysis of the project using the Underwriting Standards and the adequate need for the project based on identified market conditions of the neighborhood in which the project is located.
- 3.6.3 In addition to its assessment and analysis of the project using Underwriting Standards, the County will also evaluate the risks of committing HOME funds to the sponsor for the project based on the sponsor’s development and financial capacity, including specific housing development experience with HOME-funded projects.
- 3.6.4 OCD staff is delegated authority to reject a proposal judged to contain one or more unacceptable risks. However, staff shall be required to inform the PAB of the circumstances surrounding the rejection, indicating in its report why failure to meet the County’s Underwriting Standards warranted rejection of the proposal.

3.6.5 On a case-by-case basis, the PAB shall establish a fixed date by which a sponsor must have resolved all the issues surrounding a project that was judged to contain one or more mitigable risks. Generally, that date will precede any contracting or agreement activity on the part of County.

3.7 MATCHING FUNDS

3.7.1 With the exception of activities listed in Policy 3.7.2 below, the sponsor of each and every project selected for funding under the Consortium HOME Program should identify at least twenty-five percent (25%) in non-federal Match.

3.7.2 The match requirement is not triggered for administrative and planning costs or for operating expense and capacity building assistance provided to CHDOs.

3.7.3 The County will not count as HOME Match the contributions of building materials and voluntary labor donated by construction contractors who are also the owner of the HOME funded project. This does not preclude non-owner construction contractors from contributing voluntary labor and building materials that can be counted as HOME Match by the sponsoring agency of the HOME project.

3.7.4 Non-federal match must be a permanent contribution to a project. The County will accept as non-federal match one or more of the following:

- (a) Cash or cash equivalents from a non-federal source (including the match value of below market interest rate loans).
- (b) Value of waived taxes, fees or charges normally imposed on a development.
- (c) Costs of infrastructure improvements associated with the HOME project, provided those were paid from a non-federal source.
- (d) Value of donations of land or real property.
- (e) Value of sweat equity provided to a homeownership project.
- (f) The direct cost of providing supportive services to residents of HOME assisted units, which are necessary to facilitate independent living.
- (g) The direct cost of homebuyer counseling provided to families that acquire properties with HOME funds, provided the counseling is/was not paid for with HOME funds.
- (h) Value of donated materials and equipment for site preparation and construction that were not acquired with federal funds.
- (i) Value of donated and/or discounted professional services.

3.7.5 The County will provide detailed eligible and ineligible match information in its HOME Operating/Procedures Manual. This Policy affirms that the guidelines in that document shall be binding on all HOME program participants. The County may, at its discretion, amend its Match Policy and/or procedures upon recommendation of the PAB.

3.7.6 The County must meet its match obligation to the federal government on a program year (July 1-June 30) basis. Funds drawn during a particular program year must be matched in that program year or with excess from previous years. Match contributions that exceed the

County’s match liability for the program year in which they were made will be carried-over and applied to future match liability. The point at which match is credited to a project shall depend on the source of the match. As a matter of policy the following will apply:

- (a) A cash contribution will be credited when the funds are expended.
- (b) The grant equivalent of a below-market rate interest loan will be credited at the time of the loan closing.
- (c) Donated material will be credited as match at the time it is used for affordable housing.
- (d) Donated and/or discounted professional services or voluntary labor will be credited at the time the work is performed.
- (e) The present discounted value of foregone taxes, fees or other charges will be credited at the time it is officially waived, foregone or deferred and the owner is so notified.
- (f) Donations of land or real property will be credited at the time ownership of the property is transferred.
- (g) Infrastructure improvements will be credited when the funds are expended or, if the improvements were made prior to commitment of HOME funds, when the HOME funds are committed.

3.7.7 For purposes of crediting match contributions, the County will only count match credit for homeownership projects in the amount by which the investment reduced the sales price to the HOME-eligible homebuyer or in the amount by which the permanent contribution enabled the housing to be sold for less than its development cost in the event that the development cost exceeds the current fair market value of the housing established by an independent appraisal performed by a licensed appraiser.

3.8 MAXIMUM HOME AWARD(S)

3.8.1 The Maximum HOME award per project will be based on the number of HOME-assisted units plus HOME-like units within the project. HOME-like is defined as units that target households whose income is at or below 60% MFI. The following table describes the maximum HOME funding allowed per project:

# of HOME-assisted units and HOME-like Units in Project	Maximum Per Project HOME Award
1-10	\$500,000
11-40	\$750,000
41 +	\$1,200,000

3.8.2 At the request of the Office of Community Development Program Manager, the Policy Advisory Board may approve an increase in the maximum award in cases where HUD regulatory commitment thresholds may be at risk.

