AFFORDABLE HOUSING AND COMMUNITY INVESTMENT FUNDING POLICIES AND APPLICATION INSTRUCTIONS

City of Longmont

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INTRODUCTION

The City of Longmont Housing and Community Investment (HCI) Division administers programs to enhance housing choice and affordability for lower income residents and to advance community development.

This document provides an overview of the City's funding policies and application instructions. It includes the City's objectives and goals, available programs, and application evaluation criteria. The policy has been developed to ensure prudent administration and underwriting of projects and compliance with federal, state, and city laws, ordinances, regulations, and objectives.

The Division's objectives are

- To preserve and create quality affordable housing.
- To ensure that available resources promote affordable housing and community investment opportunities throughout the community.
- To leverage available private, city, state and federal funds.
- To minimize the Division's risk by supporting high performing projects to ensure that funding is available for future projects.

POLICY BACKGROUND

This document is to help develop activities that meet the City's Consolidated Plan (the Plan) goals for the development of viable communities and to guide its administration of Housing and Urban Development (HUD) programs. The Division meets its objectives through partnerships with the private sector for the creation and operation of affordable housing and related services that promote decent housing, suitable living environments, and the expansion of economic opportunities, principally for low and moderate-income people. The Plan is published on the city's website at http://longmontcolorado.gov/departments/departments-e-m/housing-and-community-investment/consolidated-plan.

Six priority areas are eligible for Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), and Affordable Housing Fund (AHF) funding. These areas were identified from housing market analyses, housing and community development needs assessment, and input gathered through the Consolidated Planning process. The priorities are interconnected, which allows for a more comprehensive approach to achieving the City's objectives.

The priority areas are

1. Increase the stock and affordability of rental housing for the city's lowest income renters.
2. Preserve existing affordable owner-occupied housing by keeping houses safe and habitable, helping owners to age in place, and providing foreclosure prevention services.
3. Support low-to moderate-income homebuyers and increase the supply of for-sale affordable housing units.
4. Reduce homelessness within the City's geographic area.
5. Revitalize and invest in the community to ensure that neighborhoods and their residents, particularly with low- and moderate-incomes, enjoy a high quality of life.
6. Increase the economic empowerment of residents to secure a stable income and to build wealth.

FUNDING SOURCES

The Division has three funding sources to support the goals and objectives: CDBG, HOME, and the AHF. Decisions about the funding source(s) to use for a project/program will be made by the Division once application has been submitted. Different regulatory requirements may be imposed on grantees based on the source(s) used. Requirements may include subsidy layering and underwriting analysis, compliance period, tenant and homebuyer income limits, sales and rent limitations, and unit distribution/development. The funding agreement between the City and the grantee will provide information on the requirements applicable to the project.

In addition to reviewing this policy, applicants should review the Policy for Minimum Property Standards prior to seeking funding. The standards are available on the city's website - www.longmontcolorado.gov/home/showdocument?id=13940.

Community Development Block Grant (CDBG) Program: Federal funding used primarily to develop viable communities by providing affordable, decent, safe and sanitary housing; suitable living environments; and/or expanded economic opportunities, mainly for low/moderate income people.

CDBG funds require compliance with the Federal National Environmental Policy Act (NEPA), HUD's Minimum Housing Quality Standards (HQS), Davis-Bacon Act wage rates, and an affordability period (determined by the Division).

HOME Partnerships Investment (HOME) Program: Federal funding with the objective to strengthen public-private partnerships to expand the supply of decent, safe, sanitary, and affordable housing for low-income households.

HOME funds require compliance with the Federal National Environmental Policy Act (NEPA), HUD's Minimum Housing Quality Standards (HQS), and the Davis-Bacon Act. There are mandatory affordability restrictions and a private matching fund requirement determined on a project-by-project basis.

Because HOME regulations require the City to repay the funds if the affordability restrictions are not met, the City may choose not to provide HOME funds to projects with affordability restrictions subordinated to a senior lien holder.

Affordable Housing Fund (AHF): A local funding source dedicated to supporting affordable housing projects. Funds must be loaned with repayments deposited into the fund to be re-loaned. The Fund does not require an environmental review or compliance with the Davis Bacon Wage Act.

APPLICATION PROCESS

The City opens the application process for a specific period. Funding cycles will not occur more than quarterly each year and will be determined based on available funding. Not all funding sources will be available during each funding cycle. A notice of application is published on the City's website and local organizations are notified of the application cycle when the funding application is released. If an organization would like to be on the notification list, please contact molly.mcelroy@longmontcolorado.gov.

FUNDING CONDITIONS

Applicants that receive funding approval may be required to meet conditions prior to entering an agreement with the City and the release of funds. Conditions may include the commitment of other revenue sources, final development review approval, confirmation of project costs, or completion of a property management plan. Other funding conditions that reflect the unique nature of proposals may be required by the City.

The Division reserves the right to reject, waive informalities and irregularities, or accept any portion of a proposal if it is deemed in the best interest of the City. The City may determine if certain types of projects will receive funding preference in a given funding cycle.

Eligible applicants cannot be under any administrative restrictions or sanctions from federal, state, or local sources and be current on all city accounts (e.g., loans, utilities, building permits). All properties owned by the entity requesting assistance must be current on property taxes.

