

**City of Erie
Department of Economic &
Community Development**

**FY2016 HOME
Application Instructions**

This packet contains application instructions. Do not return this material with the application.

**Application Deadline
For July 1, 2016 Funding Round:**

4:00 p.m. January 29, 2016

Applications received or post marked after the application deadline will not be considered for the current funding round.

Submit application to:
City of Erie
Department of Economic & Community Development
Attention: Debra Smith
626 State Street, Room 404
Erie, PA 16501
(814) 870-1274/870-1271

City of Erie
Department of Economic & Community Development (DECD)
HOME Application Process

The Consolidated Plan

The Consolidated Plan (CP) is developed every five years by the City of Erie, an entitlement community, and must be approved by the Housing and Urban Development (HUD) regional office. Through a collaborative planning process, involving a broad spectrum of public and private agencies, the City developed the FY2015-2019 CP to strategically implement federal programs such as the Community Development Block Grant (CDBG) Program, Emergency Solutions Grant (ESG) Program, and the HOME Investment Partnership (HOME) Program.

The Annual Plan

Each year, the City develops an Action Plan (AP) that must be consistent with the strategies and objectives listed in the City's CP. The AP includes the objectives of all projects receiving CDBG, ESG, and HOME funding. Applications for these grants are accepted on a yearly basis. A copy of the AP may be found at the following locations:

City of Erie	626 State Street
Martin Luther King Center	312 Chestnut Street
Booker T. Washington Center	1720 Holland Street
John F. Kennedy Center	2021 East 20 th Street
Blasco Library	160 East Front Street

Citizen Input

To encourage citizen input of the Consolidated and the Annual Plan, the City will conduct a public hearing. The purpose of this hearing is to allow citizens to review, comment and make Consolidated and Annual Plan recommendations. The date of the hearing is listed below:

Tuesday, March 22, 2016	City Hall
10:00 AM – 12:00 PM	City Council Chambers
	626 State Street
	Erie, PA 16501

Activity Eligibility

The City of Erie funds the following HOME program categories:

- Homebuyer Program
- Homeowner Rehabilitation
- Rental Rehabilitation
- New Construction

Determining whether proposed projects are eligible involves these considerations:

- Proposed project must be an objective of the Consolidated Plan.
- Proposed project must meet all requirements of the HOME program.
- Projects are reviewed for eligibility and referred to the DECD Director and Mayor for review.
- City Council has final approval for all funding allocation recommendations.

An affordability period is imposed on all HOME-assisted properties which require that homeowners remain in the property for that period and landlords rent to low income tenants for that period. The affordability periods are as follows:

<u>Activity</u>	<u>Average Per-unit HOME \$</u>	<u>Minimum Affordability Period</u>
Rental New Construction Projects	Any \$ Amount	20 years
All other Projects	Less than \$15,000 /unit	5 years
	\$15,000-\$40,000/unit	10 years
	More than \$40,000	15 years

For additional information regarding HOME requirements, you may review HOME regulations at www.hud.gov/offices/cpd/affordablehousing/lawsandregs/index.cfm.

Once awarded, agencies must comply with all applicable federal regulations and city requirements including: Affirmative Action, Equal Opportunity, procurement, income guidelines, project location, Davis Bacon and Related Acts requirements. Agencies must have a demonstrated capacity to administer all proposed HOME activities.

DECD will evaluate and assess the stability, experience, fiscal capability and the feasibility of the proposed HOME activities. Applications will only be considered for projects and activities that are to be carried out within the City of Erie. Priority areas, time lines of start ups, level of collaboration with other agencies, extent of leveraging, and ability to meet stated goals will be strongly considered.

Fifteen percent of the City's annual HOME allocation must be set aside for Community Housing Development Organization (CHDO) activities. A CHDO is a private non-profit organization that has obtained or intends to obtain staff capable of developing affordable housing. A nonprofit agency must meet extensive requirements to qualify as a CHDO.

Application Rating

Applicants will be rated in the following areas:

1. Benefit to Low- and Moderate-income persons
2. Program Description
3. Linkages (collaborations, partnerships)
4. Cost reasonableness and effectiveness
5. Agency/Management History
6. Staff experience
7. Financial capacity and fiscal soundness of applicant/developer
8. Description of neighborhood market conditions
9. Source & Uses
10. Ability to complete project requirements in a timely fashion

GOVERNING REGULATIONS

Highlights of the Changes in the 2013 HOME Final Rule

Introduction

Regulations for the HOME Investment Partnership Program can be found at 24 CFR Part 92, the Final Rule. The 2013 revised Rule contains many new provisions and changes that will have substantive and broad-based impact on HOME activities. The 2013 Rule also codifies existing policy guidance that has been previously issued by HUD, and addresses a number of technical and non-substantive items within the HOME regulation. Changes are abbreviated below.