- 3.8.3 The County will not enter into a contract for HOME funds for development until all other funding sources for a project are fully committed.
- 3.8.4 Should the applicant expand the number of HOME-like units in a project after being awarded HOME funds and thus become eligible for a higher HOME project funding cap, the applicant must submit a new application and compete for the additional funds.
- 3.8.5 Should the applicant have to reduce the number of HOME-like units for any reason prior to closing on all financing, the HOME award may be reduced if the change impacts the funding caps as specified in Policy 3.8.1.
- 3.8.6 The PAB may change the amounts reflected in Policy 3.8.1 above. To allow applicants sufficient lead-time, changes to the current maximum award figures shall be made at least sixty (60) calendar days preceding any established project intake date.

3.9 FORWARD FUNDED PROJECTS

- 3.9.1 A project designated as a Forward Funded Project shall be awarded second-year funds on a non-competitive basis. This means that, subject to the availability of HOME funds and fulfillment of Interim Obligations by the Sponsor, a Forward-Funded Project shall receive its second-year funds before awards for competitive applications made.
- 3.9.2 The Interim Obligations of a Forward Funded Project shall consist of attaining Interim Project Milestones (such as the submission of applications and the receipt of funding commitments), the submission of an Interim Report by the Sponsor, and a presentation to the PAB during the application cycle.
- 3.9.3 Interim Project Milestones shall be established by OCD and be based on the timetable submitted in the application by the Sponsor. If one or more Interim Project Milestones have not been met, the Program Manager may recommend to the PAB that the project receive second year funds if there is a reasonable explanation for the failure and a viable plan on how to proceed.
- 3.9.4 OCD shall prescribe the content of the Interim Report, which shall consist at a minimum of an update on the status other funding sources and any material changes to the project concept, target market, site or budget (development and operating), and a report on any unexpected challenges that have arisen and how they were addressed.
- 3.9.5 Projects shall not be awarded funds from more than two program years
- 3.9.6 Once HOME funding has been approved for a project, the Sponsor of a Forward-Funded Project may not increase the amount of HOME funding requested.
- 3.9.7 Per HOME regulations, OCD may not make a legally-binding commitment of funds to a project until all other funds for that project are in place.

3.10 RETAINAGE/RESERVE ACCOUNTS

- 3.10.1 Retainage. As determined by County staff, up to five percent (5%) of any HOME award for a project may be retained until the project is completed. The project is considered complete when a construction or rehabilitation activities are complete and a permanent Certificate of Occupancy is issued by the appropriate jurisdiction indicating units are ready for occupancy.
- 3.10.2 Reserve Accounts. HOME resources cannot be used for reserve accounts, to fund contingencies or for project administration.

3.11 HOMEOWNERSHIP PROGRAM

3.11.1 The County will have two options for homeownership programs: Resale and Recapture. In its Action Plans, the County will specify which model applies to each funded project.

3.11.2 The following policies apply to the Washington County Resale Model:

(a) The Resale Model shall be used when the goal is to offer the opportunity of affordable homeownership to a succession of income-eligible households by preserving the affordability of specific homes for the long term (as in a land trust or other projects that preserve affordability by restricting resale to income-eligible households).

(b) Housing units subsidized through the Resale Model will be made available to a reasonable range of low income homeowners throughout the HOME affordability period. The targeted income range will be determined on a project-by-project basis and set forth in HOME agreements. A housing unit is considered affordable when the homebuyer is projected to pay no more than 30% of gross household income for Principal, Interest, Taxes, Mortgage Insurance and Homeowner's Insurance at time of income certification.

(c) During the HOME period of affordability, a homeowner benefitting from a housing unit subsidized through the Resale Model is entitled to a fair return on his or her original investment plus the depreciated value of improvements when he or she sells the home. Options for determining fair return will be set forth in annual Action Plans, and the options that apply to specific projects will be set forth in HOME agreements.

(d) The County may also specify requirements pertaining to resale that apply during an extended affordability period, which commences at the end of the HOME affordability period.

3.11.3 The following policies apply to the Washington County Recapture Model:

(a) The Recapture Model will be used when the goal is to provide a one-time, direct subsidy to low-income homebuyers (as in a down payment assistance program or other homebuyer assistance programs). A homebuyer benefitting from a down payment assistance program may (but is not required to) purchase a housing unit subsidized by the Resale Model.