All applicants applying for federal funds must be registered in the System for Award Management (SAMS) system prior to the application submittal. Instructions for registering for SAMS may be found on the city website http://www.longmontcolorado.gov/home/showdocument?id=13942.

These funding policies are not intended to address every circumstances that may be encountered in the development process nor are they a verbatim restatement of all regulatory requirements. Omission of any federal or local requirements does not relieve the City or the applicant from any obligation that may be required by the funding source.

Once a funding agreement has been executed between the City and the applicant, in any conflict between the funding policies and the funding agreement, the terms of the funding agreement shall prevail.

Revisions to the policies may occur at any time without notice and are applicable to all pending and future applications. Applicants are responsible for complying with any changes.

Incomplete applications will not be accepted, unless the missing information will be delivered at least three days prior to the applicant's presentation to the TRG.

ELIGIBLE EXPENSE MODIFICATIONS

If a project is approved for funding, no substantial change to the approved use of funds will be allowed. Exceptions may be considered for eligible expenses following the notice of award or execution of the funding agreement. Awardees must request the modification in writing with the rational for the modification and submit it with a revised budget.

Substantial modifications must be approved by the Affordable Housing Technical Review Group (TRG), the Housing and Human Services Advisory Board (HHSAB), or City Council. Substantial changes include changing the project type, the population to be served, the project site, the proposed project timeline outside of normal construction changes, or requests for additional funding.

ELIGIBLE APPLICANTS

For Housing Projects:

- Non-profit housing development organizations, including Community Housing Development Organizations (CHDO).
- Housing Authorities.
- For-profit developers of housing that will meet the city's affordability requirements.

For Public Service, Community Investment or Economic Development Projects:

- Local development corporations with specific community/economic development programs.
- Private, nonprofit agencies with experience in economic development, neighborhood organization and/or development programs.
- Community organizations that provide eligible services, assistance or housing.
- Housing Authorities.

ELIGIBLE ACTIVITIES

Funding is open to affordable housing and community investment projects located within the City or that will benefit City residents. Affordable housing projects may include new construction, the acquisition of land for the construction of affordable rental or for-sale housing, rehabilitation of existing housing, or the conversion of market rate housing to affordable housing through property acquisition with or without rehabilitation. Community Investment projects may include housing services or economic or neighborhood development programs.

CDBG funded projects must meet one of the National Objectives:
(1) Principally serve low/moderate income people
(2) Eliminate slums and blight
(3) Address a recent and urgent health and safety need

Eligible uses of CDBG funding
- Acquisition of real property.
- Acquisition, construction, and rehabilitation of public facilities, including infrastructure to support affordable housing projects.
- Demolition and clearance of deteriorated buildings.
- Public services for low/moderate income people, including employment, crime prevention, child care, health, drug abuse, education, fair housing counseling, energy conservation, welfare, or recreational needs.
- Removal of barriers that restrict the mobility of people with a disability.
- Rehabilitation of rental or homeownership housing for low-and moderate-income households.
- Rehabilitation of publicly or privately owned commercial or industrial buildings, limited to exterior and correction of code violations.
- Loans to small businesses that create jobs for low/moderate income people.

HOME funding is for affordable housing activities including
- New construction of affordable housing (including soft costs and predevelopment).
- Rehabilitation of rental housing and/or homeowner housing.
- Tenant Based Rental Assistance (TBRA).
- Homeowner Down Payment Assistance Program (DPA).

The Affordable Housing Fund is for affordable housing activities including
- New construction of affordable rental and/or for sale housing, including related infrastructure and soft costs.
- Rehabilitation of rental housing or for-sale housing.
- Acquisition of real property.

ELIGIBLE TYPES OF PROJECTS

Affordable Housing Projects: Acquisition, construction, rehabilitation, or projects that support the provision of housing that is affordable to low-and-moderate income people. This includes rent assistance, down payment assistance, or financing of housing, including predevelopment costs. Permanent, transitional or special needs housing are also eligible.

- **Acquisition of Existing Rental Properties**
  Program Objective: Targets the acquisition of existing, good-quality apartment complexes in the City with affordable rents that will maintain or extend the affordability period the units. Also applies to the acquisition of market-rate apartments that will be converted to affordable units.

  Eligibility: Extensive rehabilitation (i.e., major system upgrades) is not required immediately; however, projects should be of above-average quality, well-designed, and provide amenities appropriate for continuing marketability, as determined by the Division. The entire property must meet Housing Quality Standards (HQS) and all City code requirements.

- **New Construction – Affordable Rental Housing**
  Program Objective: Targets the construction of new affordable rental developments. It seeks to add new units where affordable housing is needed and in areas not saturated with affordable rental units.

Eligibility: Qualifying properties must be located throughout the City and fit within the Consolidated Plan and Annual Action Plan strategies. Projects that aligned with these policies will receive additional consideration. The City's Minimum Property and Rehab Standards, which apply to new construction, are available at www.longmontcolorado.gov/home/showdocument?id=13940.

- **Acquisition/Rehabilitation or Rehabilitation**
  Program Objective: Targets stand-alone rehabilitation projects or the purchase of properties that require significant repair to eliminate blight or address neighborhood redevelopment objectives.

