

Affordable and Special Needs Housing Competitive Application Program Guidelines

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Program Overview

Background

The Affordable and Special Needs Housing (ASNH) Program is a consolidated, competitive application used by the Virginia Department of Housing and Community Development (DHCD) to award National Housing Trust Fund (NHTF), HOME Investment Partnerships (HOME), Virginia Housing Trust Fund (VHTF), and Housing Innovations in Energy Efficiency (HIEE) funds¹ to multifamily rental developments and single-family homeownership developments across the Commonwealth.

The Program's goals are to expand the supply of decent, safe, sanitary, and affordable housing available to low-income, very low-income, and extremely low-income Virginians.

Eligible projects are scored on a 100-point scale (Need – 40 points; Feasibility – 30 points; Developer Capacity – 30 points) and projects with scores above a 60-point threshold are ranked and considered for funding awards of the sources above.

These Program Guidelines are intended to provide guidance on applicant and project eligibility and program and regulatory requirements. For information on funding availability and limits, as well as the application and decision notification process for the current fiscal year, please consult either the ASNH Rental Manual or ASNH Homeowner Manual for the type of project you are applying for.

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 $^{^1}$ DHCD also uses HOME, VHTF, and HIEE funds for other eligible activities administered by other programs. $ASNH-Competitive\ Application\ Program\ Guidelines$

Funding Sources Available

HOME

The *HOME Investment Partnerships Program* (HOME) was created through the National Affordable Housing Act of 1990. Funds from the HOME program are made available annually through formula allocations to states and local governments (*Participating Jurisdictions* or PJs).

PJs are responsible for conducting needs assessments and establishing priorities and goals and developing and managing the programs that will help meet these goals. The ASNH Program is a subset of DHCD's HOME funding and uses HOME to support the development of rental units made available to individuals or families with incomes at or below 50% or 60% of their Area Median Income (AMI), and to the development of homeownership units made available to buyers with incomes between 60% and 80% AMI.

While projects may be located anywhere in Virginia, DHCD's HOME program gives priority to projects located in cities or counties which do not receive a direct federal HOME allocation through a local PJ or HOME Consortium through a scoring preference. The list of cities and counties which do <u>not</u> receive a scoring preference are listed in **Appendix A**.

The ASNH program also gives DHCD-certified Community Housing Development Organizations (CHDOs) a scoring preference for HOME funding. See DHCD's online resources for more information on CHDO requirements.

National Housing Trust Fund

The *National Housing Trust Fund* (NHTF) was created as a federal block grant to states, issuing its first allocation in 2016, and is the largest federal program designed to specifically support the production and preservation of affordable housing for extremely low-income individuals and families.

DHCD awards all its NHTF funds through the ASNH Program and uses NHTF to support the development of rental units made available to individuals or families with incomes at or below 30% AMI.

Virginia Housing Trust Fund (Competitive Loan Pool)

The *Virginia Housing Trust Fund Competitive Loan Pool* is funded through Virginia's Housing Trust Fund, which is a special allocation of state funds intended to help address the commonwealth's housing needs and reduce homelessness. No less than 80% (eighty percent) of the VHTF must be allocated to a competitive loan pool.

The ASNH Program satisfies this requirement for a competitive loan pool and provides low-interest loans to meet the financing needs of housing projects which address key state housing policies. Funds may be awarded to projects developing rental units or for sale homes which are made available to individuals or families with incomes at or below 80% AMI.

Virginia Housing Trust Fund expenditures associated with projects funded through the ASNH program will be used to meet the State's federal HOME program match requirement and may not be utilized for any subsequent regulatory match requirement without permission from DHCD.

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Housing Innovations in Energy Efficiency (HIEE) Funds

Housing Innovations in Energy Efficiency (HIEE) funds assist affordable housing project development teams in completing energy efficiency upgrades that would not have been feasible otherwise. These funds are made available by DHCD to projects which demonstrate that they are designed to meet the HIEE energy efficiency performance requirements detailed below, and supplement competitively awarded state and federal funds.

Projects <u>must</u> score well enough to obtain an award of ASNH's competitive sources (HOME, NHTF, or VHTF) to be eligible for an allocation of HIEE funds. During the application review process for each cycle, the panel will score and rank projects to determine competitive award recommendations. If a project which requests HIEE funds is recommended for a competitive award, the panel then evaluates the additional required documentation to ensure the project is designed to meet the relevant energy efficiency performance requirements. HIEE energy efficiency performance requirements are detailed in **Appendix B.**

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Project Competitive Funding Limits

Each eligible project is subject to funding request limits, or caps. These caps are inclusive of all DHCD commitments to a project in previous application cycles. DHCD reserves the right to adjust funding offers by funding source to meet project needs and reserves the right to limit funding offers made to a project even if 'cap' remains.

Projects with HOME assistance from any source are <u>ineligible</u> for an award of HOME funds from the ASNH Program while the project is in its HUD-required mandatory HOME compliance period of 15 or 20 years.

Each project is limited to a total award of \$3,000,000 from any combination of competitive sources (HOME, NHTF, or VHTF). The program manual for the current fiscal year will lay out per source caps and eligibility requirements that allow an applicant to request up to the maximum award amount of \$3,000,000. However, at DHCD's sole discretion awards may be made from an alternate source to avoid partial awards and to allow the project to complete its full capital stack. Preference will be given to projects which are utilizing their DHCD ASNH application for true gap funding, and which have secured commitments for all other required funds and are 'shovel ready.'

Project HIEE Funding Limit

Each project earning a competitive source award (HOME, NHTF, or VHTF) which is designed to meet the HIEE minimum performance requirements is eligible for an award of up to \$2,000,000 or ten percent (10%) of its total construction costs as calculated in the ASNH Application Workbook underwriting tab, whichever is the lesser amount.

- \$2,000,000 Maximum HIEE award for an eligible project
- \$5,000,000 Maximum total awarded funds for an eligible project requesting HOME, NHTF, VHTF, and HIEE

Eligibility

Applicant Eligibility

Eligible Applicants are non-profit organizations or for-profit housing developers, DHCD-certified Community Housing Development Organizations (CHDOs), and public housing authorities seeking to develop affordable housing projects in Virginia.

The Applicant must be the Owner, Developer, or Sponsor of the proposed project:

- Owner holds valid legal title to, or long-term leasehold interest in the property.
- <u>Developer</u> owns the property and is developing the project or has a contractual obligation to develop the project.
- <u>Sponsor</u> is the owner or partial owner and agrees to convey ownership to a second non-profit at a predetermined time prior to or during development or upon completion (requires consultation with DHCD prior to application).