Timely Production and Occupancy of Assisted Housing

The 2013 Rule revised a number of commitment and completion deadlines and imposed new occupancy deadlines:

- **HOME projects must be completed within four years of commitment.** Any project that is not completed timely will be terminated and PJs will be required to repay HOME funds drawn. [*§92.205(e)(3)*].
- **HOME-assisted rental units must be occupied by income-eligible households within 18 months of project completion;** if not, PJs must repay HOME funds for the vacant units. Note, for units that remain vacant six months following completion, the PJ must identify and develop an enhanced marketing plan and report this information to HUD. [*§92.252*]
- **A Homebuyer unit must have a ratified sales contract within nine months of construction completion,** or the PJ must either convert it to a HOME rental unit or repay the full HOME investment. [*§92.254(a)(3)*]
- **CHDO set-aside funds must be committed to specific projects within 24 months of the PJ receiving its HOME allocation.** The PJ can no longer “reserve” CHDO funds for projects that will be identified at a later date. [*§92.2 Commitment, §92.300(a)(1)*]
- **CHDO set-aside funds must be expended within 5 years** of when the PJ receives its formula allocation. [*§92.500(d)(1)(A) and (C), and §92.500(d)(2)*]

Strengthen Performance in Producing and Preserving Affordable Housing

The 2013 Rule provides regulatory guidance to strengthen PJs’ performance in the production and preservation of HOME-assisted projects. These changes relate to underwriting, property standards and construction oversight, CHDO qualifications and capacity, and long-term viability of projects.

Underwriting and Program Design

- **PJs must underwrite all HOME projects** to ensure that each project is financially sustainable over its affordability period. The underwriting review evaluates cost reasonableness, market demand, developer capacity, and the commitment of other funding sources. [*§92.250(b)*]
- **PJs must adopt program policies for homebuyer programs** that include underwriting guidelines to determine the appropriate amount of assistance necessary to assist the low-income buyer; assessment of a buyer’s ability to purchase and remain in the home (e.g. housing and consumer debt ratios, anticipated income, and available assets); and anti-predatory lending and subordination policies. [*§92.254(f)*]

- **Homebuyers must receive housing counseling** before receiving HOME assistance (downpayment assistance) or purchasing a HOME-assisted unit. [*§92.254(a)(3)*]

Property Standards and Construction Oversight

- **Property standards are updated** to reference current national codes and to require that PJs establish standards that will sustain quality assisted housing for at least the affordability period. Within the 2013 Rule, property standards requirements are reorganized by project type – new construction, rehabilitation, acquisition without rehabilitation, and manufacturing housing. [*§92.251*]
- **PJs must identify and plan for major systems repairs.** For rental rehabilitation projects with 26+ units, this must be done via a capital needs assessment. The PJ must require that the scope of rehabilitation work and replacement reserves deposits must be sufficient to ensure the useful life of essential building components throughout the period of affordability. For homeownership housing, major systems must have a useful life of at least five years upon project completion. [*§92.251(b)(ii) and (viii)*]
- **PJs must develop inspection policies and procedures**, including initial inspections of properties to be rehabilitated or acquired to determine the necessary scope of work to bring each property up to applicable standards; and progress and final inspections for all new construction and rehabilitation projects to ensure projects are constructed according to approved plans. HUD will issue guidance to identify for PJs the minimum required inspectable elements based on the Uniform Physical Conditions Standards. [*§92.251(g)*]

CHDO Qualification and Capacity Requirements

- **To qualify as a CHDO, a nonprofit must have paid staff whose experience qualifies them to undertake CHDO set-aside activities.** Capacity cannot be demonstrated by use of a consultant, except in the first year that a CHDO becomes certified. [*§92.2 Community Housing Development Organization*]
- **Each time the PJ commits HOME funds, it must re-certify a nonprofit's qualifications** to be a CHDO and its capacity to own, sponsor, or develop housing. [*§92.300(a)*]
- **The roles of owner, developer, and sponsor for CHDOs using set-aside funds are more specifically defined.** Among other changes, the 2013 Rule permits a PJ to provide CHDO set-aside funds for a CHDO that owns rental housing that it does not develop. [*§92.300(a)(2) – (6)*]

Long-Term Viability of Rental Projects

- **During the affordability period, PJs must examine the financial condition of projects** with 10 or more HOME-assisted units at least annually, and must take action where feasible to correct problems that threaten a project's financial viability. [*§92.504(d)(2)*]

Provide Flexibility in Program Design and Administration

The 2013 Rule provides flexibility to PJs by permitting new ways to design and administer local HOME Programs for increased program efficiency and effectiveness.

