



OKLAHOMA HOUSING FINANCE AGENCY
2014 HOME Investment Partnerships Program (HOME)
Application Packet

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Introduction

Oklahoma Housing Finance Agency (OHFA) is the U.S. Department of Housing and Urban Development (HUD) designated State Home Investment Partnerships Program (HOME) Participating Jurisdiction (PJ) for the state of Oklahoma.

Title 24 Code of Federal Regulations (CFR), Part 92 (HOME Program Final Rule), governs this program. Those regulations are incorporated by reference in this application packet. In any instance when there is a conflict between this packet and CFR Part 92, then CFR Part 92 shall control, except in those cases where OHFA has adopted more restrictive requirements than those included in CFR Part 92. The primary goal of the OHFA HOME Program is to retain and increase the supply of decent, safe, and sanitary affordable housing. OHFA furthers this goal by using the HOME Program financial resources as a catalyst in the development and strengthening of public partnerships with local governments, nonprofit organizations, private sector development entities, financial institutions, and debt and equity capital outlets.

A new HOME Program Final Rule became effective August 23, 2013. Both OHFA and all HOME awardees are required to immediately comply with all changes, regardless of whether or not they have been set forth in the 2014 HOME Action Plan or in this 2014 HOME Program Application Packet. OHFA has attempted to incorporate all of the changes into both documents.

Potential applicants are urged to thoroughly read all of the Topical Guidance section of this 2014 HOME Program Application Packet. Some changes to the HOME Program for 2014 may only be set forth in the Topical Guidance, and other changes may be more clearly described in the Topical Guidance.

Oklahoma City, Tulsa, Lawton and Norman are communities that are HUD designated Participating Jurisdictions and receive direct annual allocations of HOME Program funds from HUD. Therefore, OHFA does not accept applications for developments within the city limits of these cities. Applications for HOME funds will be accepted from within the Tulsa HOME Consortium, provided the proposed developments are not situated within the city limits of Tulsa.

HOME Program Description

OHFA's HOME Program description is set forth below. A brief description is also contained in the 2014 Action Plan in the 2014-2018 Consolidated Plan, available through the Division of Community Development, Oklahoma Department of Commerce (ODOC). HUD mandates this Action Plan. OHFA conducts several public input sessions, and takes public input into account when drafting the Action Plan. A copy of the HOME 2014 Action Plan can be obtained by contacting ODOC or by accessing it on their website, www.okcommerce.gov.

HOME Eligible Entities

- 1. State Recipients:** Units of general local government, including cities, towns, counties and Indian tribes.
- 2. CHDOs:** A Community Housing Development Organization (CHDO) is a private, nonprofit organization that meets certain qualifications prescribed in the HOME regulations. OHFA must

utilize a minimum of fifteen percent (15%) of its annual allocation for housing owned, developed or sponsored by CHDOs. OHFA will designate organizations as CHDOs only after evaluating their qualifications. CHDOs also may be involved in the program as sub-recipients, but the use of HOME funds in this capacity is not counted toward the fifteen percent (15%) set-aside.

3. Sub-recipients: A sub-recipient is a public agency or nonprofit organization selected by OHFA to administer all or a portion of the HOME Program. It may or may not also qualify as a CHDO. Sub-recipients administer programs, not projects. An entity administering a single project would not be doing so as a sub-recipient. Sub-recipients may administer part of a program for OHFA; they do not have to administer the entire program.

4. Nonprofit developers: A nonprofit developer is a nonprofit housing development organization selected by OHFA to develop a single HOME Program project.

5. For-profit developers: A for-profit developer is a for-profit housing development organization or individual selected by OHFA to develop a single HOME Program project. **For Program Year 2014, for-profit developers are only eligible to apply for funding from the “Rental Activities in Conjunction with Affordable Housing Tax Credits (AHTCs)” Set-Aside.** They are ineligible to apply for any other type of HOME funding from OHFA.

HOME Eligible Activities

1. Homebuyer

Due to the shortage of HOME funding for 2014, and the great need for affordable rental housing established by two separate studies conducted by OHFA and the Affordable Housing Committee, **for the first six months of Program Year 2014, OHFA will not accept applications for Homeownership activities.** Program Year 2014 begins April 1, 2014. Therefore, OHFA will not accept applications for Homeownership activities until October 1, 2014. There are two exceptions to this rule:

1. OHFA will accept Homeownership activities in conjunction with the RD Self-Help Program, so long as the amount of the HOME funds does not exceed \$10,000 per unit
2. OHFA will accept applications for CHDO Pre-Development Loans for potential Homeownership activities

Once OHFA begins accepting applications for Homeownership activities, HOME funds are to be used by applicants to assist eligible individuals or families for acquisition, acquisition and rehabilitation, new construction, lease-purchase, and homebuyer assistance of affordable housing for homeownership. **Homebuyer education classes are a requirement for any homebuyer activities.** HOME Program down-payment assistance is limited to a maximum of \$10,000 per assisted household, and is further limited to the amount of HOME funds required to make the housing affordable to the homebuyer.

The following is a list of Forms of Assistance. These are defined as a sub-activity under Homebuyer.

- A. Acquisition: Acquire homes for resale to individuals. Funds may be passed through in the form of a loan or grant to individuals for purchase of a home.

- B. Acquisition and rehabilitation: Acquire and rehabilitate substandard homes for resale to individuals.
- C. New Construction: Construct homes for sale to individuals.
- D. Homebuyer assistance: Provide down payment and/or closing cost assistance, or reduce the monthly carrying cost of a loan for individuals purchasing affordable housing.

Potential applicants proposing to construct new HOME-assisted housing units for sale, or to acquire and/or rehabilitate HOME-assisted housing units for sale, should note that if a Homeownership unit has not been sold to a HOME-eligible homebuyer within nine (9) months of the completion of the construction or rehabilitation, the homeownership unit must be converted to a HOME Rental unit. This rule applies to all Homeownership units assisted with 2014 Program Year funds. OHFA has no exception authority and therefore cannot grant a waiver.

2. Rental

HOME funds are to be used by applicants for acquisition, acquisition and rehabilitation, rehabilitation and new construction of affordable rental housing. The following is a list of Forms of Assistance. These are defined as a sub-activity under Rental:

- A. Acquisition: Acquire housing for purposes of renting to individuals.
- B. Acquisition and Rehabilitation: Acquire and rehabilitate housing for purposes of renting to individuals.
- C. Rehabilitation: Rehabilitate currently owned housing for purposes of renting to individuals.
- D. New Construction: Construction of housing for purposes of renting to individuals.

Applications for Rental Activities in Conjunction with Affordable Housing Tax Credits
For Program Year 2014, all eligible entities wishing to submit an application for Rental Activities in Conjunction with Affordable Housing Tax Credits (AHTCs) must submit their applications on or before July 2, 2014. All of the applications for Rental Activities in Conjunction with AHTCs will be considered at either the September or November 2014 meeting of the OHFA Board of Trustees.

OHFA will only accept applications for Rental Activities in Conjunction with AHTCs that are proposed in conjunction with an AHTC application for the Second Funding Period of 2014.

Applications that meet all threshold requirements will be funded in rank order by score, from highest to lowest. Tie-breakers as set forth in this 2014 Application Packet will be used in the event that there are sufficient funds remaining for only one application, and the next two or more applications in rank order have achieved an equal score.

If a sufficient number of applications are not submitted, or if a sufficient number of applications fail to meet all threshold requirements, such that at the end of the application process for Rental Activities in Conjunction with AHTCs some of the set-aside funds remain unallocated, OHFA intends to utilize those funds for eligible activities in the Other Rental/Homeownership Set-

Aside. However, OHFA reserves the right to use the remaining set-aside funds for any other eligible activities as set forth in the 2014 HOME Program Action Plan.

If the Applicant does not receive an award of AHTCs in the Second Funding Period of 2014, the contingent award of HOME funds may carry over to the First Funding Period of 2015. If the Applicant does not receive an award of AHTCs in the First Funding Period of 2015, the funds will be de-obligated and added to OHFA's HOME Program allocation for 2015.

Note: Awardees may not charge tenants living in HOME-assisted Rental housing any fees that are not customarily charged in rental housing.

Potential applicants for Rental activities should note that HOME Rental units should be rented to an income-eligible household within six (6) months. If a HOME Rental unit is not leased to an initial income-eligible tenant household within six (6) months, the owner must submit a current marketing plan, and if appropriate, a plan for a more aggressive marketing strategy. In addition, if a HOME Rental unit is not leased to an initial income-eligible household within eighteen (18) months of the date of project completion, the owner must repay the HOME funds invested in that unit. These rules apply to initial tenant households only.

3. Tenant-Based Rental Assistance (TBRA)

Home funds may be used by OHFA to help eligible individual households afford housing costs such as rent, utility costs, security deposits and utility deposits. Funding for TBRA will be from the Other Rental/Homeownership Set-Aside.

4. CHDO Pre-development Loans

HOME funds are to be used by CHDOs for project-specific pre-development assistance intended to fund up-front, eligible project expenditures. This assistance provides a form of project feasibility "line of credit" that many nonprofit developers need, but often have difficulty obtaining from private sources. All costs must be related to a specific project which, if deemed feasible, would receive HOME funds for development. Project pre-development costs may not exceed customary and reasonable preparation costs.

5. CHDO Operating Assistance

HOME funds are to be used by CHDOs for general operating expenses. Assistance for operating expenses may not exceed \$50,000 in any HOME Program Year. CHDO operating assistance awards may also be limited by other statutory or regulatory limits or restrictions. CHDO Operating Assistance is separate from, and not intended to supplant, CHDO Set-Aside funds. **Operating Assistance funds cannot pay for project costs.**

For Program Year 2014, CHDO Operating Assistance will be awarded at the same time as an award of CHDO Set-Aside funds, and as a percentage of the CHDO Set-Aside funds awarded. The CHDO Operating Assistance will be ten percent (10%) of the CHDO Set-Aside funding award, up to a maximum of \$50,000. **(The maximum of \$50,000 is for all CHDO Set-Aside awards in Program Year 2014, and not for each separate award.)** In so doing, OHFA will make an exception to its normal policy that a separate application must be submitted for each

different activity and form of assistance. However, **to be awarded the CHDO Operating Assistance, the Applicant must complete all sections of the 2014 HOME Program Application that pertain to CHDO Operating Assistance, and must be eligible to receive CHDO Operating Assistance at the time of application.**

Eligible entities that received an award of CHDO Set-Aside funds in Program Year 2013 and did not receive an award of CHDO Operating Assistance may apply for CHDO Operating Assistance funds only, so long as the CHDO Set-Aside activity is still an open and active contract such that the CHDO is “currently receiving CHDO Set-Aside funds” as required by the HOME Final Rule.

HOME Funding – Prohibited Activities

HOME funds cannot be used to pay for:

- Any costs associated with HOME application preparation or submittal.
- Costs outside stated contract periods, unless specifically permitted by OHFA and set forth in the Written Agreement.
- Operating subsidies.
- Existing indebtedness.
- Reserve accounts, except for funding an initial operating deficit reserve as set forth in 24 CFR Part 92.206(d)(5).
- The “nonfederal” match for other federal programs except to match McKinney Act funds.
- The development of common areas or off-site infrastructure.
- TBRA for rental assistance in conjunction with the federal Rental Rehabilitation Program (Section 17) to prevent displacements.
- Certain mandated existing Section 8 Program use, such as Section 8 rent subsidies for troubled HUD-insured projects.
- Activities authorized under 24 CFR Part 968 (Public Housing Modernization).
- Assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages).
- Project-based rental assistance.
- Assistance authorized under Section 9 of the 1937 Act (Public Housing Capital and Operating Funds).
- Tenant-based rental assistance for the special purposes of the existing Section 8 program.
- Assistance to a project previously assisted with HOME funds during the period of affordability established by HUD and/or OHFA in the written agreement. However, additional HOME funds may be committed to a project up to one year after project completion, but the total amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount.

Mode of HOME Investment

Applicants awarded a contract will receive HOME funds in the form of a grant, except for-profit developers receiving an award of HOME funds in conjunction with Affordable Housing Tax Credits, and CHDO Pre-Development Loans. **For-profit developers will only be awarded**

HOME funds in the form of a loan. The HOME funds will be loaned at one percent (1%) simple interest per annum. The maximum loan term will be thirty (30) years and the principal and any unpaid interest must be repaid to OHFA on or before the expiration of the loan term. Payments on the HOME loan must be subordinate only to the first mortgage debt and any asset management fees due the equity investor.

For Homebuyer contracts, applicants must protect the HOME funds by loaning the funds to the beneficiaries. A suggested format is a forgivable loan, zero percent (0%) interest, with a percentage forgiven each year based on the length of the period of affordability. For the protection of the period of affordability, **OHFA will not accept loans forgiven at a more accelerated rate than the applicable prorated percentage based on the period of affordability.** However, the Awardee may choose to forgive the loan at a lesser rate, or to not forgive any part of the loan until the period of affordability has expired.

For Rental activities, awardees that propose to pass-through or transfer funds to another entity **must pass-through or transfer the funds in the form of a loan and collect a minimum interest payment of one percent (1%).** The minimum one percent (1%) is required when the funds are loaned to another entity besides the awardee, even if the awardee is part of the ownership. Said awardees must set loan terms of no more than thirty (30) years. Payments on the HOME loan must be subordinate only to the first mortgage debt and any asset management fees due the equity investor. OHFA will consider exceptions to the one percent (1%) requirement if the awardee has one hundred percent (100%) ownership of the entity that owns or will own the development. **Exceptions are not automatic, and must be approved by OHFA.**

OHFA encourages awardees to set loan rates and terms to amounts that will provide a decent return on investment and allow the development to remain financially feasible. When combining HOME funds with other federal and state programs, awardees should be aware the rules governing said programs may require the HOME funds to be loaned to the development through an interest-bearing, amortized loan.

HOME Program Funds Allocation

HUD has not yet published the amount of OHFA's allocation of HOME funds for Program Year 2014. The 2014 allocation is expected to be approximately \$5,800,000.

All amounts or percentages set forth in this application packet may be changed at the discretion of OHFA, except where mandated by HOME Program Rules. Such decisions shall be based upon demand, need, efficient resource use, and other program relevant considerations.

Recaptured Funds and Program Income may be used for funding activities as described above or OHFA may allocate funding to meet other targeted activities. In the event a substantial amount of funding becomes available, a public announcement of the availability of funds will be made. For this purpose, "substantial" is defined as a minimum of \$400,000.

Funding awards are subject to the availability of HOME funds and the timing needs of individual developments. **OHFA will not make future funding commitments.**

1. Administrative Funds

Ten percent (10%) of the annual allocation shall be used for administration. These funds shall be used by OHFA to support its overall program delivery and monitoring. Due to the severe decrease in administration funding, **OHFA will no longer be able to share administrative funds with applicants, and will not accept applications for administrative funding.**

2. CHDO Set-Aside

Twenty percent (20%) of the annual allocation shall be used solely by CHDOs and solely for CHDO-eligible activities and CHDO Pre-Development Loans. No more than ten percent (10%) of the funds shall be used for CHDO Pre-development Loans. **Rental activities in conjunction with Affordable Housing Tax Credits will not be funded from this set-aside.** Those activities have their own set-aside as set forth below.

3. Other Rental/Homeownership

Twenty-five percent (25%) of the annual allocation shall be used for other Rental Housing activities, excluding Rental Activities in Conjunction with Affordable Housing Tax Credit applications. Funds in this set-aside may also be used for Homeownership activities in conjunction with the RD Self-Help Program, provided that the amount of HOME funds requested is no more than \$10,000 per unit. If funds remain in this set-aside as of October 1, 2014, applications may be submitted for all eligible Homeownership activities. If no funds remain in the CHDO Set-Aside, applications from CHDOs for CHDO-eligible activities will be considered from this set-aside.

4. Rental Activities in Conjunction with Affordable Housing Tax Credits (AHTCs)

Forty percent (40%) of the annual allocation shall be used for Rental activities in conjunction with Affordable Housing Tax Credit applications.

5. CHDO Operating Assistance

No more than five percent (5%) of the annual allocation will be available for CHDO operating assistance, pursuant to 24 CFR 92.208(a).

Award Amounts

1. Homebuyer and Rental

The amount of HOME funds to be allocated to an eligible homeownership activity will be limited to no more than \$400,000. The amount of HOME funds to be allocated to an eligible rental activity will be limited to no more than \$500,000.

2. Rental Activities in Conjunction with AHTCs

The amount of HOME funds to be allocated to an eligible rental activity being undertaken in conjunction with AHTCs will be limited to no more than \$500,000.

3. CHDO Pre-Development Loans

CHDO Pre-Development Loans will be limited to a maximum of \$20,000. Loan terms will not exceed eighteen (18) months and interest rates are one percent (1%) simple interest per annum. Pre-development loans are due and payable on the first day of the nineteenth (19th) month.