(b) Homeowners assisted through the Recapture Model may sell their home to any willing buyer at any price and at any time.

(c) During the HOME affordability period, all or a portion of the direct subsidy to the homebuyer will be recaptured if the housing no longer continues to be the principal residence of the assisted household. The County will limit the actual amount recaptured from homebuyers to no more than net proceeds. The net proceeds are the sales price minus superior loan payments (other than HOME funds) and any closing costs. This policy applies to all HOME, Neighborhood Stabilization Program and American Dream Downpayment Assistance Program Recapture Model transactions, including those involving legal documents executed prior to adoption of this policy, even if they specified if the entire subsidy would be recaptured.

(d) Loan terms, including the interest rate (if any) and reduction of principal during the HOME affordability period (if any), will be specified in the loan documents and Action Plans.

(e) If a home is resold during the HOME affordability period, the proceeds to the County are considered recaptured funds by HUD. Unless the amount of recaptured funds is large enough to warrant a supplementary funding round during the program year in which the funds were recaptured, the funds will be carried over to increase the amount of resources available for the next program year.

3.11.4 The County will only provide secondary mortgage assistance for HOME-assisted homeownership projects whose single-family home purchase price is less than single-family housing limit based on 95 percent of the area median purchase price. For newly constructed single-family housing, the purchase price cannot exceed 95 percent of the median purchase price for the area using the Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing. For existing single-family housing, the purchase price cannot exceed 95 percent of the median purchase price for the area using the Federal Housing Administration (FHA) single family mortgage program data for existing housing and other appropriate data available nationwide for sales of existing housing.

3.11.5 The County will ensure that single-family housing under a HOME-assisted homeownership program will convert to rental housing if it does not have a ratified sales contract with an eligible homebuyer within nine months of the completion of construction or rehabilitation. Such housing converted to rental housing will comply with provisions of 24 CFR 92.252.

4. DISTRIBUTION OR REDIRECTION OF HOME AWARDS/ASSETS

4.1 ANNUAL AWARD AND FIXED DISTRIBUTIONS

- 4.1.1 As soon as practicable, Office of Community Development (OCD) staff will apprise the Policy Advisory Board (PAB) of the amount of HOME funds HUD has projected to be available for each upcoming program/fiscal year (July 1 through June 30). In its notification to the PAB staff will indicate, based on the formula listed below, how the annual award will be distributed.
- 4.1.2 Effective with the program year beginning July 1, 2005, the annual HOME Award will be apportioned as follows:
- (a) Ten percent (10%) of the HOME award (plus any program income) will be set-aside for HOME program administration. These funds will be incorporated into OCD's annual budget for exclusive use by the County for the provision of overall management, planning, and oversight of the HOME program.
 - (b) For the program year beginning July 1, 2005 and as a matter of local discretion, Washington County intends to ensure that twenty percent (20%) of its annual HOME entitlement inures to CHDOs for investments in housing to be developed, sponsored, or owned by those agencies. The 20% CHDO reservation is part of the group of funds that are available for general competition. While any sponsor may compete for an award from the general competitive category, 20% must go to CHDOs.
 - (c) The percentage of the annual set-aside for CHDO housing development activities may be altered at the discretion and recommendation of the PAB. However, in order to conform to regulatory requirements, under no circumstance will the set-aside be less than fifteen percent (15%).
 - (d) Should the PAB recommend the twenty percent (20%) target amount for CHDOs be continued for consecutive program years, this policy shall remain in full force and effect. If the PAB elects to recommend a change in the CHDO set-aside, Policy 4.1.2 b above shall be amended in such a manner as to reflect the new set-aside amount and also specify the duration of such appropriation. The PAB's determination will not require any additional approvals.
 - (e) Regardless of the percentage set-aside that is allocated for CHDO development activities, ten percent (10%) of any such amount may be used for the predevelopment activities identified in 24 CFR 92.301. The predevelopment set-aside can only be used by Washington County certified Tier 1 CHDOs.
 - (f) Five percent (5%) of the HOME award will be made available to CHDOs for eligible operating expenses. To be eligible for HOME operating expenses, a recipient CHDO must be a Tier 1 CHDO as defined in Policy 1.6.2 and cannot be acting as a sub-recipient or

contractor under the program. Authorized or eligible uses of operating expenses are identified in 24 CFR 92.208.