- **PJs may utilize a risk-based monitoring system and adjust the schedule of ongoing rental unit inspections** as part of a risk-based monitoring system, but inspections must occur no less frequently than every 3 years. The first on-site inspection must occur within 12 months of project completion. [*§92.504(d)*]
- **PJs are permitted to charge certain fees:** reasonable application fees, homebuyer counseling fees, and on-going rental monitoring fees. The cost of inspections and income determinations for Tenant-Based Rental Assistance (TBRA) recipients may be charged as project soft costs. [*§92.214(b)(1)*]

Increase Administrative Transparency and Accountability

The rule requires PJs to develop several new written policies and procedures, making local program requirements clearer to program participants and the public as a whole.

- **PJs must develop risk-based monitoring systems** for all HOME funded activities and projects, including on-site monitoring schedules and financial oversight protocols for rental properties. [*§92.504(a) and §92.504(d)(2)*]

Key Changes

Timely Production and Occupancy of Assisted Housing
Strengthen Performance in Producing and Preserving Affordable Housing
Provide Flexibility in Program Design and Administration
Increase Administrative Transparency and Accountability

More Information about the HOME Final Rule

[The 2013 HOME Final Rule Effective Dates](#)

[The 2013 HOME Final Rule and the 2012/2013 HOME Appropriations Acts](#)

Important Resources

[2013 HOME Final Rule, 24 CFR Part 92 \(Changes Only\)](#)

[Section by Section Summary of the 2013 HOME Final Rule](#)

City of Erie
Department of Economic and Community Development (DECD)
HOME Application Instructions

Please return **two** copies of the application and **one** copy of the applicable attachments to the following address:

City of Erie
Department of Economic & Community Development
Attention: Grant Administrator
626 State Street, Room 404
Erie, PA 16501

Information should be submitted in the order that it is outlined. Failure to comply with application procedures may result in the rejection of the application.

INCOMPLETE APPLICATIONS WILL NOT BE CONSIDERED.

Agencies submitting more than one application at the same time need not submit duplicate information, i.e. audited financial statement, Board of Directors, etc.

Please review the following instructions. Should you have questions you may contact the Office of Economic and Community Development (DECD) at (814) 870-1274 or 870-1271.

A. GENERAL INFORMATION

Self explanatory. List all information requested. (DUNS # is mandatory). Application attachments should appear in the order of the list in number four (4). Applications must be signed and dated by the authorized official.

B. PROJECT INFORMATION

Answer each question in the space provided.

C. SITE CONTROL

Attach the appropriate proof of site control to the back of the application in its proper sequence, and check the yes or no box for the remaining four (4) questions.

D. CONSTRUCTION REHABILITATION

State if the Plans and Specifications have been completed, and if they haven't, state an estimated completion date. A copy of the plans and specifications will be requested upon award. The City must approve all work write-ups (i.e. plans and specifications) and written cost estimates before projects may incur costs. Additionally, plans and specifications must be in compliance with the City's rehabilitation standards. City of Erie Rehabilitation Standards may be found on the City website at www.erie.pa.us under Department of Economic and Community Development, HOME Application. Respond to the remaining questions. Please note: Projects with 12 or more units must pay Davis-Bacon wages.

E. ORGANIZATIONAL CAPACITY

Complete the application chart listing the appropriate staff and attach your agency's Organizational Chart. The Organizational Chart must list all functions (job positions) that you have entered on the application chart. Also attach: a copy of a list of your Board of Directors, IRS Certification of your non-profit status, and a copy of your

most recent audit and financial statement. Respond to the remaining questions in the box or space provided on the application.

F. FINANCIAL

Applicants must complete the City of Erie **budget** forms in their entirety. Forms must be signed and dated by the appropriate personnel. Failure to complete the form or obtain the proper signatures may disqualify your application.

G. SITE ANALYSIS AND EVALUATION CRITERIA

Attach the Site and Evaluation Criteria Narrative. Submit information in the following format.