The Applicant must be registered in CAMS as an eligible organization defined above, and should be the primary partner in the project, responsible for long-term operations and compliance. Applicants with incomplete CAMS profiles (including applicants without UEIs) are ineligible.

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Applications made by a project legal entity or limited liability corporation are ineligible.

Applicants with outstanding or unresolved findings from audit or monitoring findings, unresolved IRS findings, unresolved compliance findings – including those issues which may be identified to DHCD by another previous partner such as Virginia Housing (VH or VHDA) –, or which are not in compliance with previous DHCD agreements will not be eligible for a funding commitment for any Project until such findings and/or compliance issues are resolved. DHCD staff are committed to working with any interested party to develop a plan for resolution and restoration of eligible status.

All ASNH applicants must be in compliance with the <u>Agency Audit Policy</u> at time of application. If you have questions about the audit policy, please contact DHCD staff.

Developer Requirements

Federal regulations require DHCD to certify developer capacity, including Community Housing Development Organizations (CHDOs) prior to the commitment of HOME or NHTF funds.

The evaluation of developer capacity includes reviewing:

- Developer's demonstrated experience developing similar projects.
- Staff experience in housing development (excluding consultants, contractors, or partners).
- Current financial soundness, including compliance with DHCD's audit policy.

DHCD also evaluates the capacity of applicants requesting only state sources of funding. It is critical that applicants and development teams have demonstrated success with similar projects including ongoing operations and long-term compliance. Applicants must be able to clearly articulate the relationship between all partners involved in the development, ownership, and property management of a project, and describe partner capacity and experience.

CHDO Certification Requirements

Applicants must have an approved CHDO Certification application in CAMS, and the related Certification or Re-Certification letter provided by DHCD to be eligible for the five (5) point scoring preference on applications for HOME funds. This scoring preference enables DHCD to meet the 'CHDO Reserve' or 'CHDO set-aside' requirements of the HOME program.

Generally, CHDOs must meet organizational, mission, financial management, and capacity requirements, which include, but are not limited to, the following:

- Certified nonprofit status
- Being a community-based organization
- Low-income representation in board composition
- Primary mission is the provision of affordable housing.
- Demonstrated capacity to develop affordable housing.
- Conformance to accounting standards and financial soundness

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CHDO requirements must be met at the time of fund commitment, for the duration of the development phase, and through the long-term compliance period for CHDO's in the role of project/property owner.

Organizations interested in determining if they meet the requirements to become certified as CHDOs and therefore eligible for the HOME scoring preference should refer to the HUD publication CHDO Survivor Kit² or the CHDO Capacity Self-Assessment Tool

Project Eligibility

To be eligible for ASNH funding, all projects must be new construction or substantial renovation of affordable housing units, or the adaptive reuse of buildings to create new affordable housing units for lower income homeowners or renters. Acquisition-only projects, public housing, and public facilities including emergency shelter, hospitals, nursing homes, or intermediate care or assisted living facilities are <u>not</u> eligible for ASNH funding.

In <u>limited cases</u> group homes may be eligible for ASNH funding. There must be an identified local need, and these projects require a pre-application consultation with DHCD. Applications submitted without completing this pre-application consultation are <u>ineligible</u>.

Eligible property types include multi-unit structures, single family, two- to four-unit structures, and manufactured homes. Scattered site projects are allowable, but all projects must be under common ownership, management, and financing. Regardless of type, the units must be considered modest relative to the neighborhood.

Projects may include units structured as Single Room Occupancy (SRO) units. Eligible SROs are efficiency-style units that are the primary resident of a single one- or two-person household, with a valid twelve-month lease to that household. The unit must contain food preparation and/or sanitary facilities. If the unit does not contain food preparation or sanitary facilities, then the building must contain and provide access to these.

Generally, an eligible project must:

- Include a minimum of five units,
- Be under common ownership, management, and financing,
- Represent a minimum investment/development cost of \$15,000 per unit, and
- Meet the affordability requirements of every source for which it is requesting funds.

Eligible Project Types

Projects may be <u>new construction</u>, <u>substantial rehabilitation</u>, or <u>adaptive reuse</u>. Development activity beyond the original footprint will be considered new construction. Projects must meet Section 504 accessibility requirements based on project type, as described in these Guidelines.

For rehabilitation projects, <u>minimum</u> total development cost per unit is \$15,000 and must include replacement of at least three out of five major systems (e.g., HVAC, plumbing, roofing, electrical). Development costs are limited to eligible costs and must exclude non-eligible costs such as community buildings, market rate units, and retail space.

² Link validated September 2024; document title is searchable on hudexchange.info *ASNH – Competitive Application Program Guidelines*

Projects of any type must meet <u>DHCD's Minimum Design</u>, <u>Construction</u>, <u>and Rehab Requirements</u> to ensure that no further investment is required during the affordability period. Projects awarded National Housing Trust Funds must follow the <u>Housing Trust Fund Rehabilitation Standards</u>.

Rental & Homebuyer Project Eligibility

An eligible project must be either a <u>homebuyer</u> project or a <u>rental</u> project (not both). Additional information regarding project eligibility can be found in the ASNH Homeownership Manual or the ASNH Rental Manual.

<u>Homebuyer</u> projects must be a minimum of five units of housing, which will be made available for sale to first-time homebuyers earning incomes below 80% AMI. These projects may apply for either HOME or VHTF funds. A first-time homebuyer is someone who has never owned a home or has not had primary ownership of a principal residence in the last three years.

<u>Homebuyer with Community Land Trust Model</u> projects are required to have a pre-application consultation for each application made to the Program.

Rental projects must be a minimum of five units and must be structured to meet each individual program's affordability requirements. For rental projects requesting federal sources, a minimum of five units are required to meet AMI targeting requirements per source.

For example, a project requesting HOME and NHTF funds would need a minimum of ten total units, five of which must meet the NHTF requirement of 30% AMI or below; and five of which must meet the HOME requirement of 60% and 50% AMI or below. Rental projects requesting state funding sources (VHTF or HIEE) must restrict at least some units to households with incomes at or below 80% AMI.

Mixed income and multiple-use projects are eligible; however, these projects must contain assisted units that will meet income and rent or sales value requirements, and the number of assisted units must meet Program Guidelines.

For both homebuyer and rental projects, the number of ASNH assisted units and income mix will be determined by DHCD during underwriting.