- (g) The County, at the recommendation of the PAB, may choose to identify a specific amount of its annual HOME entitlement that may be allocated to a HOME consortium jurisdiction that does not otherwise qualify for a HOME entitlement of its own. The provisions of Policy 1.4 (HOME Consortium) shall apply when negotiating the terms of intergovernmental agreements for the making of any sub-awards under this policy.
- (h) In the event any funds remain after funding to the maximum level possible in the competitive selection process, those sums will be retained for subsequent distribution in accordance with Policy 4.3, "Assignment of Previously Unallocated Funds."

4.2 HOME PROGRAM INCOME

- 4.2.1 Program income is income generated on HOME development loans and owner-occupied housing rehabilitation loans. Program income must be deposited in the Participating Jurisdiction's HOME Investment Trust Fund local account.
- 4.2.2 Washington County may use up to ten percent (10%) of the program income deposited into its local account during the program year for costs associated with administering the HOME Program.
- 4.2.3 Following each fiscal year, staff will inform the PAB, via the Consolidated Annual Performance and Evaluation Report (CAPER), of any HOME program income received by the County's Consortium. By regulation, those monies will be deposited in the Consortium's HOME Investment Trust Fund local account as soon as practicable after they are received.
- 4.2.4 Program income generated by a project sponsored or controlled by a participating consortium jurisdiction that is not a PJ in its own right shall be retained by that jurisdiction. The Intergovernmental Cooperation Agreement between the County and the jurisdiction shall specify how such program income will be redistributed by the jurisdiction.

4.3 ASSIGNMENT OF PREVIOUSLY UNALLOCATED FUNDS

- 4.3.1 It shall be the policy of the County HOME Consortium to fund projects in the rank-order established by the selection/rating process. Sponsors will be entitled to either the full measure of funds requested, or to an amount subsequently determined by the provisions below.
- 4.3.2 By either staff or PAB determination, a sponsor's budget or specific budget line item(s) may be challenged. If a sponsor is unable to adequately address such budgetary concern(s), the

original project amount requested will be reduced accordingly. The PAB's decision shall be final.

- 4.3.3 Sponsors attempting to increase the budget level originally submitted with their proposal must fully document and justify any revisions (upward or downward) prior to the cut-off date established by OCD.
- 4.3.4 After the maximum number of projects has been selected under the competitive set-aside ranking, any remaining amount(s) shall be designated as "unallocated funds." Those funds are to be assigned for purposes identified above. The OCD/PM is authorized to award unallocated funds without prior PAB approval for expenditures that singularly or collectively do not exceed \$10,000. Unallocated funds will be available on a first come, first served basis.
- 4.3.5 Any funds remaining in the "unallocated account" at the end of the program year in which they were authorized may be added to the following program year's resources.
- 4.3.6 Unallocated funds shall only be used to support projects in a start-up mode or currently underway. Projects that have been formally completed according to the HOME program definition in 24 CFR §92.2 but where twelve months have yet to lapse since project completion are eligible to receive unallocated funds. Projects that have been formally completed according to the HOME program definition in 24 CFR §92.2 and where twelve months have lapsed since project completion are not eligible for any further assistance under this Policy (The only exception to this is for a project where an income eligible homebuyer may need additional HOME funds to acquire a unit that was previously assisted with HOME funds.) Requests for unallocated funds assistance shall be limited to the exclusive use of project sponsors who have encountered heretofore unanticipated problems which are beyond their control. Unallocated funds can only be used to address HOME eligible activities.
- 4.3.7 In order to access the use of unallocated funding, sponsors must submit a written request to OCD detailing: the nature, circumstances, and actions taken by the sponsor to mitigate or solve the problem, and the consequences if relief is not obtained. Such a report must be coordinated with OCD so as to ensure the latter has as much lead time as possible to verify all pertinent information or data.