- **Eligibility:** A project must need substantial renovation (rehab costs that exceed 50% of the value of the project) to correct physical deficiencies or repairs to allow it to compete in the local market. Upon completion, the project is required to pass Housing Quality Standards (HQS) or the Uniform Physical Condition Standards (UPCS minimum accessibility standards), depending on the funding source. The development proposal must include a third party Capital Needs Assessment of the necessary rehabilitation. The Division's underwriting analysis will consider the project's ability to fund sufficient reserves so that operating costs and capital improvement needs are predictable, reasonable, and available for the length of the Division's loan or affordability restrictions. The City's Minimum Property and Rehab Standards, which apply to rehab projects, are available at www.longmontcolorado.gov/home/showdocument?id=13940.

Public Service Projects (CDBG funds only): Projects that provide eligible services to low/moderate income people by non-profit organizations. Service areas can include employment, crime prevention, childcare, health, drug abuse, education, fair housing, housing counseling, recreation, and Individual Development Account (IDA) programs. These projects must be a new service that has never been funded from a City source or demonstrate that there will be a quantifiable increase in number of people served by an existing service. CDBG may not be used to replace funding that has been decreased or lost from the City.

Community Investment Projects (CDBG funds only): Projects can include non-housing capital improvements such as the acquisition and/or rehabilitation of a building for office space for a non-profit organization; infrastructure improvements such as streetlights, waterline, curb and gutter; recreation or park improvements in eligible neighborhoods; modifications to make buildings accessible to the handicapped; neighborhood revitalization projects; or historic preservation. Projects that do not fit easily in another eligibility category may be considered as a Community Investment Project.

Economic Development Activities (CDBG funds only): Projects include the provision of credit, technical assistance, or general support (peer support programs, counseling, childcare, transportation, etc.) for the establishment, stabilization, or expansion of micro-enterprises. Micro-enterprises must have fewer than five employees and the owner's total household income cannot exceed 80% AMI. Small businesses can have more than five employees and the owner's total household income cannot exceed 80% AMI OR the business must agree to create at least one new job for every $10,000 in funding received, with each new job offered to or available to low/moderate income people.

INCOME TARGETING

- For-sale housing projects must be affordable for households at or below 80% AMI. The current affordable sales prices are found at http://www.longmontcolorado.gov/home/showdocument?id=13487. The price in effect at the time the building permit is pulled for a home will be the maximum that can be charged for the home.

- Rental housing must be affordable for households at or below 50% AMI. The current maximum affordable rents are found at http://www.longmontcolorado.gov/departments/departments-e-m/housing-and-community-investment/housing-programs/affordable-housing-incentives. Rents must be adjusted each year when the new rent limits are published. A project will not be required to charge rents that are lower than those in placed the first year of a project funded with City assistance.

- The City encourages mixed income projects. While 100% affordable projects can be funded, the City's preference is for the creation and preservation of diverse communities with a mix of incomes, ages, and type of housing.

- Preference and additional consideration may be given to projects that will provide rental housing affordable to households at or below 30% AMI; affordable housing for people with special needs, transitional housing; or homeowner housing targeting incomes between 60% and 70% AMI.

- Public Service, Community Improvement and/or Neighborhood Revitalization Projects (CDBG funds only) must serve at least 51% of all beneficiaries with incomes at or below 80% AMI. Preference will be given to projects that will serve a larger number of beneficiaries with incomes at or below 80% AMI or will target beneficiaries with lower incomes (e.g., ≤50% AMI).

AFFORDABILITY REQUIREMENTS

- CDBG and AHF
  - All new for-sale and rental construction projects are required to comply with the Inclusionary Housing Program, which requires a permanent Period of Affordability.
  - For all other projects, the Period of Affordability will be determined by the City on a project-by-project basis.

- HOME funds
  - All new for-sale and rental construction projects are required to comply with the Inclusionary Housing Program, which requires a permanent Period of Affordability.

  - The affordability period for all other HOME assisted projects is determined by the amount of funding per unit or the type of program:

• 0 - $14,999	5 Years
• $15,000 - $39,999	10 Years
• $40,000 +	15 Years
• New Construction	20 Years
• Refinancing of Rental Properties	15 Years

Affordable Rent Standards and Income Limits for CDBG and AHF Assisted Projects
Owners may not charge more than the 50% AMI monthly rents, shown on the CHFA rent table, https://www.longmontcolorado.gov/home/showdocument?id=13483, for the appropriate bedroom size. The maximum rents cannot exceed the total rent and any tenant paid utilities.

Tenants in CDBG or AHF assisted housing units must have incomes at or below the maximum income guidelines for Boulder County Area Median Income Standards, updated and published annually by HUD.

Affordable Rent Standards and Income Limits for HOME Assisted Projects
For HOME-assisted units, owners may not charge more than the Low HOME rents, shown on the HOME rent table, https://www.longmontcolorado.gov/home/showdocument?id=13485, for the appropriate unit size. The maximum rents cannot exceed the total rent and any tenant paid utilities.

Tenants in HOME assisted housing units must have incomes at or below the maximum income guidelines for Boulder County and by household size as updated and published annually by HUD.

OCCUPANCY AND COMPLIANCE CERTIFICATIONS

Each year of the period of affordability property owners must submit rent rolls certifying that the assisted housing units are leased to income-eligible households and that the rents meet the allowable limits. A Project Cash Flow Analysis Report must be submitted with the rent rolls.