4. CHDO Operating

CHDO Operating Assistance can be provided up to a maximum of \$50,000. OHFA may use its discretion to adjust the amount of the award based on total number of CHDOs, total funds available, type and number of proposed CHDO set-aside developments, and past performance.

Technical Assistance

Housing Development Team Staff is available to provide technical assistance regarding a variety of housing and community development issues as they relate to individual applications. Applicants should thoroughly read all the information available at OHFA's website, www.ohfa.org before requesting a technical assistance session.

Applicants seeking technical assistance regarding affordable housing development are encouraged to make written requests for technical assistance citing the specific topics of interest. Requests by email are acceptable. Telephone requests are also acceptable if followed up by an email or written confirmation for documentation purposes. Upon receipt of written or phone requests for technical assistance, Staff will contact applicants to establish a mutually agreeable date and time for technical assistance meetings that will include all relevant parties to the application. **“Drop-in” technical assistance sessions are strongly discouraged.**

Applicants are required to have a clear understanding of the rules and regulations that govern the HOME Program, and must demonstrate their capacity to operate the HOME Program in accordance with all applicable regulations. Applicants for HOME Program funds should either have direct experience in the HOME Program and the production of affordable housing or have direct, contractual access to such experience.

Federal Program Regulations, Activity Rules, Model Program Guidance, Federal Notices

Applicants may easily access a wealth of guidance and information relating to the HOME Program from U.S. Housing and Urban Development's (HUD) HOME Program website; Community Planning and Development (CPD) website; U.S. HUD's Community Connections; and the OHFA website. Applicants new to the HOME Program are strongly encouraged to educate themselves on all aspects of HOME, and experienced applicants should continually seek guidance to improve and build upon their current knowledge of the Program.

- HUD website: www.hud.gov
- HOME Program website: www.hud.gov/offices/cpd/affordablehousing/programs/home/
- CPD website: www.hud.gov/offices/cpd/
- OHFA website: www.ohfa.org
- Community Connections: HUD has moved the resources on Community Connections to the [OneCPD Resource Exchange \(https://www.onecpd.info\)](https://www.onecpd.info) a one-stop shop for grantees and their partners to view resources, updates, and information related to all CPD programs.

Questions

Questions regarding this application and the HOME regulations may be directed in writing to:

Oklahoma Housing Finance Agency
Housing Development Team
P.O. Box 26720
Oklahoma City, OK 73126-0720

All Housing Development Team Staff can be contacted by e-mail, fax or phone. The individual fax number for each staff member is 405.419.9 plus the last three digits of the phone number.

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chevelle.galbreath@ohfa.org	Grant Accounting Supervisor	405.419.8130
elaine.bulmer@ohfa.org	HOME Compliance Officer	405.419.8132
sandra.mcgougan@ohfa.org	HOME Compliance Officer	405.419.8271

Questions regarding the Environmental Review process should be directed to Gerda Elpedes or Alicia Thomas.

Application Process

An application must be from an eligible entity and for an eligible activity. To be considered for funding, a HOME application must satisfy all threshold requirements. An applicant applying for HOME funds should thoroughly review the application prior to submission.

Although one project may have multiple HOME eligible activities, each proposed activity must be submitted as a separate application. Also, if an activity has more than one Form of Assistance, a separate application must be submitted for each Form of Assistance. It is the responsibility of the applicant to ensure that OHFA Staff is aware of multiple applications regarding the same project. **The one exception is for CHDO Operating Assistance. CHDO Operating Assistance may be awarded as part of an application for CHDO Set-Aside funds.**

A project is defined as: a site or sites together with any building (including manufactured housing unit) or building located on the site(s) under common ownership, management and financing, to be assisted with HOME funds as a single undertaking. The “project” includes all of

the activities associated with the site(s) and building(s). For TBRA, “project” means assistance to one or more families.

OHFA will begin accepting applications for HOME Program Year 2014 on April 1, 2014, for Rental activities, CHDO Pre-Development Loans, and Homeownership in conjunction with the RD Self-Help Program.

Applications received after 4:30 p.m. will be considered received on the following day, and will be date stamped for the following day.

OHFA will not begin accepting applications for Homeownership activities (other than those exceptions listed in the prior paragraph) until October 1, 2014. Potential applicants are advised to contact OHFA Staff prior to submitting a Homeownership application, in order to determine if there are any funds available to fund the application. After October 1, 2014, Homeownership applications may be submitted any normal business day.

OHFA will conduct a thorough application review and make funding recommendations based on the documentation submitted. All applications will be considered and acted upon by the OHFA Board of Trustees at one of their regularly scheduled meetings. Below are the deadlines by which an application must be submitted to be considered at the corresponding Board meeting. OHFA at its discretion may delay the consideration of applications if extenuating circumstances arise.

The Board meeting dates included herein may be subject to change. Therefore, applicants are encouraged to contact Staff or access the OHFA website for updated information.

The first Board meeting at which applications for 2014 HOME Program funds will be considered is the July 2014 Board meeting. Applications for Rental Activities in Conjunction with AHTCs will be considered at the September or November 2014 Board meeting.

<u>Deadline for consideration</u>	<u>Board Meeting Date</u>
May 1, 2014 -----	July 16, 2014
June 16, 2014-----	September 24, 2014
July 2, 2014.....	September 24 or November 19, 2014 (Only Applications in conjunction with AHTCs)
September 1, 2014-----	November 19, 2014
November 3, 2014.....	January, 2015 (Exact date not set at this time)
January 2, 2015.....	March, 2015 (Exact date not set at this time)

Applications proposing to incorporate the use of HOME funds with OHFA’s AHTC Program will, if successful, be given a contingent award pending the outcome of the Tax Credit application. The HOME application should reference the Tax Credit application. The contingency will be based upon satisfaction of the Tax Credit Program application requirements and Tax Credits awarded. Any discrepancies between the two applications must be resolved, which may include Staff requesting additional documentation and/or clarification for the HOME Application. **Any contingent award will only be valid for the Second Tax Credit Funding**

Period of 2014 or the First Tax Credit Funding Period of 2015.

Housing Trust Fund applications proposing to incorporate the use of HOME funds must be contingently approved before the HOME award. A HOME application will not be contingently approved based upon a future Housing Trust Fund award.

OHFA cannot, under any circumstances, commit HOME funds to a project without a firm financial commitment from all other funding sources. The definition of a “commitment” of HOME funds is a legally binding written agreement with a State recipient, a sub-recipient, or a contractor to use a specific amount of HOME funds to produce affordable housing or provide down-payment assistance. Contingent awards as described above do not constitute a commitment of HOME funds.

Application: Board Consideration

All Applications will be considered and acted upon by the OHFA Board of Trustees at one of the regularly scheduled meetings. Unless otherwise posted, the meeting time will be 10:00 a.m. and the meeting place will be 100 NW 63rd Street, Oklahoma City, OK, 73116, in the Will Rogers Conference Room. Interested parties should check the OHFA website periodically for updates on meeting dates, times and locations.

The Board of Trustees may, in their discretion, after hearing the recommendations of Staff and the applicants, elect to approve or deny an application irrespective of the point ranking or the recommendation of OHFA Staff, if deemed in the best interests of OHFA and/or the needs of the State of Oklahoma. Accordingly, representatives of the applicant are encouraged to attend the Board of Trustees meeting to answer any questions of the Trustees, and to present evidence and argument in support of approval of the application, if necessary. The applicant's representative should be a responsible employee or official of the applicant. The applicant may also be represented by legal counsel.

In their deliberations, the Board of Trustees will consider the Application, Staff's recommendations, the presentation of the Applicant, the HOME Program Rules (OAC 330:55), the Consolidated Plan, the HOME Program Description for 2014 and the 2014 application process. The procedures set forth in OAC 330:10 and Article II of the Oklahoma Administrative Procedures Act, 75 O.S., Sections 309, *et seq.* (the “OAPA”) will be followed. The meeting will be considered an individual proceeding under the OAPA and the decision of the Board of Trustees will constitute a ***Final Order*** thereunder.

Neither an Applicant nor members of the public shall communicate, directly or indirectly, with the Trustees regarding an Application under consideration by OHFA (except upon notice and opportunity for all parties to participate.)

In the event the Applicant disputes the recommendation of Staff, the Applicant must file ten (10) copies of any response(s) to Staff's recommendation, or other information they wish the Board of Trustees to consider, not less than forty-eight (48) hours prior to the commencement of the meeting when the Application will be considered. **Electronically transmitted responses,**

including fax and e-mail transmissions, are not permitted and will not be accepted or considered by the Staff or the Trustees.

Application: Format

Applications must be:

- Typed; single-spaced, with 12 point font
- On 8 ½ x 11 paper
- All pages are to be tabbed according to the threshold factors and evaluation criteria topics contained in the appropriate Submission Checklist. The pages in the application must be either sequentially numbered within each tab or throughout the entire application.

Applicants are required to submit an original of each application. No copies are required.

Application Submission

Applications that are submitted by electronic means (e-mail or fax) will not be accepted. Hand delivered applications **should be** submitted to one of the HDT members listed on page 13 of this Application Packet, at the address below. Applications should not be left with the OHFA receptionist unless no HDT Staff member is readily available. Persons delivering applications should ensure that the applications are date-stamped, and obtain a receipt.

OKLAHOMA HOUSING FINANCE AGENCY

Attention: Housing Development Team

100 NW 63rd Street, Suite 200

Oklahoma City, OK 73116

Applications can be mailed to the following address:

OKLAHOMA HOUSING FINANCE AGENCY

Attention: Darcy R. Green

PO Box 26720

Oklahoma City, OK 73126-0720

The Applicant is responsible to make sure OHFA receives the application by the due date. OHFA will not consider the postmarked date.

Applications sent by Federal Express, UPS or other parcel service must be sent to:

OKLAHOMA HOUSING FINANCE AGENCY

Attention: Housing Development Team

100 NW 63rd Street, Suite 200

Oklahoma City, OK 73116

Threshold Factors

Failure to submit or properly address threshold items will disqualify the application from being scored and considered for funding. Some factors may not apply to all applications. Some requirements under a particular factor may not apply to all applications.

For threshold factors only, all applicants will be notified of insufficient documentation or items in need of clarification, and will be given a 14 calendar day period in which to provide additional documentation and/or clarification as needed. OHFA will permit such additional documentation and/or clarification to be provided electronically unless a document with an original signature is required.

1. Application Information Form and Attachments A, B and C

Documentation Requirement:

Applicants must submit a fully completed Application Information Form with Attachments A, B and C. The forms for these can be found on pages 38 through 45.

2. HOME Application Certification

Documentation Requirement:

A completed, signed and notarized OHFA HOME Application Certification. The certification can be found on page 46 of this Application Packet.

3. Applicant/Recipient Disclosure/Update Report (HUD-2880)

Documentation Requirement:

A fully completed HUD-2880 Form. This form is on OHFA's website, www.ohfa.org.

4. Application for Federal Assistance (HUD-424)

Documentation Requirement:

A fully completed HUD-424 Form. This form is on OHFA's website, www.ohfa.org.

5. Audit

Documentation Requirements:

- A. A copy of the applicant's most recent audit must be included or on file with OHFA.
- B. If the applicant has filed a copy of its most recent audit with OHFA, the applicant must provide details of when it was submitted and to whom.
- C. **If the audit is for a period ending before June 30, 2013, a statement that the most recent audit available is included or on file, a report on the current status of the new audit, and an expected completion date for the new audit must be provided.** Failure to provide all three will disqualify the Application. The "period ending before June 30, 2013" refers to the applicant's Fiscal Year. It has nothing to do with the date of the preparation of the audit.
- D. Applicant must fully explain all audit findings, reportable conditions, or program compliance issues noted in the audit. The explanation must fully detail actions taken to clear the issues. The Applicant must submit the corrective action plan. If any deficiency

or reportable conditions have not been stated and/or corrected, the Application may be ineligible for funding.

- E. If the Applicant is not required to have an audit according to OMB circular A-133, then a balance sheet and income statement reflecting the current financial position of the applicant must be submitted. The senior Financial Officer or the Executive Director must attest to the documents.
- F. **OHFA is required to certify that the Applicant has the financial capacity to undertake the activity for which it is applying.** OHFA will examine the audit (or balance sheet and income statement) in order to help assess the financial capacity of the Applicant. OHFA must be assured that the Applicant has sufficient financial strength to provide for unforeseen costs and unanticipated delays. **If it does not appear to OHFA Staff that the Applicant has the financial capacity to undertake the project, the Application will be recommended for denial.**

6. Match

All applications, except for stand-alone CHDO Operating Assistance applications, are required to provide match in an amount that is no less than twenty five percent (25%) of the total HOME contract amount. Match contributions must meet the definition of eligible match under the federal program regulations at 24 CFR Part 92. Match is a permanent contribution to the development. Match is a non-federal contribution to the development.

HUD has added a new paragraph to 24 CFR Part 92.221, stating that contributions to Homeownership housing constitute Match only to the extent that the sales price of the housing is reduced by the amount of the contribution. If the sales price of the HOME-assisted housing unit is not reduced from the appraised value, no Match contribution will be recorded, no matter the type or amount of Match provided. Applicants for Homeownership activities must clearly demonstrate that their proposed Match contributions will reduce the sales price of the housing unit for the homebuyer.

The amount of Match required for a Pre-development loan application is 25% of the amount of the loan request. Match liability incurred for funds expended for Pre-development loans is forgiven if the project does not proceed.

Banked match is acceptable, but it cannot be derived from an open contract. Banked match can only be derived from a closed, audited contract. Any transfer of banked match from another entity must be completed, or there must be a written commitment to transfer the banked match, at the time an application is submitted. Banked match is only the amount of match generated in excess of the match liability.

OHFA's HOME Program has a twenty-five percent (25%) non-federal matching requirement. **Waivers granted by HUD will not affect this requirement.**

OHFA will make available to all applicants a portion of the match credit OHFA has earned or will earn from its affordable housing bond program. Applicants will be allowed to submit

proposals based on an eighteen and three-quarters percent (18.75%) match requirement. OHFA will supply the remaining six and one-quarter percent (6.25%) match.

This match can only be provided to funded applicants, and only to those applicants that actually incur a match liability. Limitations on the amount of total match liability that can be satisfied by affordable housing bonds prevent OHFA from increasing the amount available from this source. Due to these limitations, **an Applicant cannot bank the match from the affordable housing bond program if it is not used.**

In addition, applicants that do not have sufficient banked match to cover the remainder of their match liability may utilize OHFA's banked match for up to ten percent (10%) of the HOME funds requested. This would mean that these applicants would only be required to provide local match of as little as eight and three-quarters percent (8.75%) of the HOME funds requested.

Documentation Requirements:

- A. Submit a worksheet showing the calculation of the total twenty-five percent (25%) match. Calculation must include all sources of match, even banked and bond match. The worksheet must also include separate calculations of each individual source of match, if applicable, showing how the total for each source was derived. For example, if using donated labor, the applicant must show the calculation of the number of hours donated times the applicable rate.
- B. A description of all sources and amounts of all match commitments.
- C. Signed and dated commitment letters from provider for all sources, including an amount.
- D. If the applicant is proposing to use banked match, the applicant must obtain and submit a certification from OHFA's HOME Finance team, signed by both an OHFA representative and the applicant, that verifies banked match. **It is the applicant's responsibility to verify the accuracy of the banked match certification.** The date of the certification must be legible for verification purposes. The banked match certification cannot be more than 90 days old.
- E. If the applicant is proposing to use match derived from affordable housing bonds, then it must be indicated on the Application Form and shown in the total match calculation.
- F. If the applicant is proposing to use discounted land as a source of match, a third-party, independent appraisal must be provided.
- G. If the applicant is proposing to use sweat equity for match, a third-party, independent audit must be provided for any sweat equity that is not specific to the project for which the applicant is applying for HOME funds.
- H. If the applicant is applying for a Homeownership activity, proof that Match sources, other than Banked and/or Bond Match, reduce the sales price for the homebuyer.

7. Monitoring

An application may be denied based upon a recommendation from Compliance Staff's review of performance issues and previous participation by the applicant, administrators, consultants, or other partners involved in the development. Application reviewers will request from Compliance Staff copies of all monitoring reports and a list of any and all monitoring findings within three (3) years of the application date. This list will be evaluated for patterns of

noncompliance. **All monitoring requirements will be judged as of the date of submission of the application to OHFA.**

There is no documentation requirement for this section. OHFA Staff will review internal records and consult with Compliance Monitoring Staff and Financial Monitoring Staff to determine if the Application meets the necessary requirements for funding. OHFA Staff may request additional information from the Applicant in order to determine that the Application meets all the necessary requirements. Failure to provide any such additional information could cause OHFA Staff to recommend denial of the Application.

1. **Applicants with unresolved monitoring findings are ineligible to apply for funding.** Prospective applicants should therefore ensure that all monitoring findings have been resolved to the satisfaction of OHFA Compliance Staff before submitting an application for HOME funds.
2. **Applicants with findings on 25% or more of their written agreements monitored during the three (3) year period prior to the date of application are ineligible to apply for funding.** (OHFA Staff will take into consideration written agreements monitored during the prior three years, and not written agreements entered into during the prior three years.) However, applicants can regain eligibility by scheduling and completing a technical assistance session with OHFA Compliance Staff prior to submission of an application.
3. **Applicants with five (5) or more open HOME written agreements (not including CHDO Operating Assistance written agreements) at the time of application are ineligible to apply for funding. This includes any written agreements for which that entity is either the grantee or the administrator.** OHFA is taking a closer look at open written agreements and expenditure rates. A large number of open written agreements represents a possible capacity issue, especially should key staff leave before the written agreements are completed. Further, the five (5) written agreement limit prevents any one entity from monopolizing the limited HOME funds available. **An open written agreement is any written agreement that has not been fully expended and for which the proper and complete close-out documents have not been submitted to OHFA.** If applicants submit more than one application for the same OHFA Board meeting, they should be aware that they cannot receive multiple awards that would cause them to exceed the five (5) written agreement limit.
4. **Applicants with open HOME written agreements over two years old that are not 100% expended and for which closeout documents have not been submitted to OHFA are ineligible to apply for OHFA HOME funds.** OHFA Staff will verify with HOME Finance that applicants do not have any open HOME written agreements over two years old, or, if they do have open HOME written agreements over two years old, that the HOME funds are one hundred percent (100%) expended and acceptable closeout documents are on file.

5. **Applicants with three (3) or more financial findings on one (1) or more open written agreements are ineligible to apply for funding.** Applicants should ensure that financial findings are resolved before submitting a new application for HOME funds.

Compliance with all HOME Program rules and regulations is essential. Therefore, OHFA reserves the right, in its sole discretion, to deny any application due to prior monitoring or financial findings or concerns, regardless of the number or perceived severity.

8. Market Analysis

A market analysis is required for all activities except CHDO Pre-Development Loans and CHDO Operating Assistance.

The HOME Program Final Rule requires that OHFA assess the market conditions of the neighborhood in which the housing will be located. This is regardless of the number of units.

Down-Payment Assistance applications are required to provide a strong proof of need for the assistance in the area, including a pool of potential buyers. Examples of this proof are letters from local realtors, vacancy statistics, Chamber of Commerce information, etc. The documentation must clearly demonstrate a need for homes for purchase and a pool of potential buyers. Evidence should be presented that the pool of potential buyers will be income-qualified. Also, evidence should be presented that there are available homes in the primary market area that are affordable to potential buyers.

For all developments of up to twenty (20) units, a market study must be included with the application that includes all of the applicable documentation requirements listed below. For a development of up to twenty (20) units, applicants may perform their own scientifically based housing market analysis. Such studies must fully describe the methodology used and sources of all data and information.

The market study will be utilized by OHFA to determine whether the project meets housing needs and demands. Effective housing market analyses include a thorough investigation into site, neighborhood, and market area, plus a complete analysis of the housing supply and market conditions. Market analyses will determine appropriate housing quantities, types, features and unit mix and are required to clearly document demand for the type and number of affordable housing units proposed. Demand is defined as the total number of households in a market area that would potentially move into the units following the proposed activity. These households must be of the appropriate age, income and size for a specific proposed project, and there must be some evidence that these households would have an interest in either renting or purchasing the units, depending on the activity proposed. Some sources of this evidentiary data are Housing Authorities, Chambers of Commerce, Community Action Agencies, and local realtors.

The market analysis must be prepared no more than twelve (12) months prior to the date the application is filed with OHFA. Updates are not accepted.

For developments of more than twenty (20) units, Applicants must submit a third party, independent housing market analysis. The analysis must be prepared by a market analyst, unaffiliated with the applicant, owner or developer, who has experience with single or multi-family rental or single-family homeownership housing, depending on the proposal.

Documentation Requirements only for Rental Activities in Conjunction with AHTCs:

Applicants for HOME funds in conjunction with an Affordable Housing Tax Credit application must submit a third party, independent housing market analysis regardless of the number of units proposed. The analysis must be prepared by a market analyst, unaffiliated with the applicant, owner or developer, who has experience with single or multi-family rental housing, depending on the proposal. If applying for HOME funds in conjunction with an Affordable Housing Tax Credit Application, the applicant will only be required to submit one (1) market study between the two (2) (HOME & AHTC) applications. The single market study should be submitted with the Tax Credit (AHTC) Application. **The study submitted must meet all requirements of both the AHTC and HOME programs.**

Applicants for Rental Activities in Conjunction with AHTCs are required to submit an electronic copy of their full market study along with their regular application materials. This electronic version may be in the form of a CD, stick/flash drive, or other electronic storage device. E-mail attachments will not be accepted. **This is in addition to, and not a substitution for, the regular hard copy of the study.**

Documentation Requirements for HOME activities requiring a market study:

- A. All information included with the Market Study must be no more than twelve (12) months old;
- B. A summary of the qualifications of the individual(s) who participated in the development of the market study;
- C. A map and a description of the proposed site. Physical features of the property, streets and access information, availability of utilities, and zoning data. A discussion regarding the appropriateness of the location – availability of community facilities and proximity to local schools and parks;
- D. An evaluation of the need for affordable housing within the market area including a review of economic and employment factors such as population growth trends, development and activity, industry, major employers, and labor force;
- E. An assessment of the current housing supply type, quantity, unit mix, location, age, condition, occupancy levels, and housing cost overburden statistics;
- F. A description of the potential effect on the occupancy rates of other comparable properties in the market area (for rental only);
- G. A description of rents and vacancy rates of comparable housing (for rental only);
- H. A calculation of the capture rate by dividing the total number of units in the project by the total number of age, size and income-qualified renter households in the primary market area (for rental only);
- I. The expected market absorption of the proposed housing (for rental only);
- J. An identification of the number of households in the market area which are of the appropriate age, income and size for the proposed activity;
- K. Rent rolls for existing tenants (Rental Acquisition/Rehab only).

9. Description (Not applicable to CHDO Operating Assistance Applications)

Applicants must provide a brief summary of the project that includes all of the following:

- A. Describe the location of the development (e.g. county, city or town, street address if known, general location, or service area).
- B. If the Applicant is a CHDO applying for a CHDO-eligible activity, describe the CHDO's role in the development (owner, sponsor and/or developer). **CHDO applicants should note that the definition of these roles may be modified in the new Final Rule.**
- C. Define the number and type of units. This should include bedroom mix. **For Rental activities only**, also specify if the units are fixed or floating units.
- D. **For Rental activities only**, if the proposed development is less than 100% HOME assisted units, then the applicant must delineate how the number of HOME-assisted units was calculated. The number of HOME-assisted units at Low HOME and High HOME Rents Applicants are referred to CPD Notice 98-02.
- E. Describe how the term of affordability will be implemented and how long it will be. Refer to Topical Guidance, page 66 of this Application Packet. Describe how the Recapture or Resale provisions will be implemented (see pages 67 through 69). **Include drafts or templates of all documents that will be used for this purpose.**
- F. Depict the type of construction codes or standards to be used. **Applicants should note that they must follow OHFA's Written Rehabilitation Standards or Written New Construction Standards, as applicable, as well as all State and local codes and the International Residential Code.** Address the relocation of tenants or residents if applicable.
- G. For Rental New Construction only, Applicants are responsible for making the determination that proposed sites for new construction meet the requirements in 24 CFR Part 983.57(e)(2) and (3) (Site and Neighborhood Standards). Applicants for Rental New Construction activities should carefully review the Site and Neighborhood Standards section of the Topical Guidance section of these Application Instructions on page 69 and 70. **All documentation utilized in making the determination must be included with the Application. OHFA is responsible to maintain records that document the results of the site and neighborhood standards review. If the documentation does not support the conclusion that a site meets the requirements, additional documentation will be requested.**

Additional Required Information for Homebuyer (All Homebuyer activities, not just Down-payment Assistance):

- H. Explain the process for implementing the required Homebuyer Education classes and who will provide. The classes must be organized by someone who is certified, or is eligible for certification, by the Oklahoma Homebuyer Education Association or other such recognized organization that provides training/certification. Both pre and post purchase counseling are encouraged. **Attach copy of certification or letter. Certification or letter cannot be more than three (3) years old.**
- I. Statement that the requirements in the Topical Guidance section "Homebuyer" are met. These requirements are set forth on pages 61 and 62 of this Application Packet. **Applicants need only certify to OHFA that they have read and understood the**

requirements, and that they will follow them. Applicants are not required to restate the requirements in their applications.

- J. A draft or template of the written agreement to be entered into with the individual homebuyer(s). When HOME assistance is provided to homebuyers, the CHDO, State recipient or sub-recipient must enter into a written agreement with each eligible homebuyer, separate and apart from the note and mortgage. See the “Written Agreements” Section of the Topical Guidance on page 72 of this Application Packet for further information on what must be included in the written agreement.
- K. A draft or template of the note and mortgage to be entered into with the individual homebuyer(s).
- L. The value of the property must not exceed ninety-five percent (95%) of the median area purchase price of a unit, as determined by the local HUD office, except for Homebuyer New Construction. For Homebuyer New Construction, the value of the property must not exceed the U.S. Census Bureau’s median sales price for single family houses sold outside of a Metropolitan Statistical Area (MSA).
- M. for **Down-Payment Assistance applications**, applicants must provide an implementation schedule, of no more than eighteen (18) months, which clearly identifies all major phases of the program, including close-out. This schedule should be thorough and detailed. If the Applicant is awarded funds for the Application, this schedule will be incorporated into the Special Conditions of the contract between OHFA and the Grantee. This schedule will be used for monitoring the progress of all phases of the activity prior to completion. Funded applicants will be required to provide progress reports at least quarterly. OHFA will utilize these progress reports in order to determine if the project is proceeding on schedule.

Additional Required Information for CHDO Pre-development loans:

- N. Describe activities to be performed and tangible evidence that the potential development can be determined to be financially feasible. The application should include a plan or course of action on how the applicant will decide to go forward, not the actual determination of feasibility.
- O. A detailed description of the plan for repayment of the loan funds.
- P. Applicant must have completed the Match section in Threshold.
- Q. Production and implementation schedule, of no more than eighteen (18) months, which clearly identifies all major phases of the activity, including close-out. This schedule should be thorough and detailed. If the Applicant is awarded funds for the Application, this schedule will be incorporated into the Special Conditions of the contract between OHFA and the Grantee. This schedule will be used for monitoring the progress of all phases of the activity prior to completion. Funded applicants will be required to provide progress reports at least quarterly. OHFA will utilize these progress reports in order to determine if the project is proceeding on schedule.

10. Federal Requirements

Applicants receiving HOME funds must comply with all Other Federal Requirements as outlined in 24 CFR 92, Subpart H. **Applicants must include a signed and notarized Attachment B with their applications, “Certification of Compliance with Other Federal Requirements”.** Any change to the wording of the form must be authorized by OHFA, and any unauthorized change to the wording of the form may cause an application to fail threshold. Most Federal Requirements and their applicability by activity type are listed in the Topical Guidance section.

11. Development Commitments

Not Applicable to Homebuyer Assistance, CHDO Pre-Development Loans, or CHDO Operating Assistance Applications.

Documentation Requirements:

All applications for rental activities must provide documentation for item D below. Items A, B and C need only be documented if the applicant is partnering with another entity to undertake the activity.

- A. An applicant partnering with another entity must clearly demonstrate that the applicant is the general partner or member with at least fifty-one percent (51%) of the voting majority over the use of HOME funds under all circumstances in any partnership, LLC or other legal entity. **For CHDOs undertaking the activity as a CHDO Sponsorship activity, the CHDO must have 100% ownership of the General Partner of a Limited Partnership, or 100% ownership of the Managing Member of a Limited Liability Company.**
- B. A copy of organizational documents filed with a Secretary of State for the partnership, LLC or other legal entity. If not organized in Oklahoma, provide documentation of authorization to do business in Oklahoma.
- C. Copy of draft agreements for all commitments. Terms must be specifically delineated.
- D. If utilizing a property management company, the application must clearly identify by name, address, and contact information.
 - i. Provide draft copy of management agreement.
 - ii. Describe role of the applicant and the processes to maintain control over, and supervise, the activities of any third party management company.

No release of funds shall be made to any funded project until OHFA has received, reviewed and accepted in writing all fully executed legally binding operating, management, ownership or other agreements.

12. Financial Management

Applicants receiving HOME funds must certify that they will properly account for and manage the HOME funds. They must certify that they have in place the processes and procedures necessary to properly account for and manage the HOME funds, and to maintain compliance with all federal and State rules and regulations concerning the use and tracking of these funds.

Applicants must include a signed and notarized Attachment C with their applications, “Certification of Financial Management”. Any change to the wording of the form must be authorized by OHFA, and any unauthorized change to the wording of the form may cause an application to fail threshold. **Applicants must check one (and only one) of the boxes under item #6.** CHDOs should check the third box unless applying for an activity that does not qualify as a CHDO activity. In that instance they should check the second or fourth box as applicable.

Documentation Requirements:

- A. Applicants with private, for-profit development partners must submit signed financial statements or audited financial statements for all partners, for the most recent fiscal year. **OHFA is required to assess the financial capacity of the developer of HOME-assisted projects, in order to help ensure the long-term viability of the project. If OHFA Staff determines that the developer of the project does not have the financial capacity to undertake a project of the size and complexity of the project proposed in the application, OHFA Staff will recommend denial of the application.** If the applicant is the developer, OHFA Staff will make that determination in Threshold Section Five, Audit. OHFA must be assured that the developer has sufficient financial strength to provide for unforeseen costs and unanticipated delays.

13. Financing

Applicants must provide a detailed budget that delineates all sources and uses of funds for the total development. Within the budget provided, applicants must **detail the exact activities and costs to be paid using HOME funds, including any and all soft costs.** Generalizations such as “construction costs” are insufficient.

Some specific items in the Documentation Requirements below do not apply to all types of developments. **If an item does not apply, the applicant should so state.** If an item does apply, however, the applicant should present as detailed and specific information as possible.

OHFA must carefully underwrite all HOME-assisted projects, and make a determination regarding the long-term viability of the project as well as the reasonableness of the amount of return to the owner or developer. OHFA must examine the sources and uses for each project and determine whether the costs are reasonable. OHFA must also assure that there are firm financial commitments for every other funding source for the project, if applicable.

If OHFA determines that the costs are not reasonable or that any other source of funds does not have a firm commitment, OHFA will advise the Applicant and request an adjustment to the costs and/or documentation of a firm commitment.

OHFA may adjust or deny funding requests based on underwriting, the subsidy layering review, and/or other factors.

Applicants should ensure that all schedules, budgets, and worksheets agree and balance.

Documentation Requirements:

- A. Source of all funding with dollar amounts.
- B. Signed and dated commitment letters from all funding sources, including both private and governmental sources. Any terms must be clearly expressed. Commitment letters must contain specific numbers that match those in any and all provided budgets. All commitments must be firm commitments. No contingent commitments are permitted.
- C. Detailed Development Budget, including, but not limited to:
 - 1. Acquisition of land and/or buildings.
 - 2. All costs for land development, infrastructure and/or site work.
 - 3. All costs of construction.
 - 4. Professional fees, for example, architect, engineer, attorney, and etc.
 - 5. Reserves, e.g. operating and replacement (Rental activities only).
 - 6. Budget should delineate exact activities and costs to be paid with HOME funds.
 - 7. Budget should delineate exact activities and costs to be paid with all other sources of funds.
 - 8. Budget should include all soft costs (if any) and clearly delineate which source(s) of funds will pay for them.
 - 9. Soft costs (except developer fees) paid for with HOME funds must not exceed seven percent (7%) of the total HOME funds (including soft costs) and must be allowable costs under the HOME Program rules.
 - 10. Developer fees, if applicable. Developer fees will be considered separately from other soft costs and must not exceed fifteen percent (15%) of the total HOME funds (including developer fees.) Budget should clearly delineate which source(s) of funds will pay for developer fees.
 - 11. Total sources of funds must equal total uses of funds.
 - 12. Square footage of all units must be provided so the OHFA can determine the HOME Program's pro-rata share of costs.
 - 13. **All costs paid with HOME funds must be HOME-eligible costs.**
- D. Operating budget (**Rental projects only**) illustrating income, expenses, and debt service.
 - 1. The budget should be presented over a fifteen (15) year time period.
 - 2. The budget must delineate if utilities are included in the rent total and show calculations.
 - 3. The budget must include achievable rent rates, market vacancies, all fees, and debt coverage ratio.
- E. Profit and loss statement, for Homebuyer developments only.

For CHDO Pre-development Loans, the above listed documentation is not required. The following are the only requirements:

- F. The maximum loan amount is \$20,000. Loan terms will not exceed eighteen (18) months and interest rates are one percent (1%) simple interest per annum. Specific assistance loans will become due and payable on the first day of the nineteenth (19th) month.
- G. The application must provide a detailed line item budget that indicates the eligible activities for which HOME loan funds will be expended.

14. Organizational Structure and Experience

Applicants are required to have a clear understanding of the rules and regulations that govern the HOME Program, and must demonstrate capacity to implement and operate the HOME Program in accordance with all applicable regulations. **Applicants for HOME Program funds must have direct experience in the production of affordable housing. Applicants may utilize the services of consultants, but they will be judged based upon the capacity and experience of their own staff and not that of the consultants.**

For Program Year 2014, OHFA must certify that awardees of HOME funds have both the financial capacity and housing development expertise and experience to undertake the project or program awarded HOME funds. Applicants must document their organizational structure and experience in order to prove that they have the necessary capacity, expertise and experience.

Documentation Requirements:

- A. Narrative describing the experience of the organization and staff persons in the use of HOME funds and **other federally assisted housing activities**, including number of years of direct experience in the HOME Program and the number of HOME contracts awarded and successfully completed. **HOME Program experience is not a requirement for funding. However, it helps to establish capacity.**
- B. Narrative describing the experience of the organization and staff persons in any and all types of housing development activities, including both affordable housing and market rate housing development. **This narrative will be key to establishing housing development capacity for those entities without prior HOME Program experience.**
- C. Proof of staff and organizational experience related to the type of proposed project, activity or form of assistance, if any. For this item, the experience must be specific to the type of project or activity proposed. (For instance, experience with Homeowner projects will not be credited toward a Rental Acquisition/Rehabilitation activity.) **Applicants are not required to have experience in the specific type of proposed project. However, it helps to establish capacity.**
- D. Document and delineate the names and job titles of all staff persons responsible for the proposed activity and their areas of responsibility. This should include, but is not limited to, daily oversight for overall project financing, production, and administration.
- E. Document all HOME Program training classes and workshops attended by housing development staff members.
- F. Provide a narrative describing how and where all records and materials pertaining to the HOME contract will be maintained.
- G. Applicants must provide a list of all contracts, if any, with OHFA for the **three (3)** years preceding application submission. The list must include for each contract, the number, amount, percentage drawn down, number of extensions, and the status (open or closed). **Applicants must include any applications for which they were the Administrator as well as those for which they were the Awardee.** Applicants may provide a list going back more than three years if needed to document their capacity and experience.
- H. Name, address and contact information of consultant if using a consultant to supplement staff capacity and experience. **Applicants should note that even if they are using a consultant, they must have paid staff with housing development experience in order**

to receive an award of funds. Consultants can, however, provide additional experience and expertise, and can provide training to the Applicant's paid staff.

- I. Detailed description of the experience of the consultant in consulting on HOME contracts for the past three (3) years. This information must include any applications currently submitted to OHFA for review. **Applicants may provide information going back more than three years if needed to document the total number of HOME contracts.**
- J. The procurement procedures utilized in selecting the consultant. Specifics must be provided, so that OHFA can properly determine if all federal requirements were met.
- K. The exact services to be provided by the consultant.

15. Capital Needs Assessment

A capital needs assessment (CNA) is required for all multi-family Rental Rehabilitation or Acquisition/Rehabilitation projects of 26 or more units. A CNA may be requested by OHFA for smaller projects if deemed necessary to properly underwrite the projects. Capital needs assessments performed for the same project as a requirement of another funding source may, at OHFA's discretion, be accepted in lieu of a specific CNA for the HOME application.

Capital Needs Assessment (CNA) means a qualified professional's opinion of a property's current physical condition determined after a physical inspection of the interior and exterior of the units and structures. The physical inspection should include an interview with the onsite manager and maintenance personnel. This assessment should identify deferred maintenance, physical needs, **remaining useful life**, material building code violations that affect the property use, structural and mechanical integrity, and the future physical and financial needs. The assessment must include the cost of labor and materials identified in detail and the extent of future expenditures contemplated to ensure the costs will be addressed through operating and replacement reserves. Components which should be examined and analyzed in this assessment include but are not limited to:

- Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas and electric utility lines;
- Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system and drainage;
- Interiors, including unit and common area finishes (carpeting, vinyl or tile flooring, plaster walls, paint condition, etc.), unit kitchen finishes, cabinets and appliances, unit bathroom finishes and fixtures, and common area lobbies and corridors; and
- Mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection, and elevators.

Capital Needs Assessments must be performed by a qualified independent third-party (architect, engineer, contractor, Rural Housing Services) which considers the proposed rehabilitation activities to ensure that the **proposed improvements have a useful life that meets the full term of affordability** pursuant to 24 CFR 92.252(e), or that there will be funds available to replace the improvements at the end of their useful life. The assessment should also demonstrate the need for

the rehabilitation work and in the degree proposed. Assessment should also include notation of interview with onsite personnel or owner and the cost of labor and materials.

Documentation Requirement:

- Third-party independent analysis performed by a qualified architect, engineer, contractor, or Rural Housing Service. The assessment may be prepared no more than twelve (12) months prior to Application submission.
- Certification of the independent analyst that the proposed improvements have a useful life that meets the full term of affordability, and that an interview was conducted with either the owner or onsite personnel.

Threshold Requirements Specific to CHDOs:

16. CHDO Eligibility Criteria Elements

This factor only applies if a CHDO is applying for a CHDO set aside activity and/or CHDO Operating Assistance. CHDOs must, at the time of application, indicate any organizational changes in the eligibility criteria elements since the date of certification or last recertification.

Eligibility criteria elements:

- Legal status
- Capacity (including paid staff with housing development experience)
- Organizational structure (including Board composition)
- Relationships with for-profit entities
- Other requirements

Documentation Requirements:

- A. Provide a copy of the CHDO's current certification.
- B. Provide a listing of all the counties in the CHDO's geographic service area.
- C. If eligibility criteria element changes have occurred since the date of the CHDO's certification or re-certification by OHFA, updated documentation relating to all changes must be provided, along with the effective dates of the changes.
- D. If the Board composition has changed, a current Board roster must be provided, including information on the employer of any new Board member and which category (low-income, private, or public) the member represents on the Board. **Do not provide Social Security numbers for any Board members.**
- E. If there is a vacancy on the Board, the CHDO board requirements must still be satisfied at the time of application. For example, if a low-income position is vacant, the minimum one-third requirement must still be met.
- F. Provide a roster or listing of all CHDO Staff, including their job titles, length of time in the position, and number of hours per month devoted to CHDO or CHDO related activities.
- G. Provide a detailed narrative describing the housing development experience of all CHDO Staff members.

OHFA and HUD require that CHDOs must confirm eligibility criteria elements whenever they

apply for HOME funds for CHDO activities. In addition, OHFA requires annual recertification of all CHDOs. A CHDO Recertification Application Packet will be made available to all CHDOs.

CHDOs must have paid employee staff with housing development experience in order to receive and maintain their CHDO designation. CHDOs can no longer meet their capacity requirements through the use of consultants or through a plan for staff to be trained by consultants. CHDO staff members may be part time, so long as they devote sufficient hours to the CHDO to perform all of the required tasks. Thus, for instance, a community action agency that has created a CHDO may have the same staff performing housing development functions for both the CAA and the CHDO.

17. CHDO Operating Assistance Only

Operating funds will only be awarded to CHDOs that are currently receiving or are applying for CHDO Set-Aside funds

CHDO Operating Assistance is limited to a maximum of \$50,000 per CHDO in any HOME Program Year.

If CHDOs are already receiving CHDO Set-Aside funds for a Program Year 2013 contract, they may apply solely for CHDO Operating Assistance funds. If CHDOs are applying for Program Year 2014 CHDO Set-Aside funds, they may at the same time apply for CHDO Operating Assistance. CHDO Operating Assistance will be awarded in the amount of ten percent (10%) of the CHDO Set-Aside funding award, up to a maximum of \$50,000 per program year.

Documentation Requirements:

- A. OHFA strongly encourages one hundred percent (100%) expenditure and closeout of any prior operating contracts before the Applicant applies for new operating funds. However, applications may be funded contingent upon a prior operating contract being one hundred percent (100%) expended and closed out within sixty (60) calendar days. Failure to fully expend and close out a prior operating contract within sixty (60) calendar days of the Board date when the new application was awarded will result in the new contract being canceled.
- B. The Applicant must document the production, operation, and location of affordable housing resulting from the most recent prior CHDO Operating Assistance contract.
- C. The Applicant must include a detailed line item budget that indicates precisely how the requested operating funds will be expended by employees in relation to those employees' CHDO job duties and responsibilities.
- D. If applying solely for CHDO Operating Assistance, the Applicant must indicate that the CHDO is currently receiving OHFA CHDO Set-aside funds, and provide the OHFA contract number.
- E. Describe in detail all plans for projects and activities to be undertaken with the assistance of the new CHDO Operating Assistance award, if funded.

Evaluation Criteria

Application responses are to be structured and information presented in such a way as to fully address each criterion. The information, data, and statements provided in response to each criterion will be the basis for evaluating each application.

Failure to submit or properly address evaluation criteria items will disqualify the application from receiving points for those items. Some criteria may not apply to all applications. Some requirements under a particular criterion may not apply to all applications.

Only Homebuyer and Rental applications will be scored (including Rental Activities in Conjunction with Affordable Housing Tax Credits.) For all other types of applications, sufficient information will be provided in the responses to the Threshold Criteria, and tiebreakers will be used if there are insufficient funds available to fund all of the applications for HOME funds from a specific set-aside at the same meeting of OHFA's Board of Trustees.

The score for an application is expressed as a percentage of the total possible points for the type of activity and form of assistance for which the applicant is applying. Application scores will be used to determine the order of funding if there are insufficient funds available to fund all of the applications for HOME funds from a specific set-aside at the same meeting of OHFA's Board of Trustees.

Unless otherwise specified, the method that OHFA staff uses to calculate the score for a particular criterion is to take the number of complete and correct answers divided by the number of applicable questions. Then that number is multiplied by the total number of points in that criterion to arrive at the total points awarded. The total points awarded for all the applicable criteria are added together for a total application score. **Due to the reduction in the number and scope of Evaluation Criteria, OHFA will no longer require a minimum score in order for an application to receive funding.**

In the event of a tie on scores between applications, tiebreakers shall be used. The tiebreakers are set forth in the Tiebreakers criterion at the end of this section.

1. Leverage - 5 Points

Leverage is applicable only to Homebuyer and Rental activities (except DPA). Applicants must fully describe all development leverage resources, inducements and incentives that are present in the proposed application. All sources of construction financing, except HOME, paying development budget costs are eligible for leverage. Assistance for homebuyers, such as first mortgages, is not considered leverage. Permanent financing sources will be considered as leverage if the HOME funds are used as permanent financing and the other sources of funding can be shown to reduce the amount of HOME funds required. **If any sources of funding provide both construction and permanent financing, they will not be counted twice.**

Public and private resources, such as Rural Housing Incentive Districts, CDBG, AHP, AHTC equity, Historic Tax Credits, USDA-RHS, HUD, foundation funds, and private capital will be considered in the leverage analysis. **If a source qualifies for both Match and Leverage, it can**

only be counted in one place. Some examples of Leverage are given below. **This is not an exclusive list.**

- All construction financing, public or private, except HOME, paying development budget costs (The maximum amount of a line of credit that will be calculated is the total development budget minus all other sources of construction funding.)
- All permanent financing for the development, public or private, except HOME, if the HOME funds are used as permanent financing and the other sources of funding can be shown to reduce the amount of HOME funds required.
- The total equity provided to the development due to an award of Affordable Housing Tax Credits or from any other tax credits.
- Funds provided by the local governments and grants or loans from other sources.
- The value of donated labor, unskilled labor at \$10.00 per hour, and the value of skilled labor at a normal, accepted rate per hour. If using labor of any kind in leverage calculation, labor costs must be delineated from material costs.
- The value of land and/or a building donated or acquired for a development prior to the application can count as leverage, but there must be an appraisal or tax assessment included in the application to document its value.
- In order to count donated supplies or materials, only the documented value of the goods or materials will be considered. The expenses must be legitimately required by the program. The donor must provide a letter to confirm the amount.
- Discounts on supplies, materials, and professional services must be documented. Original prices and discount calculations are required.
- In addition, the value of state and local taxes, charges or fees that are waived, foregone or deferred in a manner that achieves affordability of HOME-assisted developments may be counted as leverage.
- If used to help pay development budget costs, CHDO proceeds may be counted as leverage, but only if the proceeds were generated from a prior project. **CHDO proceeds to be earned from the project for which the applicant is applying will not be considered in the leverage calculation.**

Documentation Requirements:

- A. Signed commitment letters including amounts, terms and other pertinent information from all sources. All commitments must be firm commitments.
- B. Applicant's calculation of the leverage percentage. The leverage ratio is the ratio of the HOME investment to the total other resources being invested.

If either A or B is insufficient or omitted from the original application, the leverage source will not be included in the calculation. This documentation cannot be provided at a later date. It must be included with the application.

Leverage points to be awarded:

At least 10% up to 50% of the HOME funds requested	1 point
At least 51% up to 100% of the HOME funds requested	2 points
At least 101% up to 200% of the HOME funds requested	3 points
At least 201% up to 300% of the HOME funds requested	4 points
301% or more of the HOME funds requested	5 points

When determining the leverage percentage, **normal rounding shall apply**. Thus, for example, 50.5% will be rounded up to 51%. 50.4% will be rounded down to 50%.

2. HOME Investment per Unit - 10 Points

(Not applicable to Down-Payment Assistance or CHDO Pre-Development Loans)

Developments will be evaluated based on the amount of HOME assistance provided per HOME-assisted unit. **Applicants should note that HOME assistance per unit cannot exceed the 2012 221(d) (3) (ii) Limits.** Please refer to page 49 of this Application Packet. OHFA Staff will perform the calculation. No documentation is required for this criterion.

Points will be awarded as follows:

\$1,000 to \$49,999 of HOME assistance per unit.	10 points
\$50,000 to \$69,999 of HOME assistance per unit.	8 points
\$70,000 to \$89,999 of HOME assistance per unit.	6 points
\$90,000 to \$109,999 of HOME assistance per unit.	4 points
\$110,000 or more of HOME assistance per unit.	0 points

3. Readiness to Proceed – 10 Points

(Not Applicable to Tenant-Based Rental Assistance, Down-Payment Assistance or CHDO Pre-Development Loan Applications)

Documentation Requirements:

- A. Proof of acceptable form of ownership/site control-ownership, purchase contract or purchase option. For Acquisition and Acquisition/Rehabilitation, explain plan to obtain.
- B. Production and implementation schedule, of no more than eighteen (18) months, which clearly identifies all major phases of the proposed development, including close-out. This schedule should be thorough and detailed. If the Applicant is awarded funds for the Application, this schedule will be incorporated into the Special Conditions of the contract between OHFA and the Grantee. This schedule will be used for monitoring the progress of all phases of the activity prior to completion. **Funded applicants will be required to provide progress reports at least quarterly. OHFA will utilize these progress reports in order to determine if the project is proceeding on schedule.**
- C. Include preliminary plans and specifications, if applicable.
- D. Document that the zoning required for the development is in place.

4. Income Targeting – 10 Points (Rental Activities Only)

Developments will be evaluated on the extent to which they target Extremely Low Income renters, i.e. renters at 30% of Area Median Income (AMI) or below. Points will be awarded based on the percentage of total HOME units targeted to tenants at or below 30% of AMI to the total number of HOME units in the development. Points will be awarded as follows:

1% to 10%	1 point
11% to 20%	2 points
21% to 30%	3 points
31% to 40%	4 points
41% to 50%	5 points
51% to 60%	6 points
61% to 70%	7 points
71% to 80%	8 points
81% to 90%	9 points
91% to 100%	10 points

Documentation Requirements: The Unit Distribution must reflect the targeting. **No rounding will be used in the determination of the percent of targeted units. For instance, 10.5% will not be rounded up to 11%. Also, a minimum of one unit targeted to an ELI renter is required in order to be awarded one or more points.**

5. Energy Efficient Building Materials – 5 Points

The following is an **exclusive list** of amenities for which OHFA may award points. One point shall be awarded for each item below, up to a maximum of 5 points.

- Shower heads with a maximum of 2.5 gallons per minute flow rate
- The use of R-2 or better insulation on exposed hot water pipes
- Installation of Energy Star appliances
- Energy Star qualified windows with Low E glass
- Energy Star HVAC
- Energy Star Efficiency Water Heaters
- Radiant barrier per ASTM standards in attic and/or roof sheathing; and/or exterior wall sheathing (cannot be used with spray foam insulation)

- Low or no VOC paint
- On-site recycling for aluminum, newspaper, glass, and plastics
- Photovoltaic lighting for all exterior lighting
- Programmable thermostats
- Insulation: Attic insulation better than R- 38 and wall insulation better than R – 13.

OR

- Spray foam insulation exceeding code requirements

Documentation Requirements:

The applicant must provide a signed certification that the amenities for which points are being claimed will be provided. **HOME Compliance Staff will monitor for these items on the initial compliance monitoring visit. HOME Compliance Staff (or an independent, qualified construction inspector hired by OHFA) will also conduct construction inspections to ensure that the work is being done as specified in the application. Failure to provide the items as certified in the application could result in a termination of the contract, de-obligation of the remaining funds, and repayment of any funds already drawn down.**

BONUS POINTS

Bonus points will be awarded as indicated for the following criteria. These bonus points do not count against applicants if they do not qualify for the points or do not or cannot provide the items listed. Bonus points will be added to the applicant’s score without a change in the total possible points. Applicants may be able to achieve a 100% score without any bonus points, and with bonus points they may be able to achieve a score greater than 100%.

6. CHDOs Applying for Rental Activities in Conjunction with AHTCs – 5 Bonus Points

CHDO applicants applying for Rental Activities in Conjunction with AHTCs will be awarded 5 bonus points. CHDOs may be applying either as a CHDO or as a nonprofit developer in order to receive these bonus points. **However, they must qualify for CHDO status at the time of application in order to receive the points.**

Documentation Requirements:

The Applicant must provide a copy of its current CHDO certificate and satisfy all Threshold requirements. If a copy of the applicant’s current CHDO certificate has been provided in another section, it does not need to be included here.

7. Activities in the Counties Most Affected by the 2013 Tornado Disasters – 5 Bonus Points

Applicants applying for eligible activities in the nine Oklahoma Counties listed below are eligible for 5 bonus points. The nine counties listed are those designated by FEMA as being eligible for individual assistance.

Eligible Counties:

Canadian
Cleveland
Le Flore
Lincoln
McClain
Okfuskee
Oklahoma
Okmulgee
Pottawatomie

Documentation Requirements:

None, as long as the Application clearly reflects that the Activity will be within one or more of the listed counties.

7. Tiebreakers

Applications for Rental Activities in Conjunction with Affordable Housing Tax Credits compete only against each other.

In all other cases, applications compete only against other applications for funding from the same set-aside being considered at the same Board meeting. If there are sufficient funds in a set-aside to fund all applications that meet all threshold requirements, then all of the applications in that set-aside will be funded. If not, applications will be funded in rank order by score, from highest to lowest. Tie-breakers will be used in the event that there are sufficient funds remaining for only one application, and the next two or more applications in rank order have achieved an equal score, and also for CHDO Operating Assistance applications that have no scoring requirement.

The following tiebreakers will be used for applications for the following types of activities:

CHDO Operating Assistance

(Applicants should note that because of the tiebreakers, and because of the statutory limitation on CHDO Operating Assistance available to award, it is possible that an application for both CHDO Set-Aside funds and CHDO Operating Assistance may be funded for the CHDO Set-Aside activity and not for the CHDO Operating Assistance.)

1. First, applications from CHDOs applying for Operating Assistance for the first time will be awarded ahead of applications from CHDOs that have previously applied for

- Operating Assistance, whether awarded or not.
2. Second, awards of CHDO Operating Assistance funds will be based on the amount of time that has elapsed since each CHDO last received an Operating Assistance award, with the funds being awarded in order from the greatest amount of time to the least.
 3. The third and final tiebreaker will be a random drawing.

All Other Applications

1. First, Applications for CHDO activities will be awarded ahead of applications for non-CHDO activities. Applicants do not receive preference simply because they are a CHDO. The application must be for a CHDO activity.
2. Second, the application with the least amount of HOME assistance per HOME-assisted unit will be awarded.
3. The third and final tiebreaker will be a random drawing.

OHFA HOME Applicant Information Form

Applicant Name: _____

Mailing Address: _____

City: _____ **County:** _____

State _____ **Zip Code:** _____

Phone #: _____ **Fax #:** _____

E-mail address: _____

Federal Employer Identification Number: _____

DUNS Number: _____

Applicant's Official Authorized Signatory: _____

Name of primary contact person: _____

Mailing Address of primary contact person: _____

City: _____ **State and Zip Code:** _____

Phone #: _____ **Fax #:** _____

E-mail address: _____

This box must be completed by applicants who are utilizing a person or entity providing administrative support.

Program Administrator: _____

Mailing Address: _____

City: _____ **State:** _____ **Zip Code:** _____

Phone #: _____ **Fax #:** _____

E-mail address: _____

In an effort to communicate with all parties, you may list any consultant. This is optional.

Consultant: _____		
Mailing Address: _____		
City: _____	State: _____	Zip Code: _____
Phone #: _____	Fax #: _____	
E-mail address: _____		

Applicant is:

City: _____ **Town:** _____ **County:** _____ **Indian Tribe:** _____

Public Housing Agency: _____ **Non-Profit:** _____

Is applicant applying as a CHDO for CHDO activities? Yes _____ **No** _____

Location of project:

City (ies): _____

County (ies): _____

Oklahoma Senate District Number(s): _____

Oklahoma House District Number(s): _____

U.S. Congressional District: _____

_____ Units built	_____ Units rehabilitated/reconstructed
_____ Units acquired	_____ Units acquired and rehabilitated
_____ Units receiving DPA	

Total units receiving HOME assistance: _____

Does applicant expect the project to generate Program Income? Yes ____ **No** ____

Refer to page 66 of this Application Packet for more information.

Does applicant expect the project to generate CHDO Proceeds? Yes ____ **No** ____

If yes, will applicant apply to retain CHDO Proceeds? Yes ____ **No** ____

Refer to page 49 of this Application Packet for more information.

HOME Activity:

Is this application in conjunction with a HTF application? Yes _____ No _____

Is this application in conjunction with an AHTC application? Yes _____ No _____

If yes, then what is the name of Development? _____

Is there more than one activity or form of assistance (and therefore more than one application) associated with this project? Yes _____ No _____

If the type of activity or form of assistance is not on the list, then contact OHFA staff to confirm it is an eligible activity.

1. Homebuyer

- _____ Acquisition
- _____ Acquisition/Rehabilitation
- _____ New Construction
- _____ Lease Purchase
- _____ Homebuyer Assistance

2. Rental

- _____ Single Family - Acquisition
- _____ Single Family - Acquisition/Rehabilitation
- _____ Single Family - Rehabilitation
- _____ Single Family - New Construction
- _____ Multi-Family - Acquisition
- _____ Multi-Family - Acquisition/Rehabilitation
- _____ Multi-Family - Rehabilitation
- _____ Multi-Family - New Construction

3. _____ CHDO Pre-development loans

4. _____ CHDO Operating Assistance

HOME Program Funds

**CHDO Operating Assistance in conjunction with a CHDO Activity
(If applicable)**

Total HOME Funds Requested:

**Total Match
(25% of HOME Contract, excluding CHDO Operating Assistance)**

**Bond Match Request
(Maximum of 6.25% of HOME Program funds)**

**Banked Match Request
(Maximum of 10% of HOME Program funds)
(Only available to applicants without sufficient banked match)**

OHFA HOME Application - Attachment A

Check the appropriate line and sign and date at the bottom. It must be signed by the Chairman, Executive Director, or highest elected official, and duly notarized.

Match

_____ NO sources of match presented in this application are from federal sources. (All applications, regardless of sources of match, must complete.)

_____ NONE of the \$ _____ (amount) of banked match presented in this application has been expended or committed to another development. (Only if using banked match.)

Monitoring

_____ There are no HOME monitoring issues with any of Applicant's open contracts.

OR

_____ There are some monitoring issues with some of open contracts. The plan(s) to correct the issues were submitted on _____ to the HOME Compliance Staff.

CHDO Certification

_____ No eligibility criteria have changed since the certification or recertification and supporting documents are on file in the CHDO's corporate office.

OR

_____ The eligibility criteria of _____ has changed since the last certification or recertification and supporting documents are on file in the CHDO's corporate office.

Signature _____

Printed name _____

Title _____

Date _____

State of Oklahoma

County of _____

Attest:

Subscribed and sworn to before me _____, _____.

My commission expires _____, _____.

Notary Public

OHFA HOME Application - Attachment B

Certification of Compliance with Other Federal Requirements

Date: _____

Affiant: _____

Applicant: _____

(Insert exact legal name of the organization)

Affiant, as the duly authorized representative of the Applicant, does hereby on oath affirm the following:

1. Applicant understands and will comply with the requirements of Title VI of the Civil Rights Act of 1964, As Amended (42 U.S.C. 2000d et. seq.); The Fair Housing Act (42 U.S.C. 3601-3620); Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12259; and the Age Discrimination Act of 1975, As Amended (42 U.S.C. 6101).
2. Applicant understands and will comply with the HOME Program requirements for Affirmative Marketing on any project with five or more HOME-assisted units. Applicant certifies that it has an Affirmative Marketing Plan and/or written Affirmative Marketing procedures in place to assure compliance with the all of the requirements of 24 CFR 92.351.
3. Applicant understands and will comply with the requirements of the Americans with Disabilities Act (42 U.S.C. 12131; 47 U.S.C. 155,201,218, and 225); the Fair Housing Act (42 U.S.C. 3601-19); and Section 504 of the Rehabilitation Act of 1973. Applicant certifies that it has a Fair Housing Plan in place to assure compliance with all of the requirements of the Fair Housing Act.
4. Applicant understands and will comply with the requirements of Equal Employment Opportunity (Executive Order 11246, as Amended); Section 3 of the Housing and Urban Development Act of 1968; and Minority/Women's Business Enterprise (Executive Orders 11625, 12432 and 12138). Applicant certifies that it has a Minority/Women's Business Enterprise Plan in place to assure compliance with all of the requirements of 24 CFR 92.351(b) and the aforementioned Executive Orders. Applicant further certifies that it has a written plan in place to address compliance with Section 3 of the Housing and Urban Development Act of 1968.
5. Applicant understands and will comply with the requirements of the Davis-Bacon Act and Related Acts (40 U.S.C. 276(A)-7); the Contract Work Hours and Safety Standards Act, as Amended (40 U.S.C. 327-333); the Copeland (Anti-Kickback) Act (40 U.S.C. 276c); and the Fair Labor Standards Act of 1938, as Amended (29 U.S.C. 201, et. seq.).
6. Applicant understands and will comply with the contracting and procurement requirements of the HOME Program.
7. Applicant affirms that no person who is an employee, agent, consultant, or officer of the Applicant who could exercise any functions or responsibilities with respect to any activity assisted with HOME funds, or who would be in a position to participate in a decision-making process or gain inside information with regard to any HOME-assisted activity, will obtain a financial interest or benefit from any HOME-assisted

activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereof, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

8. Applicant understands and will comply with the requirements of the Environmental Review process for the HOME Program, including the requirements of 24 CFR Part 58 and CPD Notice 01-11.
9. Applicant understands and will comply with Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106).
10. For any new construction of rental housing units, the Applicant will provide housing that is 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 and Executive Order 11063, and HUD regulations issued pursuant thereto, as well as ensuring that the proposed sites for new construction meet the requirements in 24 CFR 983.6(b).
11. Applicant will ensure that all units in a project assisted with HOME funds comply with 24 CFR Part 35 regarding the lead-based paint requirements for HUD-assisted housing.
12. Applicant understands and will comply with the provisions of the Uniform Relocation Act on all HOME projects involving rehabilitation, conversion or demolition.

I certify that the above statements are true and correct to the best of my knowledge and belief. I understand that any misstatement or falsification of information shall be grounds for cancellation of the contract and recapture of the HOME award.

Authorized Representative

Date

Typed Name and Title: _____

State of Oklahoma

County of _____

Attest:

Subscribed and sworn to before me _____, _____.

My commission expires _____, _____. _____

Notary Public

OHFA HOME Application - Attachment C

Certification of Financial Management

Date: _____

Affiant: _____

Applicant: _____

(Insert exact legal name of the organization)

Affiant, as the duly authorized representative of the Applicant, on oath affirms the following:

1. Applicant has written policies and procedures in place to provide for the following:
 - A. Tracking expended and unexpended HOME funds
 - B. Tracking and allocation of administrative costs, if applicable
 - C. Tracking of program income or CHDO proceeds, if applicable
 - D. Properly maintaining source documentation of expenditures
 - E. Tracking of match liability and credit
2. Applicant has written policies and procedures in place to ensure that all expenditures are eligible, reasonable, and properly documented.
3. Applicant has written policies and procedures in place to ensure proper control of records and documents.
4. Applicant has written policies and procedures in place and adequate staff to ensure separation of duties.
5. Applicant has adequate internal controls in place to ensure proper maintenance and disbursement of the HOME funds.
6. Applicant certifies that it will comply with the following, as indicated:
 - _____ **(State recipient)** OMB Circular No. A-87, A-102, and A-133 and 24 CFR Parts 85.6, 85.12, 85.20, 85.22, 85.26, 85.32, 85.34, 85.36, 85.44, 85.51 and 85.52.
 - _____ **(Nonprofit Sub-recipient)** OMB Circular No. A-122, A-110, and A-133 and 24 CFR Parts 84.2, 84.5, 84.3, 84.16, 84.21, 84.22, 84.26, 84.28, 84.30, 84.31, 84.34, 84.37, 84.40, 84.48, 84.51, 84.60, 84.62, 84.72 and 84.73.
 - _____ **(CHDO)** 24 CFR Part 84.21.
 - _____ **(Nonprofit developer or For-profit developer)** 24 CFR Part 84.21.

I certify that the above statements are true and correct to the best of my knowledge and belief. I understand that any misstatement or falsification of information shall be grounds for cancellation of the contract and recapture of the HOME award.

Authorized Representative

Date

Typed Name and Title: _____

State of Oklahoma

County of _____

Attest:

Subscribed and sworn to before me _____, _____.

My commission expires _____, _____.

Notary Public

OHFA HOME Application Certification

The Applicant hereby certifies that all of the information contained in this application for funding through the Home Investment Partnership Program (HOME) is true and accurate to the best of my knowledge, and that all documentation supporting the information in this application is on file in the Applicants office, available for review by Oklahoma Housing Finance Agency (OHFA) Staff during normal business hours.

Additionally, the Applicant understands that failure to provide any of the documentation necessary to support the information in this application may result in the return of all HOME Program funds, both expended and unexpended, in accordance with the Program Sanctions under the codified rules of OHFA, contained in the Oklahoma Administrative Code, Chapter 55.

Additionally, the Applicant understands that in the event a HOME funding award is made, the content of the application shall be incorporated as part of the contract and, as such, will be used to monitor performance. Activities, commitments, and representations offered in the application that are not subsequently made a part of the project as funded, shall be considered a material contract failure, and may result in a repayment of all HOME funds and/or suspension from Program participation.

Name and Title (Type or Print) Date

Signature (SEAL)

State of Oklahoma
County of _____

Attest:
Subscribed and sworn to before me _____, _____.

My commission expires _____, _____.

Notary Public

Prepared by _____

Submission Checklist

The following checklist is designed to serve as a guide to applicants to assist them in compiling their applications. The list is only a guide and may not necessarily be comprehensive. Applicants should carefully review all submission requirements within the application to ensure it is complete. Refer also to the HOME Application Matrix for guidance on page 48 of this Application Packet. Submit the checklist with the Application. If a factor or criteria is not applicable, so indicate with N/A, but do not delete the tab for said factor or criteria.

One Original Application.

Check box to indicate completion.

Threshold Factors

	<u>TAB #</u>
<input type="checkbox"/> Application Information Form and Attachments A, B and C	<u>1</u>
<input type="checkbox"/> HOME Application Certification, HUD Forms 2880 and 424	<u>2</u>
<input type="checkbox"/> Audit	<u>3</u>
<input type="checkbox"/> Match	<u>4</u>
<input type="checkbox"/> Market Analysis	<u>5</u>
<input type="checkbox"/> Description	<u>6</u>
<input type="checkbox"/> Development Commitments	<u>7</u>
<input type="checkbox"/> Financial Management	<u>8</u>
<input type="checkbox"/> Capital Needs Assessment	<u>9</u>
<input type="checkbox"/> CHDO Eligibility Criteria Elements	<u>10</u>
<input type="checkbox"/> CHDO Operating	<u>11</u>
<input type="checkbox"/> Financing	<u>12</u>
<input type="checkbox"/> Organizational Structure and Experience	<u>13</u>

Evaluation Criteria

<input type="checkbox"/> Leverage	<u>14</u>
<input type="checkbox"/> Readiness to Proceed	<u>15</u>
<input type="checkbox"/> Income Targeting	<u>16</u>
<input type="checkbox"/> Energy Efficient Building Materials	<u>17</u>
<input type="checkbox"/> CHDOs Applying for Rental Activities with AHTCs	<u>18</u>
<input type="checkbox"/> Activities in the Counties Most Affected by the 2013 Tornado Disasters	<u>19</u>

HOME Application Matrix

HOME Application Matrix

2014

Threshold Factors

1. Application Information Form & Attachments
2. HOME Application Certification
3. HUD Form 2880
4. HUD Form 424
5. Audit
6. Match
7. Monitoring
8. Market Analysis
9. Description
10. Federal Requirements
11. Development Commitments
12. Financial Management
13. Financing
14. Organizational Structure and Experience
15. CHDO Eligibility Criteria Elements
16. CHDO Operating Assistance

TBRA	Homebuyer Activities	Rental Activities	Homebuyer Assistance	CHDO Pre-Development Loans	CHDO Operating
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	No
Yes	Yes	Yes	Yes	Yes	Yes
No	Yes	Yes	Yes	No	No
Yes	Yes	Yes	Yes	Yes	No
Yes	Yes	Yes	Yes	Yes	Yes
No	Yes	Yes	No	No	No
Yes	Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	Yes	No
Yes	Yes	Yes	Yes	Yes	No
No	Only if CHDO	Only if CHDO	No	Yes	Yes
No	No	No	No	No	Yes

Evaluation Criteria

1. Leverage
2. HOME Investment per Unit
3. Readiness to Proceed
4. Income Targeting
7. Energy Efficient Building Materials

NA	5	5	NA	NA	NA
NA	10	10	NA	NA	NA
NA	10	10	NA	NA	NA
NA	NA	10	NA	NA	NA
NA	5	5	NA	NA	NA

Bonus Points

1. CHDO Applications with AHTCs
2. Projects in Disaster Counties

NA	NA	5	NA	NA	NA
NA	5	5	NA	NA	NA

Topical Guidance

221(d) (3) (ii) Limits

HOME Program subsidies are subject to a maximum per-unit subsidy limit. These limits are based on the Section 221(d)(3) limits for elevator-type projects. The limits are determined by OHFA as directed by HUD, and vary by jurisdiction. All counties in Oklahoma are located in either the Oklahoma City Jurisdiction or the Tulsa Jurisdiction.

The counties listed below are within the Tulsa Jurisdiction; all other counties are within the Oklahoma City Jurisdiction.

Adair; Atoka; Bryan; Cherokee; Choctaw; Coal; Craig; Creek; Delaware; Haskell; Hughes; Latimer; LeFlore; McCurtain; McIntosh; Mayes; Muskogee; Nowata; Okfuskee; Okmulgee; Osage; Ottawa; Pawnee; Pittsburg; Pushmataha; Rogers; Sequoyah; Tulsa; Wagoner; Washington.

The latest limit for a particular jurisdiction can be obtained by contacting OHFA Housing Development Team Staff or by accessing the OHFA website at www.ohfa.org. The per-unit subsidy requirements are described in the HOME regulations at 24 CFR 92.250.

The 221(d)(3) limits have not been updated since 2012. Pursuant to the instructions of HUD, HOME Program participants must use the 2012 201(d)(3) limits until notified otherwise.

Affirmative Marketing

Applicant must adopt an Affirmative Marketing Plan for all housing with five or more HOME-assisted units, including down-payment assistance and tenant-based rental assistance programs. The Plan must include:

- methods for informing the public, owners and potential tenants about fair housing laws and the policies of the local program;
- a description of what grantees and/or the program administrator will do to affirmatively market housing assisted with HOME funds;
- a description of what grantees and/or the program administrator will do to inform persons not likely to apply for housing without special outreach;
- maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness; and
- a description of how efforts will be assessed and what corrective actions will be taken when requirements are not met.

Program and activity implementation manuals shall be provided to contractors and shall contain information regarding Affirmative Marketing Requirements and Procedures. In order to achieve compliance with requirements at 24 CFR Part 92.351, written agreements shall be executed between OHFA and all HOME Program awardees. **During programmatic monitoring activities, OHFA shall review affirmative marketing activities and, should the level of compliance with the requirements be determined unsatisfactory, shall provide awardees with the necessary guidance to achieve regulatory standards.**

CHDO Proceeds Reuse Plans

CHDOs as owners, developers and/or sponsors of HOME-assisted affordable housing developments must describe the potential to generate CHDO proceeds and whether the CHDO Proceeds will be retained by the CHDO or returned to OHFA. If retained, CHDO proceeds must be used for HOME-eligible or other low-income housing activities that benefit low-income persons. The CHDO Proceeds Reuse Plan must be approved by OHFA.

Retaining CHDO Proceeds

An awardee is expected to submit a CHDO Reuse Plan for OHFA approval shortly after a HOME contract award is made. This plan must be submitted and approved before CHDO Proceeds are generated. **If an awardee fails to timely submit and receive approval for any such plan, then the CHDO Proceeds must be returned to OHFA.**

If a CHDO awardee wishes to retain CHDO Proceeds, said awardee must provide a reuse plan that contains all of the following:

- A. The CHDO's experience in producing and managing CHDO proceeds.
- B. The circumstances under which the proposed development will produce CHDO proceeds and the amount of proceeds that will be generated.
- C. The process or processes by which CHDO proceeds will be tracked.
- D. How proceeds produced by the proposed project will be combined with other financing to fund additional affordable housing activities.
- E. The role the CHDO Board will fulfill with regard to the reinvestment of proceeds.
- F. No more than twenty percent (20%) can be reused for administrative costs.

The information above will, in turn, be used by OHFA to determine the CHDO's capacity to retain proceeds, provide proper oversight, and make prudent, self-sustaining reinvestments. Retention of CHDO proceeds is at OHFA's discretion and will be based on the awardee's documented knowledge and experience in managing proceeds.

Returning CHDO Proceeds

An awardee is expected to set forth in the application the proceeds expected to be generated by the activity, as well as how they will be tracked, accounted for and returned to OHFA.

An awardee must describe:

- G. The circumstances under which the proposed development will produce CHDO Proceeds and the amount of CHDO Proceeds that will be provided.
- H. The process or processes that will be used to ensure tracking and the steps to timely report and return of all the CHDO Proceeds generated.

Compliance Monitoring

These compliance-monitoring procedures apply to all HOME contracts.

- A. OHFA will verify that the awardee of a low-income housing development is maintaining records for each qualified low-income building. These records must show, for each year in the period of affordability, the information required by the record-keeping provisions contained in the HOME Regulations, incorporated herein by reference.

- B. OHFA will verify that the records documenting compliance with the HOME Regulations for each year as described in Paragraph A above are retained for the entire affordability period.
- C. **OHFA will conduct construction inspections** in order to ensure that HOME funds are not being drawn down for work that has not been completed, work that has not been done according to contract specifications, or costs that are ineligible for HOME funding.
- D. OHFA will inspect one hundred percent (100%) of the HOME contracts as prescribed by HUD regulations and will inspect the low-income certification, the documentation the grantee has received to support that certification, and the rent records for rental projects.
- E. For Rental projects, OHFA will perform on-site inspections at the time of property completion and, at a minimum, every three years thereafter, in order to determine compliance with construction standards and physical condition standards. **All HOME-assisted Rental housing must meet the Uniform Physical Condition Standards, or UPCS.** HOME Compliance monitors will not conduct a REAC inspection, but will monitor for any violations.
- F. The awardee must allow OHFA to perform an on-site inspection of any low-income building in the development through the end of the period of affordability. This inspection may be separate or in conjunction with any review of tenant files under Paragraph C and will include habitability requirements.
- G. During programmatic monitoring activities, OHFA shall review Program contractors' affirmative marketing, minority outreach, and fair housing activities to ascertain compliance with standards established by HUD's Fair Housing Office.
- H. OHFA will promptly notify the awardee in writing if OHFA is not permitted to inspect and review as described in Paragraphs C, D, E, F and G, or otherwise discovers that the development does not comply with the HOME Regulations. In such event, the awardee will be allowed a correction period to supply missing documentation or to correct noncompliance. This correction period begins on the date of the letter.
- I. OHFA will notify HUD of an awardee's noncompliance or failure to certify no later than forty-five 45 days after the end of the time allowed for correction and no earlier than the end of the correction period.
- J. Compliance with requirements of the HOME Regulations is the responsibility of the awardee and the owner of the building for which HOME funds are loaned or granted. OHFA's obligation to monitor for compliance with the requirements of the HOME Regulations does not make OHFA or the State of Oklahoma liable to any owner or to any shareholder, officer, director, partner, member or manager of any owner or of any entity comprising any owner for an owner's non-compliance therewith.
- K. The awardee must establish and maintain a Use of Funds Log, which clearly identifies the amount of funds used in each development.
- L. The awardee must establish and maintain a Program Income Tracking Log or CHDO Proceeds Tracking Log, if applicable, which clearly identifies the amount of program income or CHDO proceeds received and, if approved by OHFA, expended.
- M. The awardee must establish and maintain a Match Tracking Log that will account for expenditures of match contributions used in the development.
- N. Activity Completion Reports must be submitted within one-hundred twenty (120) days of the final activity draw.

- O. Closeout documentation must be submitted no later than sixty (60) days after the end of the contract period or completion of the project.
- N. The awardee must maintain a narrative record on uses of any CHDO Operating awards.
- O. The Minority Business Enterprises Report is due on or before October 10th of each year for the period from October 1 through September 30.
- P. The Annual Performance Report is due on or before May 15th of each year for the period of April 1 through March 31. The Annual Performance Report must also be submitted with the contract closeout.
- Q. The Rental Activity Annual Report, if applicable, is due on or before September 30th of each year.
- R. The awardee must provide other progress, performance and financial reports as required, or as requested by OHFA.
- S. OHFA will use the reports provided by the awardee to annually examine the financial condition of all HOME Rental projects during the period of affordability, and take actions to correct any problems that are discovered. Some Rental projects with only a few HOME-assisted units may be exempt from this provision. However, OHFA will provide technical assistance to any grantee, regardless of the number of HOME-assisted units in the project, in order to help maintain the financial viability of a HOME Rental project.

Conflict of Interest

In the procurement of property and services, the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively, apply. In all cases not governed by 24 CFR 85.36 and 24 CFR 84.42 the conflict of interest provisions of the HOME Rule apply.

The conflict of interest provisions of the HOME program are stricter than those of other federal programs. The HOME conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of OHFA, a CHDO, a State recipient or sub-recipient receiving HOME funds. No person listed above who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds, or who is in a position to participate in a decision-making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

No owner, developer or sponsor of a development assisted with HOME funds (or officer, employee, agent or consultant of the owner, developer or sponsor) whether private, for profit or non-profit (including a CHDO when acting as an owner, developer or sponsor) may occupy a HOME-assisted affordable housing unit. This provision does not apply to an owner-occupant of single-family housing or to an employee or agent of the owner or developer of a rental housing project who occupies a HOME-assisted unit as the project manager or maintenance worker.

Construction Standards

In accordance with 24 CFR 92.251, housing that is assisted with HOME funds, at a minimum, must meet local property standards, as well as OHFA's Written Rehabilitation Standards or Written New Construction Standards, whichever applicable.

All HOME-assisted units, regardless of the amount of HOME funds invested per unit, must meet all State and local code requirements. HOME-assisted units must also meet the International Building Code of 2009 as amended.

Awardees should be aware that the International Residential Code of 2009, as amended, is now required by the State of Oklahoma for all newly constructed housing.

OHFA will conduct progress and final inspections of construction to ensure that work is done in accordance with these standards. HOME funds disbursements will be consistent with the amount of work performed to OHFA's satisfaction. Final payment will not occur until the construction of the project is satisfactorily completed. **Construction inspections are necessary before OHFA can disburse funds for any draws.** OHFA has contracted with a third-party construction inspection firm to undertake these inspections.

Discretionary housing improvements beyond those required to meet property standards may include modest amenities and aesthetic features, but not luxury improvements. Any questions regarding what amenities or features would be considered luxury improvements should be directed to OHFA Staff. If necessary, OHFA will consult with the local HUD office to ensure that HUD does not consider the improvements to be luxury improvements.

Contract Award Instrument

Written agreements will be used to contract with funded applicants in order to implement proposed HOME activities and govern execution. The maximum contract period shall be three (3) years. **A pre-contract meeting between OHFA, the HOME awardee, and any-partners to review contractual and project elements may be required prior to execution of written agreements.**

Contract Modifications

Activity and design modifications to funded applications are strongly discouraged. **Activity and design modifications cannot be made to funded projects without the prior written approval of OHFA. Extensions of written agreement periods will not be permitted for any written agreement that has not completed the necessary environmental review.**

Funded applications are subsequently made part of all written agreements between OHFA and the HOME awardee. Unapproved variations to funded designs are considered violations of contractual agreements and may result in disallowed costs, the repayment of HOME funds to OHFA, or possible suspension from future HOME Program participation.

Contract Performance

OHFA regularly assesses the performance of its HOME partners. Based on the performance pursuant to the requirements contained in its written agreements and the Program regulations, OHFA may withdraw funding due to non- performance, poor performance, and/or untimely performance. In addition, OHFA may, at its discretion and within its regulatory authority pursuant to 24 CFR Part 92.2, reassign untimely contract funding in order to affect timely expenditure, performance, and completion.

Contract Performance Measurement

The OHFA HOME Finance Staff has developed the following chart outlining how contract progress will be monitored.

Time Period	% Expended	Action	Performance Measure
9 months	If 0% expended	send letter	Concern
11 months	0% drawn down on Activity set-up in IDIS	send letter	Concern
12 months	If < 25% expended and no explanation from applicant	send letter	Finding
18 months	<100% expended	There must be a plan in place to complete If not, it will be a finding (Plan must be approved by OHFA)	
61 days after completion	100%	Letter sent if activity completion reports and closeout documents not received This is a concern	
75 days after completion	100%	If activity completion reports and closeout documents not received, a compliance visit will be scheduled and this will be considered a finding.	

The above is not an exclusive list of possible concerns or findings.

Contract Modification Tracking

1 - 2 modifications per project, including requests for extension of contract period or additional funds: **Concern**

3 or more modification per project: **Finding**

All other types of modifications to the contract (i.e. changes to special conditions, contract terms, etc.) will be considered on a case-by-case basis.

For CHDOs, excessive findings in regard to contract performance may result in CHDOs being placed on probation or, in severe cases, decertified.

PLEASE NOTE: HUD's Integrated Disbursement and Information System (IDIS) will cancel any activity that has had no money drawn down for twelve months.

Section 92.502 (b) (2) of the HOME regulations permits HUD to automatically cancel an activity that has been committed in the system for 12 months without an initial disbursement of funds. HUD has deemed it necessary to exercise its authority to automatically cancel these activities beginning January 1, 2012. **To avoid cancellation of activities grantees should ensure that they have drawn down money within 6 months of the contract open date.**

Debarred, Suspended or Ineligible Participants

No contractors that have been suspended or debarred under HOME or any other federal funding program may be used when working on a HOME development. All HOME awardees are to verify eligibility before contracting with any party. Awardees should check the web at <http://epls.arnet.gov> for the most current listing of debarred contractors. OHFA Staff can provide information on suspended or ineligible contractors.

Developer Fees

OHFA allows for developer fees where appropriate. **The maximum amount of the developer fee to be paid with HOME funds is fifteen percent (15%) of the total HOME award.** Although developer fees are considered soft costs, OHFA will not include them in the determination of the soft costs limit as outlined later in this section.

OHFA will also take into account the total developer fee for the project, and, if necessary, adjust the amount of HOME funds to ensure that the developer does not receive an undue or excessive profit, resulting in more federal assistance than is necessary for the project. The Affordable Housing Tax Credit Program sets developer fee limits of fifteen percent (15%) for projects of 61 units or more, and eighteen percent (18%) for projects of 60 units or less. OHFA considers developer fees in excess of those percentages to be excessive developer fees.

Eligible Costs

For guidance only. Refer to HOME Regulations and other HOME materials for a complete list.

Hard Costs – Eligible hard costs include, but are not limited to:

- Costs to meet local construction and/or rehabilitation standards.
- Acquisition of land and existing structures.
- Securing of buildings.
- Construction materials and labor.

- Essential improvements.
- Energy-conservation efficient improvements, if undertaken within a more comprehensive plan of work that brings the unit up to local property standards and the Written Rehabilitation Standards or Written New Construction Standards set forth herein.
- Lead based paint hazard reduction, if undertaken within a more comprehensive plan of work that brings the unit up to local property standards and the Written Rehabilitation Standards or Written New Construction Standards set forth herein.
- Accessibility for persons with disabilities, if undertaken within a more comprehensive plan of work that brings the unit up to local property standards and the Written Rehabilitation Standards set forth herein.
- Repair or replacement of major housing systems in danger of failure.
- Incipient repairs and general property improvements of a non-luxury nature.
- Demolition.
- Site improvements and utility connections.
- Lot clearing, prior to and in conjunction with rehabilitation.
- Temporary relocation costs.

Soft Costs – Capped at seven percent (7%) of the total HOME award, including soft costs – Reasonable and necessary costs directly related to an individual unit. Soft costs must be reasonable and within industry standards for the type of service provided. Applicants should note that OHFA reserves the right to adjust the award of HOME funds in order to offset any excessive, unreasonable fees on any HOME-eligible activity. Soft Costs are not a substitute for Administrative Costs. All soft costs must be a part of the total development costs. Soft costs must be specifically tied to an address. Eligible soft costs include, but are not limited to:

- Financing fees.
- Credit reports.
- Title binders and insurance.
- Recordation fees, transaction taxes.
- Legal and accounting fees.
- Appraisals.
- Architectural/engineering fees, including specifications and job progress inspections.
- Refinancing of secured existing debt if the housing is owner occupied and refinancing allows the overall costs of borrower to be reduced and the housing is made more affordable.
- Work write-ups and cost estimates.
- Building permits; contractor fees.
- Fair Housing information services.
- Environmental Review
- CPA Cost Certification for a project audit
- Energy audits

Although developer fees are normally considered soft costs, developer fees will NOT be included in the calculation of total soft costs for the purposes of establishing the seven percent (7%) limit.

Note: Under the new Final Rule, 24 CFR Part 92.206(d)(1) provides that HOME funds may pay for architectural, engineering and certain other costs of professional services incurred within eighteen (18) months of the commitment of HOME funds to a project, provided that OHFA permits the HOME funds to be used for that purpose and authorizes payment of the costs in the written agreement (contract) with the awardee.

Under no circumstances may any project-related soft costs be charged to or paid by low-income families. HOME funds may pay for these costs, but the low-income beneficiaries of the HOME funding may not be directly charged for them. Reasonable and customary fees commonly charged to a loan applicant in unassisted real estate transactions, such as the cost credit reports or appraisals, are permissible.

Awardees may not charge servicing, origination or other fees related to the cost of administering part of the OHFA HOME Program to the beneficiaries of the HOME assistance. These costs should be paid with HOME funds or other sources of funds.

Environmental Review

The environmental effects of each HOME Program activity must be evaluated and shown to be in compliance with the provisions of the National Environmental Policy Act of 1969 and the related authorities listed in HUD's Regulations at 24 CFR Part 58. The procedures for this process, by type of activity, are covered in OHFA's Environmental Review Procedures at <http://www.ohfa.org/housingdev/Environmental.htm> HUD's Regulations under 24 CFR Part 58, Sec. 58.22 include specific restrictions on what you can do prior to receiving environmental clearance to proceed. Sub-paragraph a) reads as follows:

Sec. 58.22 Limitations on activities pending clearance subparagraph.

(a) Neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in Sec. 58.1(b) on an activity or project until HUD or the state has approved the recipient's RROF and the related certification from the responsible entity. In addition, until the Request for Release of Funds (RROF) and the related certification have been approved, neither a recipient nor any participant in the development process may commit non-HUD funds on or undertake an activity or project under a program listed in Sec. 58.1(b) if the activity or project would have an adverse environmental impact or limit the choice of reasonable alternatives.

Equal Opportunity

Equal Employment Opportunity, Executive Order 11246, as amended found in 41 CFR Part 60: Prohibits discrimination against any employee or applicant for employment because of race, color, religion, sex, or national origin.

Section 3 of the Housing and Urban Development Act of 1968 found in 24 CFR Part 135: Requires that, to the greatest extent feasible, opportunities for training and employment arising from HOME will be provided to low-income persons residing in the program service area and

that contracts for work (all types) be awarded to businesses that are located in or owned by persons residing in the program service area.

Minority/Women's Business Enterprise (M/WBE) under Executive Orders 11625, 12432 and 12138; 24 CFR Part 85.36(e): Ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, including without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and legal firms, in all contracts.

Applicants are required to adopt a M/WBE Plan which describes Applicant's policies and procedures for minority outreach in subcontracting and procurement of goods and services. The following practices are recommended:

- Request a list of certified woman-owned businesses from the Oklahoma Department of Commerce or visit www.OKcommerce.gov/smallbiz;
- Actively and affirmatively solicit bids for contracts and subcontracts from M/WBEs;
- Circulate bid solicitations to minority and women contractor associations;
- Make written solicitations in a timely fashion to businesses listed in the Minority and Women-Owned Business Directory;
- Make timely responses to any advertisements and solicitations provided by M/WBEs;
- Ensure that plan specifications, requests for proposal and other documents used to secure proposals for the performance of work or supply of materials will be made available in sufficient time for review by prospective M/WBEs;
- Divide, where economically and technically feasible, the work into smaller portions to enhance participation by M/WBEs;
- Encourage the formation of joint ventures, partnerships or other similar arrangements among contractors to enhance participation by M/WBEs;
- Use the services of governmental agencies, consultants and contractor associations to further the participation of M/WBEs;
- Waive credit requirements or develop other appropriate alternatives to encourage M/WBE participation; and
- Ensure that payments to M/WBEs are made on a timely basis to prevent undue hardship.

Applicants may be requested to submit M/WBE Utilization Reports, which should include, but are not limited to the following:

- The name, address and telephone number of each M/WBE the applicant is using or intends to use;
- A brief description of the contract scope of work to be performed for the applicant by each M/WBE and the scheduled dates for performance;
- A statement of whether the applicant has a written agreement with each M/WBE, and if requested, copies of the agreements the applicant is using or intends to use;
- The actual total cost of the contract, the work performed and the materials provided, scope of work to be performed by each M/WBE for each contract;
- The actual amounts of any payments made by the applicant to each M/WBE as of the date the compliance report was submitted; and
- The percentage of total contractors, subcontractors, vendors and suppliers utilized for the development and the total prices for each.

Program and activity implementation manuals shall be provided to contractors and shall contain information regarding Minority Outreach Requirements and Procedures. In order to achieve compliance with requirements of Section 281 of the National Affordable Housing Act and 24 CFR Part 92.351, written agreements shall be executed between OHFA and all program contractors. During programmatic monitoring activities, OHFA shall review minority outreach activities and, should compliance with the requirements be determined unsatisfactory, shall provide contractors with the necessary guidance to achieve regulatory standards.

Fair Housing and Equal Opportunity

Title VI of Civil Rights Act of 1964, as amended (42 U.S.C. 2000d et seq.) found in 24 CFR Part 1: States that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving Federal financial assistance on the basis of race, color or national origin.

The Fair Housing Act (42 U.S.C. 3601-3620) found in 24 CFR Part 100-115, prohibits discrimination in the sale or rental of housing, the financing of housing or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap or familial status. Furthermore, section 104(b)(2) of the Act requires that each grantee certify to the Secretary of HUD that it is affirmatively furthering fair housing. The certification specifically requires grantees to conduct a fair housing analysis, develop a fair housing plan, take appropriate actions to overcome the effects of any impediments identified and maintain records on the analysis, plan, and actions in this regard.

Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12259) found in 24 CFR Part 107, prohibits discrimination against individuals on the basis of race, color, religion, sex or national origin in the sale, rental, leasing or other disposition of residential property, or in the use or occupancy of housing assisted with Federal funds.

Program and activity implementation manuals shall be made available to contractors and shall contain information regarding Fair Housing Standards and Procedures. In order to achieve compliance with requirements at 24 CFR Parts 5.105(a), 92.202, and 92.250, written agreements shall be executed between OHFA and all program contractors. During programmatic monitoring activities, OHFA shall review fair housing activities and, should compliance with the requirements be determined unsatisfactory, shall provide contractors with the necessary guidance to achieve regulatory standards.

Federal Requirements

Consult the Regulations and other HOME materials for more information. This chart is just a guide and not all inclusive of all activities.

Other Federal Requirements	Homebuyer	Rental
Non-Discrimination and Equal Access		
Fair Housing and Equal Opportunity	Yes	Yes
Affirmative Marketing	Yes if ≥ 5 HOME-assisted units	Yes if ≥ 5 HOME-assisted units
Handicapped Accessibility	Yes	Yes
Employment and Contracting		
Equal Opportunity		
Equal Employment Opportunity	Yes	Yes
Section 3 Economic Opportunity	Yes if assistance $> \$200,000$ <u>OR</u> subcontract $> \$100,000$	Yes if assistance $> \$200,000$ <u>OR</u> subcontract $> \$100,000$
Minority/Women's Business Enterprise	Yes	Yes
Labor Requirements		
Davis-Bacon and Related Acts	Yes if ≥ 12 HOME-assisted units	Yes if ≥ 12 HOME-assisted units
Contract Work Hours and Safety Stds. Act	Yes if ≥ 12 HOME-assisted units	Yes if ≥ 12 HOME-assisted units
Copeland Anti-Kickback Act	Yes	Yes
Fair Labor Standards Act of 1938	Yes	Yes
Contracting and Procurement Practices		
Procurement	Yes	Yes
Conflict of Interest	Yes	Yes
Debarred Contractors	Yes	Yes
Environmental Review	Yes	Yes
Site and Neighborhood Standards	No	Yes for new construction only
Lead-Based Paint	Yes for pre-1978 units	Yes for pre-1978 units
Relocation	Yes (tenants)	Yes

Handicapped Accessibility

- Americans with Disabilities Act (42 U.S.C. 12131; 47 U.S.C. 155, 201, 218, and 225): Provides comprehensive civil rights to individuals with disabilities in the areas of employment, public accommodations, state and local government services and telecommunications. The Act also requires the removal of architectural and communication barriers that are structural in nature in existing facilities.
- Fair Housing Act (42 U.S.C. 3601-19 and CFR Part 100.205): Multi-family dwellings must meet these design and construction requirements.
- Section 504 of the Rehabilitation Act of 1973 found in 24 CFR Part 8: Imposes requirements to ensure that “qualified individuals with handicaps” have access to programs and activities that receive Federal funds.

Homebuyer

Down-payment Assistance funds must be used in the following order:

- First Down-payment assistance (defined as the difference between purchase price and loan amount).
- Second Closing cost
- Third Pre-pays
- Fourth Principal reduction as reflected on the HUD closing statement

The homebuyer may be allowed to have returned from their earnest money the appraisal, pre-paid insurance, survey and credit report costs.

Lenders use ratios to analyze a person's capability to make their mortgage payment. The housing expense, or front ratio, compares a person's mortgage payment (principal, interest, taxes, PMI, homeowner's insurance, and HOA fees) to their gross monthly income. The total debt expense, or back ratio, a person's total monthly obligations (car payments, credit cards, child support, etc.) including their new mortgage payment, to their gross monthly income. The type of mortgage loan will dictate which ratios are to be used to qualify the Homebuyer. Conventional loans secured by a government sponsored entities (GSE), FHA/VA loans and other federal, state, or local government loan programs often set the underwriting ratios used to qualify the Homebuyer. **If the above type of loans programs do not have set underwriting ratios or another type of loan will be utilized, then the front ratio cannot exceed 35% and the back ratio cannot exceed 50%.**

Interest rates charged must be reasonable and customary, and underwriting, processing and document preparation fees must not exceed \$1000.00 total.

Awardees may not charge servicing, origination, processing or underwriting fees related to the cost of administering part of the OHFA HOME Program to the beneficiaries of the HOME assistance. These costs should be paid with HOME funds or other sources of funds.

No adjustable rate mortgages are allowed.

All Homebuyer activities must incorporate formalized homebuyer education and/or counseling services into proposed designs. Both pre and post purchase counseling are encouraged. Applicants are reminded that numerous CHDOs, nonprofits and the Oklahoma State University Extension Center offer homebuyer education and/or counseling services throughout the state. Applicants must explain the process for implementing the required Homebuyer Education classes and who will provide. The classes must be organized by someone who is certified, or is eligible for certification, by the Oklahoma Homebuyer Education Association or other such recognized organization that provides training/certification. Attach copy of certification or letter. Certification or letter cannot be more than three (3) years old.

Income Determination

OHFA mandates that awardees must calculate the annual income of households for all of its programs by using the Section 8 (Part 5) annual (gross) income definition. The new Final Rule for the HOME Program mandates that only one definition of income may be used for each of a PJ's programs (e.g., Down-Payment Assistance, Homeowner Rehabilitation, etc.) Since OHFA will permit only the Section 8/Part 5 annual income definition, this provision of the new Final Rule will not affect OHFA's programs.

The new Final Rule also states that "annual income" must include all persons, not just family members, living in the housing unit.

HUD has also revised 24 CFR 92.203(a)(1)(i) and (a)(2) to require that, when performing income determinations for potential HOME beneficiaries using source documentation, the PJ and/or the awardee must examine at least three (3) months of earning documentation (e.g., wage statements, interest statements, unemployment compensation). This change codifies the existing standard that is already outlined in the "Technical Guide for Determining Income and Allowances for the HOME Program." OHFA already mandates this practice.

Income Restrictions

HOME funds must assist households with income below eighty percent (80%) of area median income.

Rental housing has additional requirements:

- Ninety percent (90%) of the **initial** occupants of HOME-assisted rental units must have incomes that are sixty percent (60%) or less of the area median income (AMI) as established by HUD. However, **OHFA requires that one hundred percent (100%) of all initial rental households have incomes that are sixty percent (60%) of AMI or below.** Exceptions may be made, but awardees must obtain the express written permission of OHFA. **This requirement applies only to the initial tenant household in a HOME rental unit. All successive tenant households may have incomes that do not exceed eighty percent (80%) of the area median income as established by HUD.**
- Twenty percent (20%) of the units in each rental housing development containing five or more units must be occupied by tenant families with income at or below fifty percent (50%) of AMI.

Integrated Disbursement Information System (IDIS)

The HOME Program will operate under HUD's IDIS. Under IDIS, OHFA will enter and control all project set-ups and financial draws. Sufficient documentation justifying all financial draws is required. If the documentation is inadequate, additional clarification may be requested by OHFA, which may delay the processing of draws.

No release of funds shall be made to any funded project until OHFA has received, reviewed and accepted in writing all fully executed legally binding operating, management, ownership or other agreements. No funds, whether HOME or non-HOME funds, may be spent until the Release of Funds has been received. Also, no contracts may be entered into, especially with a contractor or a homeowner, until the Release of Funds has been received.

The Integrated Disbursement and Information System (IDIS) will cancel any activity that has had no money drawn down for twelve months. Section 92.502 (b) (2) of the HOME regulations permits HUD to automatically cancel an activity that has been committed in the system for 12 months without an initial disbursement of funds. HUD has deemed it necessary to exercise its authority to automatically cancel these activities. **To avoid cancellation of activities awardees should ensure that they have drawn down money within 6 months of the contract open date.**

Labor Requirements

The construction contract for any HOME-assisted activity must contain the applicable labor requirements:

- Davis-Bacon and Related Acts (40 USC 276(A)-7): Ensure that mechanics and laborers employed in construction work under Federally-assisted contracts are paid prevailing wages and fringe benefits. Davis-Bacon does not apply to developments using solely volunteer labor or sweat equity, nor does it apply to Homeowner Rehabilitation. OHFA will monitor all appropriate contracts for compliance with Davis-Bacon requirements.
- Contract Work Hours and Safety Standards Act, as amended (40 USC 327-333): Ensures that mechanics and laborers employed under Federally-assisted construction jobs are paid time and one-half for work in excess of 40 hours per week. This Act also addresses safe and healthy working conditions.
- Copeland Anti-Kickback Act (40 USC 276c): Governs the deductions from paychecks that are allowable. Makes it a criminal offense to induce anyone employed on a Federally-assisted project to relinquish any compensation to which he/she is entitled, and requires all contractors to submit weekly payrolls and statements of compliance.
- Fair Labor Standards Act of 1938, as amended (29 USC 201, et. seq.): Establishes the basic minimum wage for all work and requires the payment of overtime at the rate of at least time and one-half. It also requires the payment of wages for the entire time that an employee is required or permitted to work, and establishes child labor standards.

24 CFR Part 92.354 provides additional guidance for this requirement.

Language Access

Recipients of federal financial assistance, including HOME funds, are required to provide meaningful access to their programs and services for persons with limited proficiency in English (LEP). The U.S. Supreme Court has held that failing to take reasonable steps to ensure meaningful access for LEP persons is a form of national origin discrimination prohibited by Title VI of the Civil Rights Act of 1964.

The requirement to provide language assistance to LEP individuals applies to all recipients of federal financial assistance, including HOME funds, regardless of conflicting state or local laws. When meaningful access requires interpretation, interpreters should be provided at no cost to the persons involved. Budgeting adequate funds to ensure language access is essential. While costs are a consideration in determining what language assistance is reasonably required, fiscal pressures do not provide an exemption from civil rights requirements.

Recipients of HOME funds should develop, and periodically update, a written LEP plan that describes their language assistance services and explains how staff and LEP persons can access those services. Recipients who are not fully compliant with the LEP guidance issued by the federal government should be making steady progress toward becoming fully compliant. Guidance regarding LEP compliance can be accessed on the HUD website at www.hud.gov. The full Final Guidance was published in the Federal Register, Volume 72, Number 13, on January 22, 2007.

Lead Based Paint

Housing assisted with HOME funds is subject to:

- Lead-Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821-4846)
- Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856)
- Title X of the 1992 Housing and Community Development Act (24 CFR Part 35)

These regulations require the use of trained and certified lead paint professionals and certified abatement contractors. A list of certified lead-based paint contractors is available from the Department of Environmental Quality at:

<http://www.deq.state.ok.us/AODnew/lbp/lbplistings.htm>.

24 CFR Part 92.355 provides additional guidance for this requirement.

Minority Outreach

Section 281 of the National Affordable Housing Act (the “Act”) requires the State to prescribe procedures acceptable to the Secretary of HUD to establish and oversee a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, including without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and legal firms, in all contracts, entered into by the participating jurisdiction with such persons or entities, public and private, in order to facilitate the activities of the participating jurisdiction to provide affordable housing authorized under the Act or any other federal housing law applicable to such jurisdiction. **A separate file containing all minority outreach documentation must be maintained at the Awardee’s offices.**

Applicants will be required to adopt a Utilization Plan for the participation of Minority Business Enterprises/Women Business Enterprises (M/WBEs) in the development. The Utilization Plan should include a policy statement signed by the applicant's chief executive official (CEO) which describes the applicant's policies and practices for subcontracting and/or for procurement of goods and services. **Recommended methods for encouragement of M/WBEs can be found in the Equal Opportunity section of this Guidance, pages 58 and 59.**

All applicants may be requested to submit M/WBE Utilization reports, which should include:

- The name, address and telephone number of each M/WBE the applicant is using or intends to use;
- A brief description of the contract scope of work to be performed for the applicant by each M/WBE and the scheduled dates for performance;
- A statement of whether the applicant has a written agreement with each M/WBE, and if requested, copies of the agreements the applicant is using or intends to use;
- The actual total cost of the contract, the work performed and the materials provided, scope of work to be performed by each M/WBE for each contract;
- The actual amounts of any payments made by the applicant to each M/WBE as of the date the compliance report was submitted; and
- The percentage of total contractors, subcontractors, vendors and suppliers utilized for the development and the total prices for each.

Outcome Performance Measurement

The Office of Community Planning and Development (CPD) at HUD has developed an Outcome Performance Measurement System. This system will enable HUD to collect information on the outcomes of activities funded with CPD formula grant assistance, and to aggregate that information at the national, state, and local level. The outcome performance measurement system is not intended to replace existing local performance measurement systems that are used to inform local planning and management decisions and increase public accountability.

The outcome performance measurement system has three overarching objectives: (1) Creating Suitable Living Environments, (2) Providing Decent Affordable Housing, and (3) Creating Economic Opportunities. There are also three outcomes under each objective: (1) Availability/Accessibility, (2) Affordability, and (3) Sustainability. Thus, the three objectives, each having three possible outcomes, will produce nine possible "outcome/objective statements" within which to categorize HOME activities. OHFA will complete an outcome/objective statement in HUD's Integrated Disbursement and Information System (IDIS) by entering data in the form of an output indicator.

It is mandatory for OHFA to collect this data. The collection and reporting of performance data is not optional, but individual outcome indicators can and will vary, depending on the activity. The proposed outcome measurement framework will not change the types of activities available to eligible applicants, but it will require new ways of reporting the data. The flexibility of the Program will be maintained. The objectives and outcomes will be determined by OHFA, based on the intent of the activity.

For all activities to be undertaken with HOME funds in Program Year 2014, the outcome/objective will be affordability for the purpose of providing decent housing.

Period of Affordability

Important note: According to HUD regulations, the period of affordability does not begin until the activity is shown as completed in HUD’s Integrated Disbursement and Information System (IDIS). Therefore, the period of affordability may not start until sometime after the execution of any written agreements with beneficiaries of HOME funds. Interested parties must contact OHFA in order to determine the exact date on which the period of affordability will expire.

The relevant periods of affordability are as follows:

Rental Rehabilitation or Acquisition, and Homeownership:

<u>Home funds:</u>	<u>Period:</u>
\$1,000 - 14,999	5 years
\$15,000 - 40,000	10 years
\$40,001 - maximum allowable	15 years

For New Construction of rental housing or acquisition of newly constructed rental housing, the Period of Affordability is 20 years.

Procurement

It is important to keep the solicitation of bids for goods and services as well as professional services contracts open and competitive. Cities, counties and non-profit organizations must follow procurement policies and meet federal requirements. At a minimum, cities and counties must comply with 24 CFR 85.36 and non-profits must comply with 24 CFR 84.

Applicants should obtain 3 to 5 bids using formal advertising or requests for proposals for the procurement of professional services such as grant administration, inspections and work write-ups. There must be an established selection procedure and a written rationale for selecting the successful bid or proposal. All procurement documentation, including bids not chosen, must be kept.

Program Income

Awardees are required to clearly identify whether or not the proposed activity will result in program income. All program income must be returned to OHFA. OHFA no longer permits awardees to retain program income. Exceptions may be made for awardees that are currently reusing program income derived from contracts already completed and closed out. Such exceptions must be specifically approved by OHFA and HUD, and may be rescinded at any time should OHFA Finance or Monitoring Staff determine that the program income is not being used in strict accordance with HOME Program and OHFA rules and regulations.

Documentation Requirements:

An awardee must describe:

- The circumstances under which the proposed activity will produce program income and the amount of program income that will be provided.
- The process or processes that will be used to ensure tracking and the steps to timely report and return of all the program income generated.

Project Completion

HUD has revised the definition of “Project Completion” in 24 CFR Part 92.2. For all HOME projects, project completion will mean that all construction work and title transfer (if applicable) is completed, and the final draw of HOME funds has been disbursed. In addition:

- For Homeownership projects, completion means that beneficiary data is entered into IDIS;
- For Rental projects, project completion shall mean that the units must be ready for occupancy, but tenant data input in IDIS is not required for completion of rental projects.

The Awardee must repay to OHFA, and OHFA must repay to HUD, any funds expended on projects that are not completed and ready for occupancy within four (4) years of the date the contract is executed between OHFA and the Awardee. HUD may grant a one-year extension, but only if OHFA and the Awardee are able to provide HUD with legitimate reasons why the project was not completed within the four (4) year time frame, as well as a detailed plan to achieve completion within one year and achievable benchmarks to measure progress towards completion.

Relocation

HOME-funded projects are subject to relocation requirements contained in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) whenever displacement occurs as a direct result of rehabilitation, demolition or acquisition for a HOME-assisted project. Section 104(d) of the Housing and Community Development Act (also known as the “Barney Frank Amendments”) may be triggered by demolition or conversion of units when HOME funds are used for the project. Acquisition only activities do not trigger Section 104(d).

More information is available in HUD Handbook 1378, Tenant Assistance, Relocation, and Real Property Acquisition; Handbook 1374, Tenant Assistance, Relocation and Real Property Acquisition – HUD CPD Staff Responsibilities; and the HUD-sponsored All the Right Moves course book. 24 CFR Parts 42 and 92.353 provide additional guidance for this requirement.

Resale and Recapture

24 CFR 92.254 provides guidance for Resale/Recapture options for Homeownership. OHFA is authorized under the HOME Rules to select which option will be used for preserving the period of affordability. For 2014, OHFA has chosen the recapture option. **If applicants demonstrate to OHFA staff that special conditions exist that would make the resale option superior, then it may be considered as an exception. In addition, when there is no direct subsidy to the homebuyer, the resale option must be used.**

The applicant is to describe to OHFA its procedures as they relate to the HOME recapture or resale requirements. The procedures must fully comply with the HOME Rules.

Recapture provisions must ensure that there is recovery of all or a portion of the HOME assistance, if the housing does not continue to be the principal residence of the family for the duration of the period of affordability. **Deed restrictions, land covenants or other similar legal mechanisms must be in place to enforce these recapture and resale restrictions.**

The amount subject to recapture is based on the amount of HOME assistance that is a direct subsidy to the homebuyer. The recaptured funds must be returned to OHFA.

OHFA requires that all recapture provisions for homeownership activities base the recapture amount on the net proceeds available from the sale and not the entire amount of the HOME investment. Applicants may structure their recapture provisions such that the HOME funds are recaptured in one of the following three methods:

- Recapture of the HOME investment first, with the homeowner receiving any remaining net proceeds
- Allow the homeowner to recover his/her initial investment first, with the remainder of the net proceeds recaptured
- A “shared appreciation” method, where a pre-determined percentage of the net proceeds is retained by the homeowner, and the remainder of the net proceeds is recaptured

All recapture provisions must be fully described in the application for funding and must be approved by OHFA before they can be implemented. The entire amount may be recaptured at any time during the period of affordability, or a percentage of the HOME investment may be forgiven annually during the period of affordability.

HUD requires repayment if the HOME-assisted housing fails to meet the affordability requirements for the full affordability period, even in the event of foreclosure or transfer in lieu of foreclosure. In the event of foreclosure, or transfer in lieu of foreclosure, the Period of Affordability must still be enforced.

If the homebuyer receives no direct subsidy from the HOME funds, such as down-payment assistance or a reduction in the price of the home below its appraised value, and subsequently sells the home within the Period of Affordability, the resale option will be used ensure that the HOME-assisted unit remains affordable over the affordability term.

Under the resale option:

- The homebuyer must sell the property to a new purchaser that meets the HOME Program definition of low-income.
- Said purchaser must occupy the property as his/her principal residence.
- The new purchaser’s PITI cannot exceed thirty-five percent (35%) of his/her gross income.
- **The original homebuyer (now the seller) must receive a “fair return” on his/her investment. The original homebuyer’s investment is defined as the amount of the**

original down payment and any documented capital improvements or improvements to the real property paid for by the original homebuyer. A fair return is defined as the original homebuyer's investment multiplied by the percentage increase in the sales price of the home.

In order for OHFA to permit the resale option to be used, the homebuyer must not have received any direct subsidy from the use of HOME funds. A direct subsidy may not be limited to down-payment assistance. According to HUD guidance, homebuyers receive a direct subsidy if the appraised value of the home purchased is greater than the sales price. If the homebuyer receives any form of direct subsidy, the recapture method must be used.

Written agreements with individual beneficiaries cannot contain a combination of both the recapture and resale options.

Assisted households must be informed that if they fail to occupy the unit as their primary residence, they must repay the full amount of the HOME assistance.

Site and Neighborhood Standards

Site and neighborhood standards apply only to New Construction Rental housing. In carrying out the site and neighborhood requirements with respect to new construction of rental housing, OHFA is responsible for making the determination that proposed sites for new construction meet the requirements in 24 CFR Part 983.57(e)(2) and (3).

The site must not be located in an area of minority concentration, except as permitted in the following paragraphs, 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.

A project may be located in an area of minority concentration only if:

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

As used in the preceding paragraph, “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, such that, over a period of several years, it 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.

Units may be considered “comparable opportunities” as used herein, 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.

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:

- (A) A significant number of assisted housing units are available outside areas of minority concentration.
- (B) 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.
- (C) There are racially integrated neighborhoods in the locality.
- (D) Programs are operated by the locality to assist minority families that wish to find housing outside areas of minority concentration.
- (E) 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.
- (F) A significant proportion of minority households has been successful in finding units in non-minority areas under the tenant-based assistance programs.
- (G) Comparable housing opportunities have been made available outside areas of minority concentration through other programs.

Application of the “overriding housing needs” criterion, for example, permits approval of sites that are an integral part of an overall local strategy for the preservation or restoration of the immediate neighborhood and of sites in a neighborhood experiencing significant private investment that is demonstrably improving the economic character of the area (a “revitalizing area”). An “overriding housing need”, however, may not serve as the basis for determining that a site is acceptable, if the only reason the need cannot otherwise be feasibly met is that discrimination on the basis of race, color, religion, sex, national origin, age, familial status, or disability renders sites outside areas of minority concentration unavailable or if the use of this standard in recent years has had the effect of circumventing the obligation to provide housing choice.

Student Housing

HUD has amended the definition of “housing” in 24 CFR 92.2 to exclude all student housing. Previously only dormitories were prohibited by the HOME rules, but now all types of student housing are prohibited. HUD has not clearly defined what constitutes “student housing.” Applicants should be aware of this new restriction when applying for HOME funds for Rental housing that could be construed as student housing.

Student Rule – Definition of Low Income Families

HUD has amended the definitions of “low-income families” and “very low-income families” in 24 CFR Part 92.2 to exclude “students” from qualifying as a low-income or very low-income

family. The Final Rule has been revised to be consistent with recent statutory changes to the Section 8 Housing Choice Voucher Program, which prohibit voucher assistance to individuals who are enrolled in an institution of higher learning from qualifying as a low-income family if the individual is under 24 years of age, not a military veteran, unmarried, does not have a dependent child, and is not otherwise individually low-income, or does not have parents who are low-income.

Subsidy Layering

Subsidy layering is the combining of other federal resources on a HOME-assisted project that results in an excessive amount of subsidy for the development. Such excess is prohibited. OHFA will analyze each application to ensure that only the minimum amount of assistance is allocated to the development. If OHFA determines that there will be an excessive amount of subsidy for the development, adjustments will be made to the HOME award. OHFA must examine the sources and uses for each project and determine whether or not the costs are reasonable and if the return to the owner and/or developer of the project is reasonable. However, OHFA must also ensure that there is adequate subsidy to ensure the long-term viability of the project.

Subsidy Limits

Minimum HOME Investment: The minimum amount of HOME funds that must be invested is \$1,000 multiplied by the number of HOME- assisted units in a development. The minimum only relates to the HOME funds, and not to any other funds that might be used for development costs. The minimum HOME investment does not apply to Tenant-based Rental Assistance.

Maximum HOME investment: The maximum amount of HOME funds is determined by the limits for Section 221(d)(3)(ii) defined by jurisdiction. The limits are further determined by the number of bedrooms. See the 221(d)(3)(ii) Limits” section in this Topical Guidance.

Applicants should be aware that the maximum HOME investment is further limited to a pro-rata share of the HOME-eligible costs in the project, based on the number of HOME units as compared to the total units in the project. For further guidance on this issue, please see CPD Notice 98-02 or contact OHFA Staff.

The maximum for HOME Down-payment Assistance is \$10,000 per HOME-assisted unit. Down-Payment Assistance (DPA) is further limited to the amount of assistance required to make the housing affordable to the low-income homebuyers. **Each award of DPA must be underwritten to ensure that excessive subsidy is not being provided. Awardees should not simply award the same amount of DPA to each beneficiary.**

Underwriting Standards - Rental

A minimum debt service coverage ratio (DCR) of **1.15** is required for all debt financing which would foreseeably result in foreclosure if not repaid. The debt coverage ratio must be maintained for 15 years. **Debt service coverage is defined as the ratio of a property’s net operating income to debt service obligations.** Rental income, any subsidies, and reserve funds

should be sufficient to cover the property's debt and operating expenses over the period of low-income use.

Proformas should not be unduly conservative or overly optimistic. OHFA will review all costs to ensure that they are customary, reasonable and necessary. This will be based on the type of development activity and comparable costs in the market area. If documentation is not adequate and does not support the costs, OHFA may request additional documentation or deny the Application. OHFA will review to ensure that the costs being funded by the HOME Program are eligible and the HOME funds per unit do not exceed the 221-(d) (3) maximum per-unit subsidy limits or cost allocation limits.

OHFA may deny HOME financial assistance if the applicant refuses to make reasonable adjustments or to limit the financial return or related soft costs.

Uniform Physical Condition Standards (UPCS)

HUD is eliminating the Housing Quality Standards (HQS) for all HOME-assisted housing. HQS will only be used as the standard for housing for tenant households being assisted with Tenant-Based Rental Assistance. **All HOME-assisted housing must now meet the Uniform Physical Condition Standards (UPCS) applied to public housing.** UPCS will also be the minimum standard applied to ongoing compliance in Rental properties pursuant to 24 CFR Part 92.251(f)(1)(i). OHFA will not conduct a REAC inspection, but will require correction of all observed violations of UPCS.

Written Agreements

When HOME assistance is provided to homebuyers, the CHDO, State recipient, sub-recipient or nonprofit developer must enter into a written agreement with each eligible homebuyer, separate and apart from the note and mortgage, that includes, at a minimum, the following:

- The housing must conform to the requirements of 24 CFR 92.254(a).
- The housing must be modest; its value must not exceed 95% of the median price of comparable housing and it cannot contain any luxury improvements. (For Homebuyer New Construction, its value cannot exceed the U.S. Census Bureau's National Non-Metro Sales Price.)
- The home must be the principal place of residence of the homebuyer.
- Resale or recapture provisions must be set forth in detail, and written in such a way that the homebuyer can understand them.
- The agreement should set forth the amount of HOME assistance provided, the form of such assistance, and the deadline for acquiring the housing unit with the HOME funds.