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5. FORMS OF FINANCIAL ASSISTANCE PRODUCTS

- 5.1.1 Under the HOME Program, the County will provide financing for housing development projects including acquisition, construction and the rehabilitation of properties. At the discretion of the Policy Advisory Board (PAB), the County may elect to offer applicants interest or non-interest bearing loans, deferred loans, grants, or any combination thereof. Interest rates can range from 0-3% amortized for up to 50 years and are linked to affordability periods which are defined in policy. The County's Operating/Procedures Manual will specify the criteria that will be used to determine the form of assistance that may be available to a particular applicant.
- 5.1.2 The form of assistance the County may offer individual applicants will be determined based on multiple factors, with strong emphasis placed on a verifiable review of the total financing structure for the project. The outcome of such review will result in defining the applicant as a candidate with demonstrable economic viability, or insufficient economic viability. Making such a distinction will allow the County to select a loan product based on the following:

*Hard Debt Amortized Mortgages: will be typically provided to rehabilitation and new construction of rental housing and mixed-use projects undertaken by a non-profit organization, public agency, and/or a for-profit housing developer. This class of loan product will be provided as subordinate debt at favorable terms to projects that provide public benefit and demonstrate financial need. This loan product will only be used where the project demonstrates economic viability sufficient to generate sufficient cash flow to allow for regular payments over the life of the loan. In some cases, this loan product may include additional debt structuring mechanisms (such as a deferral or payments of principle and interest).

*Soft Debt Amortized Mortgages: will be typically provided to rehabilitation and new construction of homeownership, rental housing and mixed-use projects undertaken by a non-profit organization, a public agency, and/or a for-profit housing developer. This class of loan product will be provided as subordinate debt at favorable terms to projects that provide superior public benefit and demonstrate financial need. This loan product will only be used where the project demonstrates insufficient economic viability and limitations to generate adequate cash flow to allow for regular payments over the life of the loan. In some cases, this loan product may include additional debt structuring mechanisms (such as deferral of payments of principle and interest).

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6. PROJECT REQUIREMENTS

6.1 AFFORDABILITY PERIODS

- 6.1.1 Affordability periods for Homeownership Projects. HOME funds used in homeownership projects as development capital and/or second mortgages shall, at a minimum, be subject to the HOME affordability requirements as outlined below.

Affordability Periods for Homeownership Projects

Homeownership Assistance HOME amount per-unit	Minimum period of Affordability in years
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000	15

- 6.1.2 Affordability periods for Rental Projects. HOME funds used in rental projects as development capital shall, at a minimum, be subject to the HOME affordability requirements as outlined below.

Affordability Periods for Rental Projects

Rental Housing Activity Rehabilitation or acquisition of existing housing per unit amount of HOME funds:	Minimum period of affordability in years
Under \$15,000	5
\$15,000 to \$40,000	10
Over \$40,000 or rehabilitation involving refinancing	15
New construction or acquisition of newly constructed rental housing	20

- 6.1.3 The County will use various legal safeguards and covenants to preserve affordability for the periods specified by the regulations. The legal documents will describe the County's recourse for recapturing the funds and/or taking legal action to ensure that the projects meet the affordability standards.

6.2 PER UNIT SUBSIDIES

The minimum HOME subsidy per HOME assisted Unit is \$1,000. The maximum HOME subsidy per HOME Assisted Unit is capped at 240% of the Section 234-Condominium Housing, elevator-type, basic mortgage limits as required by HUD CPD Notice 15-003 “Guidance on the Interim Policy on Maximum Per-Unit Subsidy Limits for the HOME Program.”

6.3 TENANT INCOME REQUIREMENTS

For all new rental projects to which funds are committed after June 30, 2011, County staff will ensure that the contract specifies that, for the period of affordability, all tenants occupying HOME-assisted units must have incomes at or below 50% of the Median Family Income (MFI) for the area at the time of their initial occupancy of the units, and the rent must be no higher than the Low HOME rent established by HUD.

6.4 FEDERAL CROSS CUTTING REQUIREMENTS

6.4.1 Accessibility

New construction projects and projects that undertake substantial rehabilitation will incorporate ADA and Section 504 requirements into the design of their buildings. Under Section 504, at least 5% of the units shall be accessible to persons with mobility impairments, and an additional 2% of the units shall be accessible to persons with sensory impairments.

6.4.2 Affirmative Marketing

In accordance with the regulations of the HOME Investment Partnerships Program (24 CFR 92.351), and in furtherance of Washington County's commitment to nondiscrimination and equal opportunity in housing, Washington County will ensure owners affirmatively market units in HOME-assisted projects of five (5) or more units, as well as downpayment assistance programs. These procedures are intended to further the objectives of Title VIII of the Civil Rights Act of 1968 and Executive Order 11063. Details of the County's adopted requirements can be found in the HOME Program Procedures Manual.