MATCHING FUNDING REQUIREMENTS

- All HOME projects must have a documented source of non-federal matching funds. The Division's HOME program must have at least 25% in non-federal matching funding program-wide. While the Division does not require this level of matching funds for each project, funding decisions may consider the level of matching funding available for each project.

- Projects funded by CDBG or AHF must have a source of matching funds. The amount of matching funds will be determined by the City on a project-by-project basis.

Type of Financing Provided

Funds may be provided with the following terms used as guidance. Financing terms may be modified if justifiable and at the City's discretion.

- Projects that benefit people/households between 51% and 80% AMI or receiving AH Funds - a low-interest loan (interest rate and term will be negotiated depending on what the project can support).
- Projects that benefit people/households between 31% and 50% AMI - a deferred payment or a forgivable loan.
- Projects that benefit people/households at or below 30% AMI - a grant or a forgivable or deferred loan.
- Projects that benefit a range of incomes will have the financing terms negotiated based on what the project can support and the levels of affordability provided.
- Funding from the AHF is available as a repayable loan unless otherwise approved by City Council. An exception to the loan requirements will be considered if a project will provide an exceptional benefit (e.g., provides substantial case management/support services for residents, provides benefits to a larger number of beneficiaries within the income group, and/or provides benefit to the lowest level of incomes). The need for more favorable financing terms must be documented in the application and the exceptional benefit to the City must be clear and compelling.

FEDERAL REQUIREMENTS

State and/or federal requirements may apply to a project funded by the City. ***Non-compliance with these requirements may result in funding denial or repayment of award by funding recipients.*** Please check with City staff to determine a project's federal requirement responsibilities prior to preparing an application. More information on the regulations is available on the U.S. Department of Housing and Urban Development (HUD) website at www.hud.gov.

Accessibility

- HOME Accessibility Requirements (Code of Federal Regulations - 24 CFR Part 92.251(a)(3))
- Rehabilitation Act of 1973 (Section 504)
- Design and Construction Requirements (24 CFR Part 100.205)

Environmental Review – Applies to all projects that are awarded federal funds.

- The review will determine if your project is - in flood hazard zones; near a major highway, railroad, or commercial airport; affecting a major facility or the environment of a neighborhood; in an environment of high noise levels; or near hazardous waste.

- Environmental Review (24 CFR Part 92.352)
- The National Environmental Protection Act of 1969 (42 U.S.C., Chapter 55, Section 4321)
- Environmental Compliance, Rules and Regulations (24 CFR Part 58)

Fair Housing - May apply projects serving owners or tenants.

- Civil Rights Act of 1968 (Title VIII)
- HUD Office of Fair Housing
- Fair Housing Act (Section 800)

Fair Market Rents – May apply to rental projects.

- HUD Data Sets for Fair Market Rents (www.huduser.org, search for "fair market rent")

Historic Preservation - May apply to rehabilitating a property over 50 years old.

- National Historic Preservation Act (Section 106)

Labor Standards- May apply to a new construction or rehabilitation project.

- HOME Labor Requirements (24 CFR Part 92.354)
- Davis Bacon (40 U.S.C., Chapter 3, Section 276a-276a-5) Prevailing Wage Rates
- A Contractor's Guide to Davis-Bacon Wage Requirements & Certified Payroll Reports (HUD Handbook 1344.1)
- Section 3 Economic Opportunities for Low and Very Low Income Persons (24 CFR Part 135)

Lead-Based Paint - May apply to a rehabilitation and/or historic preservation project to a building or residence built before 1978.

- HOME Lead-Based Paint Requirements (24 CFR Part 92.355)
- HUD Regulation on Lead-Based Paint Hazards (24 CFR Part 35)
- Office of Lead Hazard Control

Property Standards - May apply to new construction or rehabilitation.

- HOME Property Standard Requirements (24 CFR Part 92.251)
- Housing Quality Standards (24 CFR Part 92.209(i))

Relocation/Acquisition - Applies to any anticipated displacement or need for relocation of residents, whether permanently or temporary displaced. Even if no displacement will occur, mandatory notices must be given

Site Reviews – Applies to all rental housing projects

- On Site Inspections: (24 CFS Part 92.504)

Application Evaluation Process and Criteria

Evaluation Process

The Affordable Housing Technical Review Group (TRG) reviews all housing applications. Each applicant will make a presentation to the TRG, which allows the applicant to provide more detail on their project and the TRG to ask clarifying questions. The TRG will make funding recommendations, including proposed funding terms, to the Longmont Housing and Human Services Advisory Board (HHSAB).

The HHSAB considers all project applications and the TRG's recommendations for housing projects. The Board recommends projects to be funded to City Council, which makes the final funding decisions.

Once City Council has approved the projects to be federally funded, the Division submits the projects to HUD in its annual Action Plan for funding in the upcoming fiscal year (calendar year). After HUD has approved the Action Plan, it and the City enter into a Grant Agreement for CDBG and HOME funding. After which the City and applicant will enter into an agreement with the approved project applicants.

AHF awarded projects do not require approval by HUD. The City may enter into an agreement with an approved AHF applicant once City Council has approved the project/program.