Per-Unit Subsidy for Federal Sources

HUD is required to undertake rulemaking to establish new maximum per-unit subsidy limits for the NHTF Program because it is no longer updating and publishing limits for the Section 221(d)(3) mortgage insurance program.

Program requirements including the number of required assisted units are based on total amount of HOME or NHTF assistance (including HOME from other resources) as compared to the total development costs. For this purpose, total development costs are limited to HOME or NHTF eligible costs (Appendix C) and must exclude non-eligible costs such as community buildings, market rate or unrestricted units, and retail space.

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The final number of assisted units in a project will be determined by DHCD during underwriting. Selected projects will always be assisted with the minimum amount of funds needed, as demonstrated by the underwriting and subsidy layering review.

Program Terms & Agreements

Affordability Period

All commitments of ASNH funds to a project result in a mandatory <u>affordability period</u> on the project property, which is the period that the rental units or single-family home must be maintained as "affordable" according to the agreement between the developer and DHCD and is enforced through a restrictive covenant deed recorded on the property.

Affordability periods for ASNH funded rental projects are thirty (30) years. As noted below, for HOME-assisted projects, this affordability period is comprised of a federal compliance period followed by a state-level affordability period. For all sources, the required type and number of source-assisted units to be maintained as "affordable" for this period determined by DHCD during underwriting.

For ASNH funded homeownership projects, the affordability periods for any available source are based on the total amount of funds (including HOME funds from local Entitlements or Consortiums) invested in the project and DHCD's determination of investment through developer subsidy or direct homeowner assistance.

Rental Affordability Periods		
Source/Activity	Length	
NHTF (all activities)	30 years (federal compliance only)	
HOME New Construction	20 years (federal compliance) + 10 years state affordability)	
HOME Rehabilitation	15 years (federal compliance) + 15 years state affordability)	
VHTF, HIEE, and PSH funds	30 years (state compliance only)	

Homeownership Affordability Periods		
Investment By Unit	Length	
HOME or VHTF/HIEE; less than \$15,000*	5 years	
HOME or VHTF/HIEE; \$15,000 - \$40,000*	10 years	

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HOME or VHTF/HIEE; more than	15
\$40,000*	15 years

^{*}If only homebuyer developer subsidy, a resale provision applies. Projects utilizing ASNH-funded development subsidy are not eligible to use DHCD-funded HOME Down Payment Assistance.

Type of Assistance Provided

Funds made available through the ASNH Program have standard terms based on project type.

Rental project assistance is provided as permanent, must pay debt after all other financial commitments are received. These funds are leveraged to close a financing gap in the affordable housing project, and the amount of funds committed must be the <u>minimum</u> amount needed.

All rental project applications must assume permanent financing structured as a 3% interest-only, deferred principal loan, with must-pay interest over the full required affordability period of 30 years. Cash flow loan requests will not be considered. Construction draws or other payments of ASNH funds prior to conversion to permanent financing will not be considered.

Back-to-Back Loan Structures and Sponsor Loan Interest Rates

For for-profit developers utilizing a back-to-back loan structure, or "Sponsor Loan", (e.g., where DHCD funds are loaned to the developer entity and then re-loaned to the ownership entity), the following requirements apply:

- 1. **DHCD Loan Terms**: All DHCD funds (including NHTF, VHTF, and HOME) must be lent by DHCD at the standard program interest rate,
- 2. **Sponsor Loan Interest Rate**: If the Sponsor Loan (i.e., the re-loan from the developer to the ownership entity) will carry an interest rate different from the DHCD loan, the applicant must:
 - o Indicate this intent at the time of application; and
 - o Provide the estimated Applicable Federal Rate (AFR) expected at closing; and
 - Submit updated financial projections, consistent with the proposed Sponsor Loan terms and including supporting documentation (e.g., draft limited partnership agreement or investor requirements).
- 3. **Rationale for Deviation**: Any Sponsor Loan rate in excess of DHCD's loan rate must be supported by a documented rationale, such as the need to prevent original issue discount (OID) tax consequences due to IRS treatment of below-market loans by for-profit entities.
- 4. **DHCD Approval Required**: The proposed Sponsor Loan structure, including interest rate and repayment terms, must be **approved by DHCD** and must not alter or impair the repayment structure, security, or compliance obligations under the DHCD loan.
- 5. **No Upstream Gains Permitted**: DHCD reserves the right to deny or condition approval of a Sponsor Loan structure that creates excess cash flow to the developer entity not supported by reasonable financing needs or not clearly disclosed in the application.

Homebuyer project assistance is structured as reimbursement-based construction financing. Construction draws are allowed based on predetermined and specific project completion milestones. No reimbursement draws are permitted until DHCD has received a fully executed deferred loan agreement, and a copy of the restrictive covenant deed of trust recorded on all

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properties under the loan agreement. Reimbursement draws or remittances are sent to the Applicant's organization address as listed in CAMS via paper check until the organization completes registration with the Department of Accounts for ACH payments.

For all projects, DHCD reserves the right to charge agency-incurred project costs to the project. These costs include only actual, applicable project costs such as environmental review notices and legal services. Any incurred costs charged to the project are structured as a grant, included in the total amount of project assistance. The total ASHN project assistance is reflected in the restrictive deed, the program agreement, underwriting, and subsidy layering analysis.

Additional Criteria

Income Restriction Criteria

Each ASNH awarded source has income restriction criteria, and regulations about how and when income determinations or qualifications are made.

Projects must be able to meet the ASNH Program requirement of a minimum of five units, but the actual number of assisted units in a project will be determined during underwriting. These units must be made available to eligible households that meet the income-restriction requirements of the source based on Area Median Incomes (AMI). Income calculations must be based on HUD's Section 8 income eligibility standard.

For all projects, households must meet income-restriction eligibility requirements at the time that program eligibility is determined, and determinations expire after six months.

For rental projects, all NHTF-assisted units must be restricted to households with incomes at or below 30% AMI; HOME-assisted units must be restricted to households with incomes at or below 60% AMI, and twenty percent (20%) of HOME-assisted units in a project must be further restricted to households with incomes at or below 50% AMI. VHTF and HIEE assisted projects must have units restricted to households with incomes at or below 80%. All ASNH sources allow for rental projects to be mixed-income and/or include 'workforce units,' market-rate or unrestricted units, but these projects must have appropriate numbers of restricted units to meet program requirements and have eligible costs to support the ASNH award value or investment.