6.4.3 Minority-Owned Business Enterprises/Women-Owned Business Enterprises (MBE/WBE)

Consistent with Presidential Executive Orders 11625, 12138, and 12432, and Section 3 of the HUD Act of 1968, the Office of Community Development shall make efforts to ensure that small and minority-owned businesses, women-owned business enterprises, labor surplus area businesses, and individuals or firms located in or owned in substantial part by persons residing in the area of a HOME-assisted project are used when possible. Details of the County's adopted requirements can be found in the HOME Program Procedures Manual.

6.4.4 **Residential Antidisplacement and Relocation Assistance Plan**

Washington County will ensure that HOME-assisted projects avoid, whenever possible, and in all cases minimize, the displacement of residents from their homes as a direct result of HOME-assisted activities.

Washington County will ensure that federally-assisted projects replace all occupied and vacant occupiable low/ moderate-income dwelling units demolished or converted to a use other than as low/moderate-income housing in connection with an activity assisted with funds provided under the Cranston-Gonzalez National Affordable Housing Act (42 USC 12705(b)).

Refer to the appendix for the full context of the County's Residential Antidisplacement and Relocation Assistance Plan.

6.4.5 **Environmental Review**

In accordance with the regulations of the HOME Investment Partnerships Program authorized by Title II of the Cranston-Gonzalez National Affordable Housing Act and the National Environmental Policy Act of 1969, all projects funded with HOME funds will require the preparation of a project Environmental Review Record and environmental clearance before funds are expended. The environmental review process covers all phases of the project, whether the project is funded in whole or in part by HOME funds. The HOME Program Procedures details the process for undertaking the environmental review process.

6.4.6 **Davis-Bacon (Federal Prevailing Wage Requirements)**

Every contract for the construction (rehabilitation or new construction) of housing that includes 12 or more units assisted with HOME funds must contain a provision requiring the payment of not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (40 USC 276a-276a-5) to all laborers and mechanics employed in the development of any part of housing. Such contracts must also be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 USC 327-332).

6.4.7 **Lead-based Paint**

Housing assisted with HOME funds is subject to the Lead-Based Paint Poisoning Prevention Act (42 USC 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 USC 4851-4856), and implementing regulations as part 35, subparts A, B, J, K, M, and R of this title.

6.4.8 Other Federal Requirements and Nondiscrimination

The Federal requirements set forth in 24 CFR part 5, subpart A, are applicable to all participants in the HOME Program. These requirements include non-discrimination and equal opportunity; disclosure requirements; debarred, suspended or ineligible contractors; and drug free workplace.

6.4.9 Conflict of Interest

In the procurement of property and services by participating jurisdictions, State recipients and subrecipients, the conflict of interest provisions in 2 CFR Part 200 apply. In cases not governed by these sections, the provisions of 24 CFR 92.356 apply.

7. HOME REHABILITATION STANDARDS

- 7.1 All projects funded by the Washington County HOME Consortium must meet all applicable local codes, rehabilitation standards, and zoning ordinances at the time of project completion. Sponsors, sub-recipient cities and their designees proposing to undertake rehabilitation activities must ensure that upon completion, rehabilitated housing meets the program-wide objective of being decent, safe, and sanitary. Written agreements for HOME funded projects shall cite this requirement making it mandatory for any sub-grantee to specifically adhere to the County's rehabilitation standards in effect at that time.
- 7.2 Office of Community Development staff shall develop Rehabilitation Standards and incorporate them into the Office's Operating Procedures Manual.

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8. OVERLAP FUNDING

- 8.1 Project sponsors may request HOME funding from both the Participating Jurisdiction (County Consortium) and a city member acting as an independent non-PJ provided that each funding entity affirms that they will make a proportional commitment to an applicant sponsor if the project is selected for funding. A proportional commitment is defined as the percentage of the HOME entitlement that is allocated to the PJ and the non-PJ in any given program year. For the purpose of calculating this requirement, matching funds derived from sources other than the HOME resources of both entities are excluded.
- 8.2 Beginning with the 2006/2007 HOME program year, dual funding requests from eligible applicants will only be accepted for consideration in the County's system if the sponsor's proposal(s) also confirms proportionality has been addressed. The sponsor must attach a copy of a letter from the co-funding jurisdiction indicating that if the sponsor is selected for funding by both entities (County and City) such a commitment will be made. A commitment made in concert with this policy shall be considered void or non-binding if the submitted HOME application is not selected for funding by the County and the City in the same program year.
- 8.3 The County will not accept proposals to fund a project within a non-PJ's jurisdiction if that city receives an annual HOME set-aside from the County (under the terms of an intergovernmental cooperation agreement) and the City elects to use all, or a substantial portion of its set-aside exclusively for a city sponsored project.
- 8.4 If a non-PJ city receives an annual HOME set-aside from the County and elects to act as a developer, sponsor, or contractor and desires to request County participation under the terms of Policy Section 8.1.1 above, that jurisdiction must first submit a written request to the County's Policy Advisory Board (PAB) providing justification for the use of overlapping HOME funds. The PAB will take into consideration: (a) what effect such joint application will have with regard to other competitors the County anticipates will be vying for HOME resources in the County's selection process; and, (b) whether any potential competitors for funding in the non-PJ's process were excluded by the City's action, and subsequently, also eliminated by the County under the terms of this Policy.
- 8.5 The PAB may recommend the County grant a waiver to any Policy that limits the use of overlap funding between the County and a non-PJ city, if in the opinion of the PAB circumstances warrants such waiver. If the PAB determines a waiver request be rejected or denied, the applicant may file an appeal to the County through its Office of Community Development.