Application Evaluation Criteria

Application Review: Division Staff reviews applications for mandatory criteria as outlined in this document. Projects that do not meet the requirements will not receive further consideration for the funding round in which the application was submitted. Projects needing Planning or Building approvals are subject to those review processes.

Capital Improvement Plan: This assessment is completed by a third party and covers a period of no fewer than 15 years for rehabilitation projects. The Plan must identify the useful life of major systems to include and address the long-term capital needs and strategic plan for meeting those needs.

CHDO Certification: Community Housing Development Organizations (CHDO) must complete a certification checklist (available from the HCI Division) and submit it with the funding applications. CHDOs must be certified with each funding award per HOME federal regulations (24 CFR Part 92 Section 92.2).

Community Benefit: The project must primarily benefit low/moderate income people and provide long-term benefits and affordability. Homebuyer projects must provide housing for households with incomes at or below 80% of Area Median Income (AMI) and for no more than the Maximum Sales Prices. Rental projects must provide housing for households with incomes at or below 50% AMI and at corresponding rents.

Consolidated Plan Consistency: The programs and projects the City funds must serve families, senior citizens, and special needs populations. The specific weight given to each program and project will be consistent with the Consolidated Plan.

Delinquent City Accounts: Applicants for funding cannot have any delinquent debt owed to the City for prior loans, utilities, building permits, fees, etc. All loans with the City must be current and not in default. An agency is not in default if it has a work out agreement with the City and is in compliance with the agreement. If a loan is in default and there is not a work out agreement or the agency is not in compliance with the agreement, the agency will be ineligible for funding for a period of five years from the date of the default resolution (e.g., date of final foreclosure sale, date of bankruptcy approval, or date of the City's write-off of the debt).

If the loan is fully repaid, the City has accepted partial payment of the outstanding balance, or the five-year period has expired, an agency may submit an explanation of the cause of the default and the policies in place to address its financial problems and prevent future defaults. If the explanation is accepted by the City, the applicant will be eligible to apply in the next funding cycle. The applicant's debt status will be checked at the time of application and before a funding agreement is executed.

All properties owned by the entity requesting funding must be current on property taxes.

Development Financing Plan: Housing applications should include the Division's Standard Underwriting Assumptions that begin on page 10. Applicants must demonstrate that they have performed financial due diligence to minimize the likelihood of renegotiating a project prior to the closing of the Division's financing or during the course of the project.

Development Standards: New construction and substantial rehabilitation projects (rehab costs exceed 50% of the project's value) must include a proposed site plan identifying the location of residential units, commercial uses, and community facilities and amenities. An elevation rendering and floor plans of the proposed development must be accompanied by a written narrative describing design considerations such as unit mix and size, amenities, construction type, energy conservation and accessibility features, architectural style, site plan layout, security and access issues, parking plan, and relationship of the scale, setbacks, and proposed design to adjoining properties. After rehabilitation or development, all properties must meet the federal Housing Quality Standards or Uniform Physical Condition Standards (depending on federal requirements), both which include minimum accessibility standards.

Displacement: No displacement of current residents shall occur if acquiring an existing property owned or leased by another party.

Documented Need: Applicants must identify the community need that will be addressed by the project. Information on local demographics, real estate market data (supply and vacancy levels, rental rates, amenities, etc.), services to be provided, and populations to be served should be used to demonstrate the need.

New construction projects must provide a third party market study with the funding application. The study must determine the feasibility of the subject property's rental rates and reflect the most current information available. All source data must also be included. If a market study has not been completed at the time of application, one must be submitted before a final funding award determination may be made.

Projects with the most affordable rents, longer than required affordability periods, or serving the lowest income populations will be evaluated more favorably than projects meeting only the minimum requirements.

Economic Viability and Dispersion Goals: Project proposals must consider prevailing market conditions such as vacancy levels, rent comparability, service needs, and neighborhood impact to ensure that projects are well located and contribute to neighborhood stability and vitality.

Environmental Assessment (EA) and Clearance: The City must complete an Environmental Assessment for projects funded with CDBG or HOME funds before funds will be released. The EA process can be lengthy; however, no project acquisition or construction activities may take place after an application has been submitted to the City and prior to the completion of the EA. Major construction or other major projects that require a full Environmental Assessment require that a Notice of Intent to Request a Release of duns (NOI/RROF) is published and approved by the HUD Environmental Office prior to executing an agreement or expending any funds.

Feasibility Assessment: A project that is economically infeasible due to market location, prevailing economic conditions, low-income rent targeting, or property operating costs may receive the minimal amount of assistance necessary to make it feasible.

Funding Commitments: Applications must include evidence that all other funding commitments for the project have been obtained. If applications to other funding programs are due after the City's application deadline, information must be included that shows the proposed financing structure is expected to meet other sources' requirements and the timeline for applying and receiving award notification from other funders. The applicant must provide a copy of the application to be submitted to other funding sources, if requested by the Division, and certify that consistent financial projections have been provided to each funder.

Furthering Fair Housing: Applicants will be evaluated on their outreach to minority and other protected classes under the federal Fair Housing law and their support to those populations to participate in the project.

Management Capacity: Applicants must demonstrate sufficient organizational capacity to complete the proposed project without undue reliance on Division Staff. Prior experience of the organization, its staff members, and consultants in planning and completing similar types of projects on time and on budget will be considered. The applicant should demonstrate that it has sufficient working capital, donated funds, and/or services to move the project through all development phases.