For homebuyer projects, all sales must be made to households at or below 80% AMI regardless of ASNH source. For homebuyer projects, closing must occur within six months of income determinations. If closing does not occur during that time, then income eligibility must be reestablished. Before closing, a certification form must be executed by the administrator confirming that the annual household qualifying income does not exceed 80% AMI.

HOME Program Criteria

Match Funds and non-Entitlement Preference

Eligible projects may be in any locality in Virginia. For projects requesting HOME funds, there are criteria that change based on the locality in which the project will be developed.

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Some localities in Virginia, called HOME Entitlements or HOME Consortiums, receive HOME funds directly from HUD.

Projects located in these localities (listed in **Appendix A**) must meet a *local match requirement*. These projects must have a commitment of 25% of their ASNH Program HOME funds request from locally administered funds. Examples of local match include local HOME, CDBG, or other federal or state funds awarded and administered by a local government. Match requirements can also be met based on the waiver of locally collected fees directly associated with the specific development (e.g., water and sewer connection fees). Documentation of local match must be included in the application.

Projects located in non-Entitlement or non-Consortium localities do not have a match requirement on their application for ASNH Program HOME funds and have a scoring preference of 5 points on their HOME funds score.

HOME Environmental Reviews

Projects awarded HOME funds will require an additional environmental record review completed and approved by DHCD. No development activity including the acquisition of the property can occur prior to the completion of this review, which may include the publication of a notice of findings and the request for release of funds from HUD. Projects proceeding with development or 'choice limiting' activities prior to the completion of the review may be ineligible.

Coordination of the environmental review will be required for any project combining DHCD's State HOME funds with local HOME or Community Development Block Grant (CDBG) funds.

NHTF Program Criteria

NHTF Environmental Reviews

Projects awarded NHTF funds will require an additional environmental record review. The NHTF Environmental Provisions for new construction and rehabilitation under the Property Standards at 24 CFR § 93.301(f)(1) and (2) are like HUD's Environmental Regulations at 24 CFR Parts 50 and 58 for HOME funds. The main difference is that the HTF Environmental Provisions are outcome based and exclude consultation procedures (including notice requirements and public comment periods) that would be applicable if NHTF project selection was a federal action. Parts 50 and 58 are process based and include consultation procedures for several laws and authorities where there may be environmental impacts. See CPD notice 16-14 for further details.

Additional Federal and State Requirements

Section 504

<u>Section 504</u> applies to all ASNH assisted rental projects based on project type, which is determined by DHCD staff in coordination with the Applicant/Developer.

New Construction

New construction of multifamily rental housing with <u>five</u> or more units must be designed and constructed to be readily accessible to and usable by persons with disabilities. All common areas

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in the building must be made accessible, and a minimum of individual units must also be accessible.

- A minimum of five percent (5%) of the dwelling units in the project (but not less than one unit) must be accessible to individuals with mobility impairments.
- An additional two percent (2%) of the dwelling units (but not less than one unit) must be accessible to individuals with sensory impairments (i.e., hearing or vision impairments).

Rehabilitation: Substantial alterations

Multifamily rental projects of <u>fifteen</u> units or more that undergo "substantial alterations" must also comply with Section 504's accessibility requirements. Substantial alterations are defined as projects where costs of the planned rehabilitation will be seventy-five percent (75%) or more of the replacement cost of the completed facility. For these projects, all common areas in the building must be made accessible, and a minimum of individual units must also be accessible.

- A minimum of five percent of the dwelling units in the project (but not less than one unit) must be accessible to individuals with mobility impairments.
- An additional two percent, at a minimum (but not less than one unit), must be accessible to individuals with sensory impairments.

The requirements for multifamily projects undergoing substantial alterations are found at 24 CFR 8.23(a).

Rehabilitation: Other Alterations

If a multifamily rental project does not meet the definition of substantial alterations, the alterations that are made must, to the maximum extent feasible, make the dwelling units accessible to and usable by individuals with mobility impairments.

If alterations of single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, then the entire dwelling unit shall be made accessible to persons with mobility impairments. This would include alterations that involve certain kitchen and bathroom renovations, as well as entrance door jamb replacements. In addition, alterations to common spaces must make those areas accessible to the maximum extent feasible.

For this category of rehabilitation, only:

- When a minimum of five percent of the dwelling units (but not less than one unit) are accessible to people with mobility impairments, then <u>no</u> additional units are required to be made accessible.
- There is no requirement to make any units accessible to individuals with sensory impairments.

A recipient is not required to make these accessibility alterations if doing so would impose undue financial *and* administrative burdens on the operation of the multifamily housing project (24 CFR 8.23(b)). However, projects in this category of rehabilitation may not be funded at DHCD's sole discretion when projects which do create additional accessible units are eligible within the same application round.

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Program agreements will reflect Section 504 units and will require that any vacant 504 units are listed on Virginia Housing Search and held for at least 60 days before being leased to household not requiring a unit-specific accommodation. Tenant selection plans must also include 504 units.

Fair Housing Act

The <u>Fair Housing Act</u> prohibits discrimination in the sale or rental of housing based on race, color, religion, sex, national origin, handicap, or familial status. This prohibition applies to all projects assisted with the ASNH program, and any project or applicant that discriminates or projects which are structured to discriminate are ineligible.

Lead Safe Housing

<u>Lead Safe Housing</u> policies apply to ASNH projects unless they are found to be exempt. For non-exempt projects appropriate measures must be taken to assure that:

- Rehabilitation or demolition activities meet lead safe requirements;
- Development costs include associated costs;
- Homebuyers or tenants will receive notification (if applicable);
- Operating costs include ongoing associated maintenance costs for rental projects; and
- Records are maintained to document all measures taken.

Uniform Relocation Act (URA)

Accommodations for any relocations are required for all funding sources. However, the <u>Uniform Relocation Act</u> (URA) applies to all HOME/NHTF assisted projects where development activity will result in the permanent or temporary dislocation of households, businesses, farms and nonprofit organizations. When permanent or temporary dislocation is possible, a notice of the intent and a survey of the occupants must be conducted prior to the ASNH application. All application must include a completed URA Assessment Form and documentation of the notice and survey results. Development costs must reflect any associated costs that the project anticipates.

Section 3 Requirements

Section 3 requirements apply to all HOME/NHTF-assisted projects. These requirements mean that development-generated opportunities must be designed to benefit to the greatest degree possible low and very low-income persons in the project services area and the business that employ them. Developer hiring, contracting, and subcontracting must be structured to maximize this benefit. Project owner/developers are required to adopt specific goals, develop a Section 3 plan, and comply with required notifications, documentation, and reporting documented to DHCD through CAMS.