(1) Size, exposure and contour of site

- a. *Describe size and location of parcel(s):*
- b. *Describe zoning/land use rules, determinations or exceptions affecting the site:*
- c. *Describe site's access to streets, utilities and other infrastructure:*

(2) Facilitating and furthering compliance

- a. *Will the owner/developer adequately inform the public, owners and potential tenants about fair housing laws and the grantee's policies; what the owners and/or grantee will do to affirmatively market the housing; and what the owners and/or grantee will do to inform persons not likely to apply for housing without special outreach?*
- b. *Will records be maintained to document actions taken to affirmatively market the units? Describe how efforts will be assessed and what corrective actions will be taken if requirements are not met.*
- c. *Would the proposed project site's location present any potential inconsistencies with the City's commitment to administer housing programs compliant with title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063 and HUD regulations?*

(3) Promoting racial and ethnic minority desegregation (new rental construction only)

- a. *Provide Census data to describe the racial and ethnic composition of the census tract in which the proposed project site is located, along with the City in general. Hispanic ethnicity is counted independently of race.*

The racial / ethnic composition of the City of Erie as a whole is as follows, according to the 2013 American Community Survey:

<u>Race/Ethnicity</u>	<u>Total Population</u>	<u>Percentage of Population</u>
White	77,361	76.4%
Black	15,874	15.7%
Other	3,270	3.2%
Two or more races	3,810	3.8%
Hispanic	6,805	6.7%

- b. *Does the census tract that includes the project site have a lower minority concentration than the City as a whole? Will the proposed project cause any significant increase in the proportion of minority to non-minority residents in the area?*
- c. *If the proposed site is located in an area of minority concentration, provide an explanation that justifies it as an exception per section (3)(ii) of the standards.*

(4) Expanding choice of housing opportunities

- a. *Provide HUD LMI data to compare the concentration of low/moderate-income households in the proposed project site census tract to the City's overall rate of LMI persons.*

Census tract % LMI:

Citywide % LMI:

- b. *Will the project concentrate lower-income households in an area already consisting of a high proportion of lower-income households? If so, describe how the project fits into the City's broader long-term plan to achieve an appropriate balance of housing choices within and outside areas of lower-income concentration.*
- c. *How will the proposed site broaden the choice of housing opportunities available to City residents?*

(5) Neighborhood quality of life (new rental construction only)

- a. *Is the proposed project site located in an area where substandard dwellings or other undesirable living conditions predominate? If so, is a concerted effort to remedy these conditions already underway?*

(6) Access to amenities

- a. *Describe the location of the proposed site in regard to its reasonable proximity to social, recreational, educational, commercial, and health facilities and services and other municipal facilities and services.*

(7) Transportation to work (does not apply to new construction of rental units for the elderly)

- a. *Is the proposed site within walking distance of existing public transit routes? If so, please provide evidence or map showing site location and nearest public transit route.*

(8) See Attachment A for Site and Neighborhood Standards Review.

H. UNDERWRITING GUIDELINES.

Attach the following documents to the application in order.

- 1) Proforma and Sources and Uses statement for the project must be attached to the application. Sample copies of forms are available on the City's website at www.erie.pa.us under Department of Economic and Community Development, Community Development, HOME Application.

- 2) Capacity Forms must be completed in order for the City to underwrite the applicant's staff capacity, developer capacity and developer fiscal soundness. CHDO applicants must complete the Community Housing Development Organization CHDO Certification and Non-CHDOs must complete the HOME Developer (Non-CHDO) Checklist. These forms are available on the City's website at www.erie.pa.us under Department of Economic and Community Development, Community Development HOME Application (separate instructions are included).
- 3) A Market Study/Housing Needs Assessment (MS/HNA) must be completed for all HOME projects other than Homeowner Rehabilitation, or projects that are limited to downpayment assistance only. The MS/HNA must be completed within 12 months of the application. The requirement for the MS/HNA may be satisfied by a Market Analysis prepared within the prior 12 months for another funding source, i.e. PHFA Tax Credit, HUD II, etc. or for a comparable project within the same geographic area. The applicant must contact the DECD Grant Administrator before the application deadline to review the comparable analysis. A determination will then be made by DECD as to whether the Comparable Analysis is acceptable. City of Erie's staff will complete the Market Analysis Checklist for each HOME project MS/HNA submitted. Applicants may review the checklist at the City's website at www.erie.pa.us under Department of Economic and Community Development, HOME Application.
- 4) Homebuyer Projects – Applicants submitting Homebuyer projects must attach their Homebuyer Underwriting Guidelines for individual projects. Guidelines should give a description of the applicants procedure to evaluate the Homebuyer's:
 - a. Overall monthly expenses,
 - b. Overall debt,
 - c. Overall housing debt,
 - d. Assets available to acquire the property,
 - e. Lending obtained is responsible (ensure clients who may be obtaining private loans are not subjects of predatory lending),
 - f. Financial resources to sustain homeownership are adequate, and
 - g. Overall budget balances and is manageable.

I. AFFIRMATIVELY FURTHERING FAIR HOUSING (AFFH)

Self Explanatory. Submit a narrative and answer the six (6) AFFH questions on a separate sheet of paper. Attach that response to application in proper sequence.

J. SECTION 3

Self Explanatory. Submit a narrative and answer the three (3) Section 3 questions on a separate sheet of paper. Attach that response to the application in its proper sequence.

ATTACHMENT A

Site and Neighborhood Standards Review for HOME Assisted Rental Projects

In accordance with the regulatory requirements of 24 CFR 92.202, the City of Erie is committed to conducting its HOME Program in a manner that affirmatively furthers fair housing. For activities involving HOME-assisted rental construction or rehabilitation, the City will evaluate each proposed site to ensure that it meets the site and neighborhood standards at 24 CFR 983.6, as follows:

- (1) The site must be adequate in size, exposure, and contour to accommodate the number and type of units proposed, and adequate utilities (water, sewer, gas, and electricity) and streets must be available to service the site.
- (2) The site and neighborhood must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and implementing HUD regulations.
- (3) For new construction units:
 - (i) The site must not be located in an area of minority concentration, except as permitted under paragraph (3)(ii) of this section, and must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area;
 - (ii) A project may be located in an area of minority concentration only if:
 - (A) Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration (see paragraph (3)(iii) of this section for further guidance on this criterion); or
 - (B) The project is necessary to meet overriding housing needs that cannot be met in that housing market area (see paragraph (3)(iv) of this section for further guidance on this criterion).
 - (iii)
 - (A) “Sufficient” does not require that in every locality there be an equal number of assisted units within and outside of areas of minority concentration. Rather, application of this standard should produce a reasonable distribution of assisted units each year that, over a period of several years, will approach an appropriate balance of housing choices within and outside areas of minority concentration. An appropriate balance in any jurisdiction must be determined in light of local conditions affecting the range of housing choices available for low-income minority families and in relation to the racial mix of the locality’s population.
 - (B) Units may be considered “comparable opportunities” if they have the same household type (elderly, disabled, family, large family) and tenure type (owner/renter); require approximately the same tenant contribution towards rent; serve the same income group; are located in the same housing market; and are in standard condition.

- (C) Application of this sufficient, comparable opportunities standard involves assessing the overall impact of HUD-assisted housing on the availability of housing choices for low-income minority families in and outside areas of minority concentration, and must take into account the extent to which the following factors are present, along with other factors relevant to housing choice:
 - (1) A significant number of assisted housing units are available outside areas of minority concentration.
 - (2) There is significant integration of assisted housing projects constructed or rehabilitated in the past 10 years, relative to the racial mix of the eligible population.
 - (3) There are racially integrated neighborhoods in the locality.
 - (4) Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration.
 - (5) Minority families have benefited from local activities (e.g., acquisition and write-down of sites, tax relief programs for homeowners, acquisitions of units for use as assisted housing units) undertaken to expand choice for minority families outside of areas of minority concentration.
 - (6) A significant proportion of minority households has been successful in finding units in non-minority areas under the Section 8 certificate and voucher programs.
 - (7) Comparable housing opportunities have been made available outside areas of minority concentration through other programs.
- (iv) The “overriding housing needs” criterion permits the approval of minority-concentrated sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood. Additionally, it permits the approval of minority-concentrated sites in a neighborhood experiencing significant private investment that is demonstrably changing the economic character of the area (i.e. a “revitalizing area”). However, if the only reason an “overriding housing need” cannot be met is that unlawful discrimination renders non-concentrated sites unavailable, or if the jurisdiction has used this standard in recent years in a way that has had the effect of circumventing its obligation to provide housing choice, then the “overriding housing needs” criterion cannot be used as the basis for determining that a site is acceptable.
- (4) The site must promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.
- (5) New construction units must be located in a neighborhood which is not seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
- (6) The housing must be accessible to social, recreational, educational, commercial, and health facilities and services, and other municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.

- (7) Except for new construction of housing designed for elderly persons, travel time and cost via public transportation or private automobile, from the neighborhood to places of employment providing a range of jobs for low-income workers, must not be excessive.