Project Timeline: Federal subsidies often require that funds are committed and expended within a specified period. Projects must demonstrate their ability to begin implementation. A development timeline must be submitted that identifies development activities and deadlines, responsible staff, funding applications dates, etc. The Division will evaluate the capacity of the development team and the likelihood that the project will succeed.

Property Management Plan: Housing applicants must describe the experience of the proposed property management firm in successfully managing similar properties. A management plan must be included that describes policies on security, marketing, eviction processes, and affordability factors (e.g., affordable rent levels, resident income, sources of project operating subsidy required). Applicants that will self-manage their properties must demonstrate a successful record of managing comparably sized and financed projects.

UNDERWRITING ASSUMPTIONS FOR AFFORDABLE MULTIFAMILY RENTAL HOUSING

At the time of application, projects' budgets and pro-formas should reflect the City's underwriting assumptions as listed below. The Division may request, if feasible, that a project further restricts its occupancy for lower income residents, seniors, or a specifically identified special needs population.

Affordable Benefit: A project will be evaluated on whether its proposed rents for income-restricted projects will provide an advantage to the project over comparable market rate units based on size, amenities, location, etc.

Affordable Rents: Each unit must have a designated income restriction level based on the funding awarded.

Affordable Units: Restricted affordable units must be rented to households at or below 50% of the Area Median Income. Developers are encouraged to provide units that will be affordable to lower income households when feasible. HOME funded projects requires that the minimum number of affordable units in a project is the greater of 1) the ratio of Division loan funds to total eligible costs or 2) by dividing the Division loan by the maximum per unit subsidy.

Fixed Units: Projects must identify the units by address and the AMI associated with that unit at the time the funding agreement is signed. The affordable units and their corresponding AMI will be recorded in the agreement. The City will not allow floating units (affordable units that change throughout the project depending on the income of residents). Projects may request a change in the fixed units during the project's period of affordability; however, any change in unit assignment will require an amendment to the funding agreement.

Mixed Use: The income from the residential portion of a project may not be used to support any negative cash flow of a commercial portion in mixed-use properties. Likewise, the commercial income cannot support the residential portion.

Neighborhood Market Condition: Applicants must demonstrate that neighborhood market conditions show a need for the project.

Operating Expenses: Applicants must provide an explanation of proposed operating expenses and the reasoning for each estimate (e.g., similar projects operated by the applicant, market study, appraisal, third party management company estimate).

Project Budget: A project budget must have operating expenses equal to comparative data approved by the City. This minimum threshold does not include property taxes, replacement reserves, landlord-paid utilities, gas, or electric service in master-metered buildings, or the costs of any service amenities provided. Such items must be identified in the budget and estimated as additional expenses. Budgeted expenses should include sufficient detail to enable the Division to evaluate the appropriateness of line items, including proposed staff positions and payroll costs. The Division in its sole discretion may modify the requirements of this section if the permanent lender and/or equity investor are in place and certify to the Division that they agree to lower operating expenses.

If a project is approved for funding, applicants will be required to document that all funding sources required for a project completion have been secured prior to entering into a written agreement with the city.

- **Specific Budget Line Items:**

1. Developer Fee Guidelines for Affordable Multifamily Rental Projects

The Division allows a developer fee to be included in the total development budget. The amount of the fee, which may be eligible for tax credits under the low income housing tax credit program, is limited by the Division based on project type (listed below).

The developer fee includes payment for basic project planning and financing tasks the developer must perform, whether these activities are performed by the developer's staff or consultants. Examples of such services include entitlement processing, project management, negotiation of financing, construction management, financial structuring of tax credit projects, and cost overruns. If consultants will be used for services customarily provided by developers, any payment to the consultant will be deducted from the developer fee that otherwise may be paid.

Payment of developer fee is limited by the amount of cash available in the development budget. If financing sources in multifamily development projects are insufficient to pay 100% of the allowed developer fee, a portion of the fee may be deferred and reflected by a deferred developer fee note. The note obligates the property owner (often a partnership or LLC) to pay a specified portion of the future project cash flow to the developer until the note is repaid. In general, developer fees are paid out of the developer's share of cash flow when a Cash Flow Loan is in place.

If the project is using LIHTC, the City will defer to CHFA limits as published in the QAP in effect at the time of the award.

Vacancy and Collection Losses: Vacancy and collection loss allowances must reflect current market conditions. If higher vacancy rates are requested, the loss allowances must be supported with written documentation.

Allowable Developer Fees Based on Project Type

a) <u>New Construction:</u>

1. Up to 5% of the acquisition cost.
2. Up to 12% of the construction costs for projects with 51 or more units
3. Up to 510% of the construction costs for projects with 50 or fewer units.
    i. Construction costs exclude capitalized reserves, permanent loan fees, and soft costs incurred for project start up (marketing, lease-up reserves, organizational expenses, audit costs etc.)