Labor Standards

<u>Labor Standards</u> apply to all projects. All projects must assure that workers receive "overtime" compensation at a rate of 1.5 times their basic rate of pay for all hours worked more than 40 hours a work week. This applies to all project associated construction contracts funding in whole or in part with HOME/NHTF resources.

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<u>Davis-Bacon Act</u> and the <u>Copeland "Anti-Kickback" Act</u> requirements apply to projects with 12 or more HOME assisted units (determined in underwriting by DHCD, in part on the proportion of HOME funds to total development costs). In these cases, Davis-Bacon prevailing wages must be paid to workers at least weekly without any deductions or rebates except permissible deductions. Reporting requirements include the payroll submissions.

Violence Against Women Act

<u>Violence Against Women Act</u> applies to all projects and provides housing protection for survivors of domestic and date violence, sexual assault, and stalking. This requirement requires that all tenants are notified of their rights under the provision. The provision allows for emergency transfers to other units, bifurcation of leases, protection against denials, evictions, and terminations that directly result from being a victim, and allow for a low-barrier certification process.

Environmental Review

All applicants must complete and submit with their application a Phase I Environmental Site Assessment (ESA). **DHCD will accept a Phase I ESA produced in the last two calendar years of the time of application.** If the Phase I ESA is over two calendar years old, DHCD may consider a Part 58 or National Housing Trust Fund ERR Checklist in addition to the invalid Phase I ESA for eligibility.

A Phase I ESA is valid for 180 days from the date of the report but may be used for up to one year if updated in accordance with ASTM and EPA requirements. For more information, visit the EPA's All Appropriate Inquiries Rule.

In addition, as stated in the HOME and NHTF Criteria sections above, compliant environmental review must be completed before DHCD can execute any HOME or NHTF Program Agreement to secure a formal commitment of funds.

It is essential that developers <u>do not proceed</u> with any project activity (e.g., acquisition, rehabilitation, demolition, construction, etc.) prior to the execution of the program agreement or the project will likely be rendered ineligible for funding. Applicants must allow sufficient time to complete and submit all required environmental site assessment documentation to DHCD.

Coordination on the environmental review procedure is required if combining ASNH resources with CDBG or other federal funding such as local HOME. Part 58 checklists must be submitted within six months of a HOME or NHTF award being made, and prior to any potentially choice limiting activities being undertaken.

Build America, Buy America (BABA) Act

The Build America, Buy America (BABA) Act requires that certain construction materials used in federally funded infrastructure projects be produced in the United States. This applies to housing developments receiving federal funding through programs like HOME and the National Housing Trust Fund when those funds are used for infrastructure-related costs, such as water, sewer, or broadband installation. While not all housing activities are subject to BABA, recipients should be aware that eligible costs may trigger these requirements. Project sponsors should

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consult with program staff early in the development process to determine whether BABA applies to their project and ensure compliance if necessary.

Application Submission and Evaluation

All applications for Affordable and Special Needs Housing (ASNH) must be submitted through DHCD's <u>Centralized Application and Management System</u> (CAMS) prior to the application submission deadline.

The CAMS <u>User Guide</u> provides information and instructions on setting up and managing a CAMS account, and should be used first to troubleshoot any errors. Please allow up to two business days for responses to any CAMS Help Desk request. DHCD technical assistance is limited to normal business hours. Applications submitted with incorrect or missing information will be reviewed *as is* and may be ruled ineligible.

DHCD conducts panel reviews of all Applications submitted in CAMS prior to the submission deadline. During this panel review, the Application is first screened to ensure the Project and Applicant meet the eligibility requirements. Projects or Applicants which do not meet eligibility requirements are not provided with a numerical score.

Applications must be submitted by the primary partner in the Project, which is responsible for long-term operations and compliance. Applications made by a project legal entity or limited liability corporation are ineligible and will not be accepted or scored.

Applicants with outstanding or unresolved findings from audit or monitoring findings, unresolved IRS findings, unresolved compliance findings – including those issues which may be identified to DHCD by another previous partner such as Virginia Housing (VH or VHDA) –, or which are not in compliance with previous DHCD agreements will not be eligible for a funding commitment for any Project until such findings and/or compliance issues are resolved. DHCD staff are committed to working with any interested party to develop a plan for resolution and restoration of eligible status.

Scoring Criteria

Applications are scored on a one hundred (100) point scale, and Projects must score sixty (60) points or higher to be qualified for funding.

Scoring criteria are as follows:

- Need 40 points
 - The Applicant demonstrates through narrative responses and information in attachments that the Project fills a critical need in the market area.
 - For HOME funds only, projects in non-Entitlement or non-Consortium localities receive points (5) in this category.
- Feasibility 30 points

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- o The Applicant demonstrates through narrative responses and information in attachments that the Project is likely to come to a timely completion.
- Developer Capacity 30 points
 - The Applicant demonstrates through narrative responses and information in attachments that the development team can successfully complete projects and deliver affordable housing.
 - o For HOME funds only, CHDO-involved projects receive points (5) in this category.

DHCD staff will rank all qualified Applications based on score. The highest scoring Applications from each round will receive offers of funding from DHCD, up to the amount requested in the Application as available based on per-project caps, and remaining funds for allocation through the ASNH Program. These offers are preliminary awards and are contingent upon the Applicant meeting certain requirements as outlined in the Program Guidelines and in the source-specific letter of award offer.

DHCD reserves the right to retain any funds offered during an application cycle or program year as unallocated, and such unallocated funds will carry forward to future application cycles and program years as allowed.

Notification of Funding Decision

The Office of the Governor of Virginia makes the Affordable and Special Needs Housing program funding award announcements public, typically by the publication of a press release.

After the public announcement of ASNH Program awards, DHCD staff will send an email to the <u>Project Primary Contact</u> as listed for each Project in CAMS containing either a notification of awarded funds or a denial of funding. Projects which are denied funding may request to schedule a technical assistance call, or *debrief*, with ASNH staff to discuss comments or feedback on the Application.

All awarded projects are required to attend an onboarding conference call. Information regarding this conference call will be provided to the Project Primary Contact, by email, with the terms letter(s).

Execution of Award Terms

Applicants receiving a notification of awarded funds for Projects are considered preliminarily qualified. For each source awarded, the notification of awarded funds is comprised of two documents. The first document is a letter of award, which will be signed by the Senior Deputy Director of Community Development and Housing.