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9. SUBSIDY LAYERING

- 9.1 As a matter of policy, the County will rely on its staff and the Policy Advisory Board to evaluate HOME proposals to ensure applicants do not include an excessive amount of government (federal, state, or local) subsidies in their proposals. Such a determination shall be made in sufficient time to preclude any commitment of funds to a project.
- 9.2 As part of the initial analysis and review of newly submitted proposals, Office of Community Development staff will determine if a sponsor has overly projected the use of governmental subsidies vs. other resources. To accomplish this task, staff will utilize the subsidy layering guidelines and review worksheets approved by the Policy Advisory Board (PAB). The guidelines will indicate what the County considers as a reasonable ratio of government subsidies when compared to other funding resources.
- 9.3 Staff shall attempt to resolve apparent subsidy layering issues with applicants. Sponsors shall be allowed to make any necessary adjustments in order to come into conformance with the County's adopted subsidy layering guidelines. This process will take place prior to the County's project evaluation and selection process. Any ongoing disagreement between staff and a sponsor with regard to subsidy layering will be documented in the staff evaluation report, which will be appended to the project.
- 9.4 Following its review of the subsidy layering information provided in the staff evaluation report, the PAB may, at its discretion, recommend:
 - i. Setting aside the subsidization issue(s) raised.
 - ii. Involuntary withdrawal of the project.
 - iii. Reduction of the amount of HOME funds being requested by the sponsor; or,
 - iv. Any combination of restrictions that act to bring the project within the subsidy layering guidelines.
- 9.5 Participating cities without PJ status but acting independently, shall be required to determine the extent of subsidy layering contained in HOME proposals originating under their stewardship. As applicable, Intergovernmental Cooperation Agreements will require this compliance requirement be met at no less a standard than projected herein.

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10. RECORDKEEPING

- 10.1 As a matter of policy, the County will retain the following records for the prescribed period in compliance with the requirements outlined for Participating Jurisdictions in 24 CFR 92.508 (c):
- i. Records pertaining to each fiscal year of HOME funds will be retained for the most recent five (5) year period, except as provided below.
 - ii. Records for rental housing projects that do not include individual tenant income verifications, project rents and project inspections will be retained for five (5) years after the project completion date as defined in 24 CFR 92.2.
 - iii. Records for rental housing projects that are individual tenant income verifications, project rents and project inspections will be retained for the most recent five (5) year period until five (5) years after the affordability period terminates for the rental housing project.
 - iv. Records for homeownership housing projects that include documents imposing recapture/ resale restrictions will be retained for five (5) years after the end of the affordability period, for the individual home. The end of the affordability period will differ for each home assisted within the homeownership housing project.
 - v. Records for homeownership housing projects that do not include documents imposing recapture/ resale restrictions will be retained for five (5) years after the project completion date as defined in 24 CFR 92.2, for the individual home. The project completion date will differ for each home assisted within the homeownership housing project.
 - vi. All written agreements under the HOME Investment Partnerships Program will be retained for five (5) years after the written agreement terminates.
 - vii. Records covering displacements and acquisition will be retained for five (5) years after the date by which all persons displaced from the property and all persons whose property is acquired for the projects have received the final payment to which they are entitled in accordance with 24 CFR 92.353.
 - viii. If any litigation, claim, negotiation, audit, monitoring, inspection or other action has been started before the expiration of the record retention period described above, the records must be retained until the completion of the action and resolution of all issues which arise from it, or until the end of the required period, whichever is later.
- 10.2 The County will ensure there is reasonable access to these records for citizens, public agencies, and other interested parties in accordance with State of Oregon law and local laws regarding privacy and confidentiality.
- 10.3 The County will ensure access to HUD and the Comptroller General of the United States to these records, along with any pertinent books, documents, papers or other records of the County in order to make audits examinations, excerpts, and transcripts.