4. Adjacent projects developed by the same sponsor that begin construction within 15 months of each other will be treated as one project for purposes of determining the allowable fee.

b) Acquisition/Rehabilitation:

1. Up to 5% of the acquisition cost.
2. Up to 12% of the rehabilitation cost for projects with 51 or more units. Up to 10% of the rehabilitation cost for projects with 50 or fewer units
   i. Rehabilitation costs exclude capitalized reserves, permanent loan fees, and soft costs incurred for project start up (marketing, lease-up reserves, organizational expenses, audit costs, etc.)
3. Combined total fee may not exceed $1,000,000.

c) Rehabilitation Only

1. The Developer cannot profit from rehabilitation projects.
2. As per HOME 92.206 (d) (6) project overhead costs are allowed.

All housing projects that include new construction, acquisition, and/or rehabilitation must submit with the application a completed Colorado Division of Housing (DOH) Development Analysis spreadsheet, available from the City.

2. Replacement Reserves

New Construction: The development budget should reflect this reserve and be itemized on the pro-forma. Replacement Reserves are to be maintained according to the approved budget throughout the Period of Affordability.

Rehabilitation: All rehabilitation projects must have a capital needs assessment and reserve study prepared by a qualified, licensed third party property inspector. Replacement reserves must be based on the recommendations of the report, but may not be less than the New Construction reserve requirements stated above.

3. Operating Reserves

An operating reserve, replacement reserve, and mandatory debt service payments are to be capitalized in the development cost budget. An operating reserve equal to six months of operating expense should be maintained. This reserve must remain with the project until the debt service coverage ratio (DSCR) has been at least 1.15 for a continuous 24-month period. After which, upon the owner's request and Division approval, the reserve may be distributed as surplus cash. For projects that are deemed to be high risk, the Division may restrict access to reserves on an annual only basis after review by the Division of the project's required Annual Cash Flow Analysis Report.

4. Budget Trending Assumptions

Annual calculations must use a 2.5% increase in gross income and a 3.5% increase in operating expenses (including taxes and replacement reserves). Applicants may use more conservative trending assumptions (e.g., a wider spread between income and expenses trending rates) if warranted for a particular project.

5. Debt Service Coverage Ratios

All debt service that will require fixed periodic payments (hard debt other than City cash flow loads) regardless of lien position must be included in the calculations of DSCR.

The projected DSCR may not exceed 1.30 unless approved by the Division due to unique circumstances (such as small project size or unreliable rental subsidies). If the projected DSCR will exceed this limit, the Division's loan will be reduced accordingly.

First Time Homeownership Programs

The Division supports programs that expand first-time homeownership opportunities with homebuyer/owner education. The Division may provide construction loans/grants, down payment assistance loans, and loans for the purchase of land for new development. The Division may consider other innovative homeownership assistance proposals from eligible applicants that promote long-term affordable homeownership.

The following two categories of first-time homeownership programs are currently supported by the Division:

- Development/developer assistance and land acquisition for new construction of affordable housing for income eligible homebuyers.
- Down Payment Assistance Program (DPA).

Development/Developer Assistance Programs

The Division may consider the purchase of land for new construction of affordable homeownership projects. The Division's loan agreement will outline the loan amount and terms. The loan terms will be based on the proposed project and housing market conditions.

Program requirements:

a. Homes must be located within the City of Longmont limits.
b. Constructed homes must pass an HQS Inspection and all city code requirements.
c. The purchase price must not exceed 95% of HUD Median Value Limits established for the City of Longmont.
d. The net purchase price/mortgage must not exceed the greater of appraised value or the total development cost, as approved by the Division.
e. Homes must be modest in design. The Division must approve the development design, home plans and specifications.
f. Homebuyers must have incomes at or below 80% of the Area Median Income at the time of purchase.
g. The Division will complete an environmental review of a project prior to the reimbursement of any costs or the release of any funding.

Eligible Developers: Loans are provided to for-profit developers who will provide affordable homeownership housing. Non-profit housing developers with IRS Section 501(c) (3) status are also eligible. Developers must demonstrate experience in the successful development and sale of homes.

Loan terms: Loan terms may vary depending on the project. The loan terms will be addressed in the Agreement with the Developer.

Down Payment Assistance Program (DPA)

The City administers the Boulder County Down Payment Assistance Program, which is funded primarily with HOME Funds.

Eligible applicants must meet the following criteria*:*

- The home purchased with assistance must be the owner's principal residence through the period of affordability as stated in the Down Payment Assistance HOME Agreement, Deed of Trust, and Promissory Note. If the homeowner sells the property prior to the expiration of the period of affordability, then the city's recapture provision found in the Agreement will be followed.
- Complete Homeownership Training Course through CHFA-approved course prior to final eligibility being determined.
- At least one applicant who will be on the mortgage and title of the home must work a minimum of 30 hours a week unless they are retired and/or disabled.

- Must contribute $2,000 or 1% of the purchase price of the home, whichever is greater.
- Must qualify for a first mortgage from a licensed and registered mortgage loan originator in Colorado working for a mortgage company registered to do business in the State of Colorado. Mortgages must be a 30-year, fixed rate and amortizing loan. No sub-prime, adjustable rate, or interest-only loans are allowed.
- Annual household income must not exceed 80% of the Area Median Income limit established for Boulder County and based on household size.
- Assets cannot exceed 80% of the Area Median Income limit established for Boulder County based on household size. Retirement accounts are included but taxes and penalties for early withdrawal may be subtracted.
- All household members, regardless of age must verify that they either are citizens of the United States or are lawfully present in the Country.