The second document will contain additional terms of the awarded funds, including interest rate, length of affordability period, and details program requirements (including environmental review processes). This *terms letter* must be countersigned by the Applicant and returned to DHCD staff prior to the issuance of a Program Agreement.

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DHCD's expectation is that all Applicants requesting ASNH funds are prepared to return executed *terms letter(s)* in a timely manner. Applicants which delay the return of an executed terms letter without communicating with their assigned Program Administrator may not be eligible for an extension of time to complete the Program Agreement.

Execution of Program Agreement(s) for New Projects

Successful applicants have <u>twelve (12) months</u> from the date their first application to the Program closes to complete all program requirements and execute the Project's Program Agreement. This window of time is intended to allow both Applicants and DHCD to complete necessary processes which may have predetermined time requirements, such as Applicant underwriting review or DHCD public notice and comment periods.

The Program Agreement is a formal commitment of funds, and prerequisite for a legal loan commitment for rental projects or prerequisite to Deeds of Trust and remittance eligibility for homeownership projects. Program requirements vary by source but may include an environmental review process with public comment periods as required by HUD, and program agreements cannot be issued until all contingencies and program requirements are met.

ASNH Program Agreements expire <u>three years</u> from the date the first application to the Program closed, by which time the Project should be completed and ready to schedule permanent conversion or closing (rental projects) or should be completed and ready to submit closing disclosures on final home sales (homebuyer projects). Written requests for extensions of any deadline above must be received by DHCD prior to the expiration of the agreement or commitment and are approved on a case-by-case basis at DHCD's discretion.

Execution of Program Agreement(s) for Returning Projects

If a returning project receives new sources or additional funds for a pre-existing award, the deadline for execution will not extend past the deadline of the most recent award.

Marketing Materials

DHCD and the specific funding source(s) must be including on all marketing materials to include press releases, the project website, and signage. DHCD requires that a project sign be installed within thirty (30) days of the execution of the Agreement. Please see <u>signage requirements</u> for more details.

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Appendix A – HOME Consortiums & Entitlements

Projects in these localities must provide evidence of matching funds as detailed in the Program Guidelines to be eligible for an award of HOME funds from the ASNH Program.

HOME Consortiums

Charlottesville Consortium

Albemarle County Charlottesville Fluvanna County Greene County Louisa County Nelson County

New River Consortium

Blacksburg Christiansburg Giles County Montgomery County Pulaski County

Suffolk Consortium

Radford

Franklin City Isle of Wight Southampton Suffolk

Winchester Consortium

Clarke County
Frederick County
Page County
Shenandoah County
Warren County
Winchester

HOME Entitlements

Alexandria
Arlington County

Bristol City (TN Consortium)

Chesapeake

Chesterfield County

Danville

Fairfax County, including:

Fairfax City Falls Church

Hampton

Henrico County Loudoun County

Lynchburg

Newport News

Norfolk

Portsmouth

Prince William County, including:

Manassas

Manassas Park

Richmond

Roanoke City

Virginia Beach

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Appendix B – HIEE Minimum Energy Efficiency Performance Requirements

HIEE Minimum Energy Efficiency Performance Requirements		
New Construction	Green building certification required* Zero Energy Ready Homes (ZERH)	
Substantial Rehabilitation	Green building certification required* Average HERS index of 70 or below across all units OR 40% improvement in HERS index Additional requirements: ACCA Manual J calculations for heating/cooling loads Fresh air ventilation and dehumidification** Duct leakage testing and sealing*** Architect cost certification of upgrades needed to meet HIEE requirements	
Adaptive Reuse	Green building certification required* Average HERS index of 80 or below across all units Additional requirements: ACCA Manual J calculations for heating/cooling loads Fresh air ventilation and dehumidification** Duct leakage testing and sealing*** Architect cost certification of upgrades needed to meet HIEE requirements	

^{*}Eligible green building certifications include: LEED, EarthCraft Gold or higher, National Green Building Standard Silver or higher, and Enterprise Green Communities.

^{**}Dehumidification strategy/equipment shall provide for occupant comfort and health by maintaining interior RH in 40-60 percent range. For renovations and adaptive reuse projects, if building/unit envelopes are tightened to new construction standards (5 ACH₅₀), ventilation system(s) shall provide fresh air supply per the most current version of ASHRAE 62.1 or 62.2, or the most current version of USBC, whichever is more stringent.

^{***}Existing ductwork shall be sealed and tested to be ≤10 percent total duct leakage; if HVAC system/ductwork will be newly-installed, duct leakage shall meet new construction energy code requirements (≤4 percent total duct leakage).

Appendix B.2 – U.S. DOE Zero Energy Ready Home Program



U.S. DOE Zero Energy Ready Home Program Multifamily National Program Requirements Version 2 DRAFT Summary of Major Changes from Version 1

Program Component	Version 1	Draft Multifamily Version 2	Rationale	
	Built-In Best Practices (Mandatory Requirements)			
ENERGY STAR Prerequisite	Requires certification under the ENERGY STAR program applicable to the project. Program version depends on state.	Requires certification under ENERGY STAR Multifamily New Construction (ESMFNC) Version 1.2, which is the most recent version of ESMFNC.	ZERH-MF V2 builds upon the efficiency and performance of ESMFNC and therefore references the highest efficiency ESMFNC program version available.	
Building Envelope Insulation Levels	2015 IECC insulation requirements (Residential Chapter) for opaque areas.	2021 IECC insulation requirements (<u>Residential</u> or <u>Commercial</u> chapter) for opaque areas.	All ZERH projects take advantage of the one chance to build a very high- performance envelope.	
Window U/SHGC Values in Dwelling and Sleeping Units	Based on ENERGY STAR V5.0 and 6.0 specs, depending on climate zone.	Based on ENERGY STAR V6.0 specs for all climate zones, except for Very Cold Climates (6-8) which are more rigorous at U 0.25. Allowances provided for structural (Class AW) windows.	Updates the minimum window requirements to higher performance levels. Even higher performance windows may be used to meet performance targets.	
Hot Water System Efficiency	Requires an efficient hot water plumbing layout or the use of high efficiency water heater + water conserving fixtures (and a backstop for stored volume in hot water piping).	Also requires a maximum amount of stored volume in hot water piping (similar to V1). Adds pipe insulation requirements for central recirculating systems, and requires WaterSense fixtures for in-dwelling showerheads, bath faucets and aerators.	Targeted measures to reduce water heating energy, improve overall building performance, and generate water use savings.	
High Efficiency Lighting in Dwellings	80% requirement.	100% requirement.	Recognizes the cost- effectiveness and availability of LEDs, and increases ZERH efficiency.	
Energy Efficient Appliances	All builder-installed refrigerators, dishwashers, and clothes washers are ENERGY STAR qualified.	All builder-supplied and installed in-dwelling refrigerators, dishwashers, clothes washers, and clothes dryers are ENERGY STAR qualified	Recognizes ENERGY STAR labeling of clothes dryers and increases ZERH efficiency.	

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U.S. DOE Zero Energy Ready Home Program Multifamily National Program Requirements Version 2 DRAFT Summary of Major Changes from Version 1

Program Component	Version 1	Draft Multifamily Version 2	Rationale	
	Built-In Best Practices (Mandatory Requirements), cont.			
Indoor Air Quality	Certify under Indoor airPLUS (IAP) V1.	Certify under IAP V1. Advises that DOE may consider updated IAP provisions as they are developed. H/ERVs in Very Cold Climates (6-8).	Maintains requirement to certify under the IAP Version 1 program through at least 2024. Adds energy efficient wholehouse ventilation in very cold climates.	
Photovoltaic (PV) Ready	Implement the ZERH PV-Ready Checklist in all locations with the requisite annual solar radiation.	PV-Ready Checklist is revised to specifically address Multifamily buildings and provides a solar-ready zone as defined by Appendix CB of the 2021 IECC, covering at least 40% of the roof area. Include additional dead load in the design, conduit to the service panel, space for an additional breaker, and documentation of all solar-ready provisions. These provisions apply everywhere, regardless of annual solar radiation.	Increases PV readiness in multifamily buildings in a flexible manner to provide a streamlined opportunity to add renewable energy in the future.	
Electric Vehicle Ready	No requirement.	Provide EVSE, EV Capable, and EV Ready spaces for 40% of units or automobile parking spaces with designated capacity and connections as established by the EV-Ready Checklist.	Provides EV Charging infrastructure for a portion of parking spaces with provisions similar to drafted 2024 IECC requirements.	
Heat Pump Water Heater Ready	No requirement.	Dedicated circuit is installed and energized for each installed fossil fuel water heater in dwellings. Space is reserved for a future electric (heat pump) water heater.	Lays the groundwork for the future installation of a HPWH and reduces retrofit cost and complexity.	
Heat Pump Space Heater Ready	No requirement.	A dedicated circuit outlet or conduit, and condensate drain, are installed to facilitate a future heat pump installation for dwellings with installed fossil fuel space heaters.	Lays the groundwork for the future installation of a heat pump for space heating and reduces retrofit cost and complexity.	

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U.S. DOE Zero Energy Ready Home Program Multifamily National Program Requirements Version 2 DRAFT Summary of Major Changes from Version 1

Program Component	Version 1	Draft Multifamily Version 2	Rationale	
	Efficiency Threshold			
Minimum Required Energy Efficiency Threshold	Energy Rating Index (ERI) scores to qualify for ZERH in the 50s.	ERI scores to qualify for ZERH in the low- to mid-40s (when using the ERI compliance pathway). Note: the ASHRAE and Prescriptive pathways are designed to achieve a similar level of energy efficiency (see below).	ZERH builds upon ESMFNC to achieve energy efficiency at least 15% beyond 2021 IECC.	
	Program Compliance & Certification Oversight			
Building Eligibility	Allows multifamily up to 5 stories.	No height limits on multifamily buildings. Same eligibility provisions as the <u>ENERGY STAR</u> <u>Multifamily New Construction</u> (ESMFNC) program.	Aligning building eligibility for ESMFNC and ZERH-Multifamily allows stakeholders to leverage both programs in a consistent manner where ZERH builds upon the performance of ESMFNC, and to qualify for the 45L tax credit.	
Compliance Path Based on ASHRAE 90.1	No ASHRAE 90.1 compliance pathway.	Includes an ASHRAE 90.1 compliance pathway, which is also offered under ESMFNC.	Adding this element makes ZERH-Multifamily more accessible for commercial multifamily builders.	
Certification Oversight	EPA-approved Home Certification Organizations (HCOs) required to provide oversight (effective in Revision 8).	DOE-approved HCOs and Multifamily Review Organizations (MROs) for ZERH required to provide oversight and quality assurance for raters and ZERH certifications.	DOE-recognized HCOs and MROs for ZERH assure minimum oversight and quality assurance provisions for ZERH certifications.	

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Appendix B.3 - ZERH Requirement Clarification Memo

Question: What ZERH version does ASNH require? Is the required version based on what was applicable at the time of the funding application or on the construction permit date?

Answer: Version 1 Revision 8 OR higher is acceptable.

Organizations should confirm with ASNH staff what version the project is selecting. It is important to note that the developer should make sure they are meeting eligibility requirements from LIHTC or 45L, etc., as this policy only applies to DHCD HIEE compliance.

Question: Does the project need to be ZERH certified, or do they just need to meet those standards?

Answer: We will need a full ZERH V1 certification if the project's permit date falls under the umbrella of V1 eligibility. However, for deals permitted after V2 was implemented that are utilizing V1, we will require a certification from a 3rd party, on letterhead, stating that the project met all the V1 requirements since a full certification cannot be given by DOE/ZERH.

Further questions can be directed to the ASNH Rental Program Manager:

Carly Lackman, Carly.Lackman@dhcd.virginia.gov

Appendix C – Eligible Costs

For all project types, all funded development costs must be allowable:

Eligible or Allowable Costs:

- Demolition costs are eligible costs; however construction must begin within 12 months
- Construction, labor, and materials costs
- Project development costs (e.g., financing fees, legal fees, affirmative action marketing)
- Up to 18 months rental project operating deficit reserve
- Relocation costs for any household in project as a part of the project development costs

Ineligible Costs:

- HOME/NHTF investments not resulting in HOME/NHTF eligible units
- Project reserves other than the rental operating (above) or beyond 18 months
- Costs for the development, operation, or modernization of any public housing
- Some specific costs related to RAD (Rental Assistance Demonstration) projects
- Items not allowed under 2 CFR 200 or not deemed cost-reasonable
- Project-based rental assistance
- Delinquent taxes, fees, charges

Appendix D – Additional Program Requirements and Compliance Rental Projects

While final cost certification and completion reports are required at closing, progress reports may be required quarterly on each project during the development phase, and regular construction inspections may be conducted to verify progress.

Affordability periods begin after permanent conversion (DHCD loan conversion) when all closing checklist items (which may include but are not limited to completion reports, including lease up data, or rent rolls, HUD-required demographic data as determined by source) are provided to DHCD for review and approval.

Assisted units have income restrictions as detailed in the Program Guidelines, with initial certification and annual recertification required. HOME- and NHTF-assisted units also have HUD-determined rent limits. Rents cannot exceed these HUD-determined rent limits, except for project-based rental assistance. Rent increases over those proposed in the project application must be approved by DHCD.

HUD has developed *The Compliance in HOME Rental Projects: Guide for Property Owners* and *HOME Rental Compliance Training* to provide more detail on income and rent requirements and can be found under <u>"Resources" on the HUD Exchange</u>; Additional requirements will be detailed in an individual project's program agreement and loan commitment documents.

Long-Term Compliance

During the affordability period each project will be required to submit annual rent and occupancy reports and project financials. DHCD will verify through onsite monitoring compliance with rent, occupancy, property standards, and other programmatic requirements. Non-compliance may suspend eligibility for subsequent commitments and could result in the repayment of all funds to DHCD.

Projects will be inspected for property standards and program compliance within 12 months of project completion. Projects will be inspected thereafter no less than every three years. All rental projects must submit annual rent and occupancy reports and project financials. Onsite inspections and monitoring frequencies are based on performance and risk assessments.

Rental projects must meet program rent, occupancy, and property standards and other applicable federal or state requirements for the duration of the affordability period in accordance with the program agreement. Additional HOME/NHTF program investments cannot occur during this time period. Projects unable to meet these requirements or projects at-risk of non-compliance may be required to submit to more frequent monitoring, to change property management, and/or transfer ownership.

Homebuyer Projects

Project Completion

While final cost certification and completion reports are required at the end of the development phase and prior to the last reimbursement remittance or draw, progress reports may be required quarterly on each project during the development phase, and regular construction inspections may be conducted to verify progress.

For homebuyer developments assisted with any ASNH source, the final reimbursement remittance or draw (typically 10% of the total award) will not be approved until all completion documentation is submitted and approved by DHCD. Completion documentation required may include the COs for all properties named on the deed of trust by DHCD and covered by the deferred loan agreement between the Applicant and DHCD, closing disclosures and lien documentation from each sale, and completion reports such as the HUD HOME Homebuyer Set Up/Completion report. Noncompliance could suspend eligibility for additional funds and could result in the repayment of all funds to DHCD.

HOME-assisted homebuyer developments automatically convert to HOME rental units for the duration of the affordability period if there is no ratified sales contract at nine months after the date a Certificate of Occupancy is issued to the project. HUD allows no exception to this requirement.

Value or Sales Limits

Homebuyer properties must be considered *modest*, based on property sales price or value. The sales price <u>cannot</u> exceed 95% of the median area purchase price, using HUD 203 (b) limits or a local market survey; monthly payment, interest, taxes, and insurance (PITI) should not exceed 30% of the household's gross income. No luxury homes or amenities as determined by neighborhood standards are allowed for assisted units. Further underwriting and fiscal criteria can be found in the annually updated Program Manual.

Resale Requirement: Homebuyer Developer Subsidy Projects

Homebuyer units assisted through developer subsidy are subject to a resale provision. A resale provision requires the assisted unit to be resold to an income eligible household if the original purchaser chooses to sell their home prior to the end of the applicable affordability period.

The developer must monitor sales, foreclosures, and title transfers to assure affordability requirements. The developer must ensure that resale requirements are imposed if the housing does not continue to be the principal residence of the occupant or family for the duration of the period of affordability and must also ensure that the housing is only made available for subsequent purchase to a buyer whose family household qualifies as a low-income family and will use the property as its principal residence.

The resale requirement must also ensure that the price at resale provides the original assisted owner a <u>fair return on investment</u>, which can be an *additional* amount calculated to return, based on the homeowner's original cash/equity investment in the property and any capital improvement made to the property. This calculation limit also ensures that the housing property will remain affordable

to a reasonable range of qualified low-income homebuyers for the full period of affordability as determined by DHCD according to the amount of funds invested in the housing.

A "<u>fair return on investment</u>" is determined by the resale price that considers a return of the initial homebuyer's initial investment plus any <u>capital improvements</u> made to the housing unit, which are typically set or limited based on changes in area median sales price. These factors typically establish the fair market value for the city or county that the property is located. The intent is to provide a fair return to the seller while limiting price based solely on the Median Sales Price to a potential buyer.

To determine a "a fair return on investment", the ASNH Program will measure the percentage change in median sales prices over the period of ownership as a reasonable index that is directly related to real estate prices in the area which will simplify the resale approach by taking both market appreciation and depreciation into account. It is important to note that in certain circumstances, such as a declining housing market where home values are depreciating, the original homebuyer may not receive a return on his or her investment because the home sold for less or the same price as the original purchase price. DHCD's intent is to set a resale price that provides a fair return to the original homebuyer while ensuring that the property is affordable to the target population, thus reducing the need for additional subsidies to eligible buyers.

A <u>capital improvement</u> is any addition or alteration to real property that meets the following conditions:

- It substantially adds to the value of the real property, or appreciably prolongs the useful life of the real property; and
- It becomes part of the real property or is permanently affixed to the real property so that removal would cause material damage to the property or article itself.

The value of any <u>capital improvement</u> will be determined by the national average increase in value that a specific type of improvement brings at sale. For example, if homeowner's down payment was \$5000, the value of capital improvements is \$9000 and the percentage change of median sales price over the ownership period was 3.5%, then a calculation of $(\$5000 + \$9000) \times .035 = \$490$. The <u>fair return on investment</u> is \$490, and the total return to the original homebuyer at resale would not exceed \$14,490 (\$5000 + \$9000 + \$490).

A "reasonable range of low-income buyers" is defined in the ASNH Program as a household or family at or below 80 percent of Area Median Income paying no more than 30 percent of income for principal, interest, property taxes, and insurance.

DHCD will use deed restrictions, covenants running with the land, or other similar mechanisms as the mechanism to impose the resale and continued affordability requirements as outlined in §92.254(a)(5)(i)(A) of the HOME Rule. The developer may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before any conveyance to preserve affordability. The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, obtains an ownership interest in the housing.

Recapture Provision: Direct Homebuyer Assistance

ASNH-assisted Homebuyer units are not eligible to include DHCD HOME Down Payment Assistance (DPA) direct buyer assistance in the final sale.