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APPENDIX

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APPENDIX A

A. HOME Program Acronyms

- HOME — Home Investment Partnerships Program
- PAB — Policy Advisory Board
- CDBG — Community Development Block Grant
- OCD — Office of Community Development
- PJ — Participating Jurisdiction
- HUD — Department of Housing and Urban Development
- CHDO — Community Housing Development Organization
- IRS — Internal Revenue Service
- CFR — Code of Federal Regulations
- CAPER — Consolidated Annual Performance and Evaluation Report
- OCD/PM — Office of Community Development/Program Manager
- HQS — Housing Quality Standards

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APPENDIX B

Residential Antidisplacement and Relocation Assistance Plan under Section 104(d) of the Housing and Community Development Act of 1974, as Amended

It shall be the policy of Washington County to avoid, whenever possible, and in all cases minimize, the displacement of residents from their homes as a direct result of activities assisted with federal community development funds.

It shall also be the policy that Washington County will replace all occupied and vacant occupiable low/ moderate-income dwelling units demolished or converted to a use other than as low/moderate-income housing in connection with an activity assisted with funds provided under the Housing and Community Development Act of 1974, as amended, as described in 24 CFR 570.606(c) or the Cranston-Gonzalez National Affordable Housing Act (42 USC 12705(b)).

RELOCATION ASSISTANCE AND STEPS TO MINIMIZE DISPLACEMENT

Persons and businesses displaced as a direct result of activities assisted with program funds shall be entitled to relocation assistance in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, Section 104(d) of the Housing and Community Development Act of 1974, as amended, and the following HUD regulations pursuant to the Acts: 24 CFR 570.606 (CDBG) and 24 CFR 92.353 (HOME).

The Washington County Office of Community Development will ensure that requirements are met for notification and provision of relocation assistance, as described in Paragraph 570.606(c), to any lower-income person displaced by the acquisition or rehabilitation of any dwelling unit, demolition of any dwelling unit or the conversion of a low/moderate-income dwelling unit to another use in connection with a CDBG assisted activity.

The Washington County Office of Community Development will ensure that relocation payments and other relocation assistance is provided to any low/moderate- income person displaced by the acquisition or rehabilitation of any dwelling unit, demolition of any housing or the conversion of low/moderate-income housing to another use.

Consistent with the goals and objectives of activities assisted under the Act, Washington County will take the following steps to minimize the direct and indirect displacement of persons from their homes:

1. Schedule rehabilitation of apartment units to allow tenants to remain housed during and after rehabilitation.
2. Establish facilities to house persons who must be relocated temporarily during rehabilitation.
3. Plan projects to minimize and/or prevent the adverse impacts of displacement.
4. Encourage projects that do not cause displacement by providing additional weight during the ranking of projects.
5. Provide advisory services that will include such measures, facilities and services necessary to determine relocation needs, preferences, or other assistance for which the person may be eligible.
6. Establish deferred loans for rehabilitation or repairs to property owners who agree to limit rent increases for five (5) to ten (10) years.

ONE-FOR-ONE REPLACEMENT HOUSING

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing Washington County to provide funds for a CDBG or HOME activity that will directly result in demolition or conversion, Washington County will make public by publication in a newspaper of general circulation and submit to HUD the following information in writing:

1. A description of the proposed assisted activity;
2. The address, location on a map and number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as low/moderate-income dwelling units as a result of the assisted activity;
3. A time schedule for the commencement and completion of the demolition or conversion;
4. To the extent known, the address, number of bedrooms, and location on a map of the replacement housing that has been or will be provided;

5. The source of funding and a time schedule for the provision of the replacement dwelling units;
6. The basis for concluding that each replacement dwelling unit will remain a low/moderate-income dwelling unit for at least 10 years from the date of initial occupancy;
7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units) is consistent with the housing needs of lower-income households in the jurisdiction.

If information on the specific location of replacement housing and other data in items 4 through 7 are not available at the time of the general submission, Washington County will identify the general location of such housing on a map and complete disclosure and submission requirements as soon as the specific data are available

The Washington County Office of Community Development is responsible for tracking the replacement of low/moderate-income housing and ensuring that it is provided within the required period.



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