Homes purchased with DPA funds must meet the following property requirements:

- Eligible properties include single-family detached houses, townhomes, and condominiums. Mobile homes are ineligible unless they will be placed on a permanent foundation on land owned by the homebuyer.
- The Property must be the principal residence of the homebuyer.
- Homes must have an initial purchase price and appraised value that do not exceed 95% of the Area Median Purchase Price as published by the HUD.
- Homes cannot be purchased for more than the appraised value.
- The property must be vacant or owner-occupied at the time the purchase contract is signed. Funds may not be used to purchase properties that displace tenants or otherwise involves renters.
- The property must be in Boulder County outside Boulder City limits.
- Homes purchased must meet all applicable local and state building codes and standards at the time of acquisition.
- An environmental review and clearance must be completed by the Division prior to the release of any funds.
- Homes built prior to 1978 must have a lead-based paint visual inspection completed prior to closing and all chipping, pealing, flaking or otherwise deteriorating paint must be physically tested and cleared for lead.
- Hazard/Homeowners Insurance is required on all properties purchased with city funds and the city must be listed as an additional certificate holder for the duration of the loan.
- Homeowners must remain current on their property taxes as long as there is an outstanding deed of trust and promissory note held by the city.
- Homeowners must maintain the property in safe and habitable condition.

DEFINITIONS

The following are definitions of terms used in the Funding Policies and Procedures.

Acquisition – The purchase of existing housing or land.

Affirmative Marketing –Actions to be taken to provide information and otherwise attract eligible people in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability.

Affordable Rent Standards for CDBG and AHF assisted projects – Tenants in CDBG or AHF assisted housing units must have incomes at or below the maximum income guidelines by household size as found in each year's Boulder County Area Median Income Standards as updated and published by HUD. For assisted units, owners may not charge more than the 50% AMI monthly rents as shown on the CHFA rent table for the appropriate unit size. The maximum rents cannot exceed the total rent and any tenant paid utilities.

Affordable Housing Fund (AHF) – Local funds available only for affordable housing developments/projects. The Fund is generated from loan repayments from past projects, other program income and an annual allocation from the City's General Fund. The amount of funding available varies from year to year.

Affordability Period – The period that housing must be kept affordable to the resident based on the resident's household income.

Area Median Income (AMI) – The median family income for a particular county or metropolitan statistical area, as estimated by the Department of Housing and Urban Development (HUD). The AMI is used to define low- and moderate-incomes for affordable housing and assistance programs.

Attached Housing – Housing that shares a wall with another unit, such as a townhome or a condominium.

Community Development Block Grant (CDBG) – A federal program provided to the City from HUD that provides funding for affordable housing, community improvement, public services, neighborhood investment, and economic development projects.

Community Housing Development Organization (CHDO) – A specially structured non-profit organization eligible for special funding under the HOME Program

Covenant – An agreement to maintain the affordability of a property and ensure it is sold to or rented to low- and moderate-income people.

Davis-Bacon – Administered by the Office of Labor Relations that determines Federal prevailing wage requirements that must be paid when a project is using HUD funding.

Displacement – An activity that results when a household must move because it can no longer afford housing costs after completion of a federally funded activity, such as when rents are raised after rehabilitation of a rental project.

Environmental Assessment – A programmatic review that determines whether a proposed action will have an impact on the environment or whether the environment will have an impact on the proposed action.

Fair Housing Act- A law enacted as part of civil rights legislation that prohibits discrimination of home sales, rentals and financing based on race, color, national origin, religion, sex, familial status or those with disabilities.

Fair Market Rent (FMR) – Determined by HUD and specific to a metropolitan statistical area.

Flood Zone– A federal requirement to mitigate hazards in all or a portion of, a housing site that is susceptible to a flood based on the projection of a return frequency timeline; generally 100 years and 500 years.

HOME Investment Partnership Funds (HOME) - A federally funded program by HUD that provides funding for affordable housing projects.

Lead-Based Paint Hazard Mitigation – A federal requirement for grantees to comply with HUD's standards to test, reduce and abate lead based paint hazards to residents.

Low- and Moderate-Income – Determined by HUD and specific to a metropolitan statistical area.

Matching Funds – An obligation by a federal fund recipient to leverage finances with non-federal resources.

Performance Measures – A way to assess a program's performance and demonstrate results with accuracy and consistency.

Predevelopment Costs – Project-related costs incurred prior to development such as architectural designs, site plans, land surveys, appraisals, legal costs, business plans, and pro formas, etc.

Pro forma - A yearly projection of a project's expenses and income to determine long-term viability and profit-generating potential.

Special Needs Housing – Housing to accommodate and support people with specific needs due to a physical or mental disability or age.

Transitional Housing - A project that has a purpose of facilitating the movement of homeless individuals and families to permanent housing within a reasonable amount of time (usually 24 months).

Uniform Relocation Assistance and Real property Acquisition Act – Requires federally funded housing programs to provide benefits, such as moving expenses, replacement housing rental payments, and relocation assistance and/or advisory services, to tenants and owners who must relocate because of acquisition of their housing or businesses.

U.S. Department of Housing and Urban Development/HUD – A department of the federal government whose mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination.