

2021 HOME APPLICATION WORKSHOP

Homeownership Development Round

THDA COMMUNITY PROGRAMS DIVISION

August 20, 2021 – August 26, 2021

WebEx Virtual Meeting

2021 HOME ALLOCATION

- Total CHDO Set Aside Funds Available: a minimum of up to \$2,586,141 plus up to 7% allocated for Operating Expense Assistance
- Total Homeownership Development Funds Available to non-CHDO non-profits: \$2,413,859



Minimum and Maximum Grants

- Applicants must apply for at least \$250,000
- Maximum grant is \$1,000,000
- Limit of \$1,000,000 that can be awarded to any one county
 - Grants to successful applicants in the same county will be reduced proportionately
 - If grants must be reduced, the goal is a minimum of \$250,000 but could be less

2020 Application Dates

- Applications due by 11:59 PM (CST)
October 8, 2021
- Successful applicants will be notified on or about October 28, 2021
- 2021 Homeownership Development Round Reservation of Funds will be effective December 1, 2021 through November 30, 2024

2021 Homeownership Round Significant Changes

- Increase the maximum of HOME funds that can be awarded to an applicant from \$750,000 to \$1,000,000
- continuation of a scoring component to encourage Public Private Partnerships
- Available to both CHDO and Non-CHDO non-profit housing developers

CHDO Commitment

- CHDO commitments must meet the 24-month deadline *by program year* and not on a cumulative basis
 - 50% of the funds by November 30, 2022;
 - 75% of the funds by May 30, 2023;
 - 100% of the funds by November 30 2023.
 - **HUD may recapture any CHDO funds not committed to specific CHDO activities by the deadlines. Funds will be lost to Tennessee!**

PIMS

- Participant Information Management System (PIMS)
 - On-line tool for Nonprofits to Submit Required Documentation



PIMS

- CHDO's and Non-profits will need to upload all information specifically requested in PIMS directly into PIMS and not into GMS with the application
- For documents required in PIMS THDA will not accept by other means.



Application Threshold Criteria

- Submission of a COMPLETE application
 - Application is properly submitted
 - Application has all required documentation and attachments
 - All PIMS Required documents have been uploaded to PIMS
 - Must be signed by the Executive Director or Equal
- Proposal of an eligible activity
- Proposal of a project that is physically, financially and administratively feasible

Threshold Criteria

- Proposed program meets the requirements of the **HOME Final Rule at 24 CFR Part 92, as amended**
- Incomplete or late applications will not be considered
- Carefully review the application before you submit it
- THDA staff will not contact you for missing documentation during the application process

Spend Down and Commitment Requirements

HOME PROGRAM DESCRIPTION	COMMITMENT REQUIREMENT	SPEND DOWN REQUIREMENT
2015-2016 Urban/Rural, Regular and CHDO Round and CHDO Mini-Rounds 1 & 2	100%	100%
2017 Urban/Rural CHDO and CHDO Mini-Rounds 1 and 2	100%	100%
2018 Urban/Rural, Regular and CHDO Mini-Rounds 1 and 2	100%	75%
2019 Urban/Rural, Regular CHDO Round	75%	50%
2020 Urban/Rural, Regular CHDO Round	25%	10%
2020 CHDO Mini-Round	Not Eligible	Not Eligible
2021 Urban/Rural Round	Not Eligible	Not Eligible

Spend Down or Commitment Requirement

- All applicants with prior HOME grants between 2015 and 2021 must meet **both** of the following:
 - Have submitted a completed request for payment form with all supporting documentation by **October 1, 2021**; and
 - Be in material compliance with **ALL** other THDA programs in which they participate

Projects Located In Local PJs

- CHDOs and Non-profits proposing projects in Local PJs **ARE eligible** to apply for 2021 State HOME Homeownership Round Reserve funds

Eligible Applicants

- 501(c)(3) Non-Profit organizations
- 501(c)(4) Non-Profit organizations
 - 501(c) designation must demonstrate proof from the IRS of the status or designation
- Applicants applying for CHDO set-aside funds must meet **ALL** CHDO requirements published at the time of application.

All Eligible Non-Profit Applicants

- All private, non-profit organizations must be:
 - Organized and existing in the State of Tennessee (as evidenced by a Certificate of Existence from the Tennessee Secretary of State, dated no more than **thirty (30)** days prior to the application date)

Or;

All Eligible Non-Profit Applicants

- Be organized and existing under the laws of another state and be qualified to do business in Tennessee (as evidenced by a Certificate of Existence from the other state's Secretary of State dated no more than **thirty (30) days** prior to the application date and by a Certificate of Authorization to do business in Tennessee from the Tennessee Secretary of State, dated no more than **thirty (30) days** prior to the application date)

All Eligible Non-Profit Applicants

- Have a Certificate of Existence dated within 30 days of application submission date
- If organized outside of Tennessee, also have a Certificate of Authorization dated within 30 days of application submission date
- Have among its purposes the provision of housing to low income household

All Eligible Non-Profit Applicants

- Have standards of financial accountability
- Have a **501(c)(3) or 501(c)(4)** designation from IRS
- Additional requirements in **Non-profit Checklist/CHDO Designation**

Eligible **CHDO** Applicants Must:

- Meet all of the requirements for a non-profit organization
AND:
 - Be independent
 - Not be a governmental entity
 - Have a defined service area that does not include all of Tennessee
 - **Maintain accountability to low income community residents**

Eligible **CHDO** Applicants Must:

- Have paid staff with housing development experience
 - W-2s or W-4 submitted with application to document the paid staff
- Have a history of serving the community in which the HOME project is to be located
- Maintain a compliant Board composition

Eligible Activities

- Development of housing for sale to low income home buyers

- Grantees will only be funded as the owner and developer of units for homeownership
 - New construction of units
 - Acquisition/Rehabilitation/Sale

Rental Housing Programs

Rental housing activities are not eligible for funding under this HOME grant Round



Operating Expenses; CHDO's **only**

- A CHDO may request an amount equal to up to seven (7%) percent of its grant as CHDO operating expenses
- CHDOs are **encouraged** to use CHDO operating expenses for direct costs to operate the HOME program
- A CHDO **cannot** charge indirect costs unless it has a cost allocation plan approved by its cognizant agency

Developer Fees

- A developer may request an eight (8%) percent developer fee if the grantee is acting as a developer of housing
 - The Developer Fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit for homeownership
 - The Developer Fee is a project soft cost and counts against the **maximum per unit subsidy limit**
 - The Developer Fee must be drawn on a project by project basis from these grant funds.

CHDO (ONLY) Proceeds

- CHDO proceeds are the HOME funds returned to the CHDO upon the sale of a unit developed by the CHDO from the buyer's permanent financing
- The CHDO must use its proceeds to develop additional units for homeownership
- Once CHDO proceeds are used a second time to develop more housing for homeownership, the HOME restrictions on the use of CHDO proceeds are eliminated

CHDO Proceeds

- A CHDO may use up to fifteen (15%) percent of its CHDO proceeds for operating expenses
 - A maximum of seven (7%) for administration
 - A maximum of eight (8%) for developer's fees

- The CHDO must leave between \$1000 and \$14,999 of HOME funds in the sale as Down payment Assistance based on THDA's underwriting tool to make the house purchase affordable to the buyer.

Non-Profit Developer Sale Proceeds

- Houses must be sold at the Appraised Value. At the time of closing the HOME funds in the project must be repaid to THDA at 0% interest with the below deductions.
- The developer may charge an 8% developer fee
 - The amount of the appraisal GAP (development subsidy) difference between the cost to develop and the appraised value is forgiven.

Non-Profit Developer Sale Proceeds

- The developer must leave between \$1000 and \$14,999 of HOME funds in the sale as Down payment Assistance based on THDA's underwriting tool to make the house purchase affordable to the buyer.

Project Soft Costs

- Costs for lead-based paint inspections, risk assessments and clearance testing
- Architectural and engineering fees
- **All project soft costs count toward the HUD maximum per unit subsidy limit**

Manufactured Housing

- Rehabilitation of an existing manufactured housing unit as defined in 24 CFR part 3280 is **NOT** an eligible activity in the State HOME CHDO program
- Replacement of a substandard manufactured housing unit as defined in 24 CFR part 3280 unit is also **NOT** allowed in the State HOME program

Rehabilitation and Lead-Based Paint

- All units built pre-1978 will require a risk assessment by a certified lead inspector
 - If the rehabilitation costs are less than \$25,000, then standard treatments apply
 - If the rehabilitation costs are greater than \$25,000, then abatement is required

Rehabilitation and Lead-Based Paint

➤ ABATEMENT

- Requires a certified lead abatement contractor
- Certified lead abatement contractors can be found on the TDEC website under the Division of Solid Waste Management:
 - <http://tn.gov/environment/article/sw-lead-hazard-program.shtml>

Acquisition and Rehabilitation

- THDA must review the prospective HOME Rehabilitation project before HOME funds are committed to the purchase

Work Write-ups

- THDA must review and approve work write-ups, written cost estimates, plans, specifications, and UPCS Checklist before the project is put out to bid
- The work write-up must break out the lead and rehabilitation costs for each line item

Code Inspection

- THDA requires **ALL** code regulated work be performed under a permit and inspected by a state certified building inspector in the local jurisdiction or by the State Fire Marshal's office

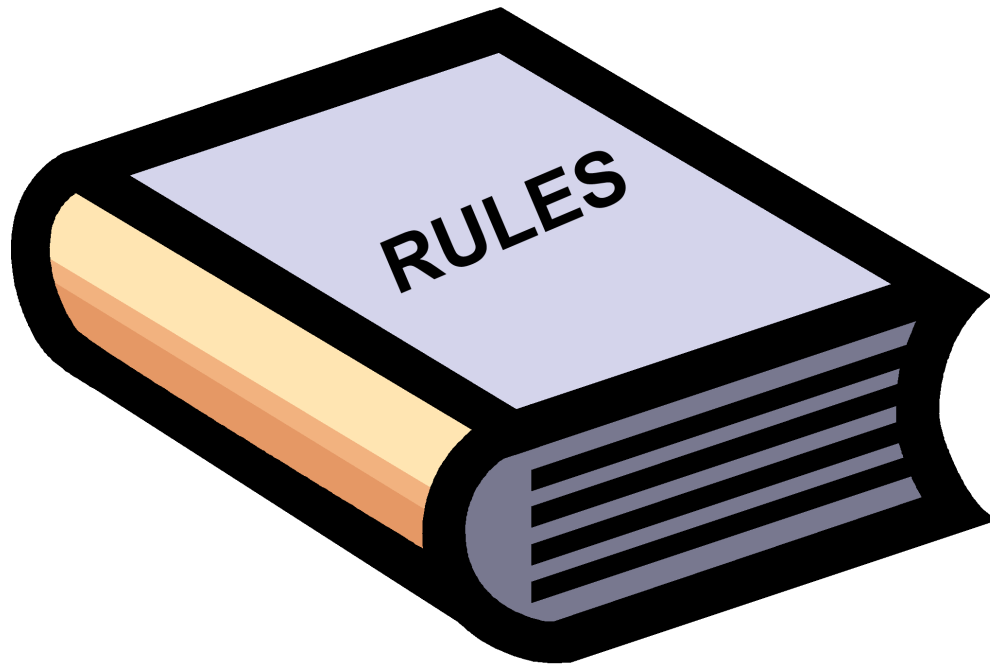
Progress and Completion Reviews

- The HOME regulations include a stringent oversight of HOME projects with required Progress Reviews
 - Acquisition and rehabilitation require a **work write up** and a minimum of two additional reviews, **Interim and Final**
 - New Construction requires **submission of building plans** and a minimum of two additional reviews, **Interim and Final**

Progress and Completion Reviews

- THDA will conduct an interim and final onsite or virtual review of the project once appropriate progress reviews have been completed and submitted with all required documentation including a final passing Code Inspection.

HOME Program Requirements



Soft Second Mortgages/DPA

- A soft second mortgage/DPA is the direct HOME assistance provided to the home buyer
 - All Grantees are required to leave HOME funds in the unit at the time of sale to an eligible buyer
- Soft second mortgages/DPA are limited to the lesser of \$14,999 in HOME funds or the amount of HOME funds necessary to qualify the household for permanent financing, but not less than \$1,000

Soft Second Mortgages/DPA

- All grant recipients must use the THDA Single-Family underwriting template to determine the amount of direct HOME assistance
- THDA must review and approve the determination of the level of assistance
- If the underwriting template indicates that the home buyer does not have an unmet need for the assistance, the grantee does not have a viable HOME-assisted homeownership project

Soft Second Mortgages/DPA

- Soft second mortgages/DPA are forgiven at the end of five (5) years if the unit remains the permanent residence of the initial buyer and is not leased or vacated
- If the unit remains in compliance, but is sold during the affordability period, the amount of HOME funds subject to recapture can be reduced by 20% per year
- **Recaptured funds must be repaid to THDA**

Sales Price Limits

- The Property Value Limits are the current sales price limits as published by HUD for HOME homeownership programs.
- Any unit completed within the previous 12 months is considered new construction
- Sales Price limits are available at:

<https://thda.org/government-nonprofit-partners/home-program>

Underwriting

- Must use THDA's underwriting tool
- Front end ratios may not exceed 29%
- Back end ratios may not exceed 41%
- Lower ratios are encouraged

Permanent Financing

- Use THDA mortgage products whenever possible
- If not a THDA loan, the first mortgage is comparable if the interest rate does not exceed the THDA Great Choice interest rate by more than one (1%) percentage point
- The permanent loan must have a fixed interest rate, fully amortizing over the 30-year loan term
- No pre-payment penalty for early payoff

Home Buyer Contribution

- The home buyer must make a contribution from their own funds equal to one (1%) percent of the purchase price of the property
- If the buyer has liquid assets over \$20,000, the home buyer contribution must be ten (10%) percent of the liquid assets instead of 1% of the purchase price



Home Buyer Education

- All home buyers must complete a home buyer education program from a HUD certified home buyer education trainer working with a HUD approved organization/agency prior to purchase.



Neighborhood Market Conditions

- Applicants proposing homeownership projects must document that the neighborhood market conditions **demonstrate a need for the project**
- Must submit a market study as part of the HOME application

Deadline for Sale

- Homeownership units developed must be sold to an eligible home buyer within nine (9) months of project completion (Certificate of Occupancy)
- If a homeownership unit is not sold by the 9 month deadline, the unit must be converted to rental housing for the appropriate rental affordability period
 - **The 15 year affordability period for HOME rental will then apply!**
- If the unit is not converted to rental housing, all of the HOME funds invested in the unit must be repaid to THDA

Income Limits

- HOME funds may only be used to assist:
 - Households with gross annual income at or below 80% of area median income, adjusted for family size
 - Income limits are updated annually by HUD

Compliance Period

- **Homeowner Rehabilitation Programs**
 - Five year compliance period
 - 20% annual forgiveness feature
 - If unit is sold during the compliance period, the amount of HOME funds subject to recapture can be reduced by 20% per year
 - **Recaptured funds are repaid to THDA**

Affordability Period

➤ Homeownership Programs

- Five year affordability period secured by soft second mortgage
- Forgiven at the end of the 5 years **IF** the unit remains the principal residence of the initial home buyer and is not leased
- If the unit does not remain in compliance, the entire HOME investment must be repaid to THDA

Affordability Period

- The HOME-assisted home buyer may sell or otherwise transfer the unit before the end of the affordability period
- If the unit is sold or transferred during the affordability period, the amount of HOME subsidy subject to recapture will be reduced by 20% per year of occupancy by the initial home buyer
 - The amount subject to recapture is limited to the availability of net proceeds

Subsidy Limits

MINIMUM HOME DOLLARS	\$1,000	PER UNIT
MAXIMUM HOME DOLLARS	\$83,045	0-Bedroom (Efficiency) Limit
	\$95,199	1-Bedroom Limit
	\$115,763	2-Bedroom Limit
	\$149,761	3-Bedroom Limit
	\$164,390	4-Bedroom Limit

Subsidy Limits are published annually by HUD and subject to change

After Rehabilitation Property Value

- **Applicable to homeowner rehabilitation projects**
 - This is the affordability requirement for owner-occupied rehabilitation projects
 - Based on 95% of median purchase price for an area as established by HUD on an annual basis

Universal Design/Visitability

- The inclusion of features that allow individuals with physical disabilities to reside in or to visit housing that is constructed or rehabilitated with federal funds
- Universal design allows housing to be adapted to the individuals current or future needs
- Visitability allows individuals who have trouble with steps or use wheelchairs or walkers to live in or visit the unit

Universal Design Features

- Step-less entrances
- Minimum 5' x 5' level clear space inside and outside entry door
- Broad blocking in walls around toilet, tub and shower for future placement of grab bars
- Full-extension, pull-out drawer, shelves and racks in base cabinets in kitchen
- Front mounted controls on all appliances
- Lever door handles
- Loop handle pulls on drawers and cabinet doors

Visitability Features

- One zero step entrance
- Doors with 32 inches of clear passage space
- One bathroom on the main floor that is accessible to a person using a wheelchair

Property Standards

- The new HOME rule made significant changes in 92 CFR §92.251 (Property Standards)
 - HUD is to provide additional guidance on a new version of Uniform Physical Condition Standards (UPCS) for the HOME program

Property Standards

- For Acquisition and Rehabilitation THDA has developed written rehabilitation standards that must be met for all HOME-assisted rehabilitation projects
 - **THDA Designs Standards for Rehabilitation of Single Family and Multi-Family Units**

Property Standards

- For new construction programs, the HOME-assisted single-family unit must, at project completion:
 - Conform to THDA Design Standards for New Construction of Single-Family and Multi-Family Housing Units; and
 - Meet all local and State codes, rehabilitation standards, UPCS, and zoning ordinances, requirements; or
 - Absent such codes, meet the current, State-adopted edition of the International Residential Code for One- and Two-Family Dwellings

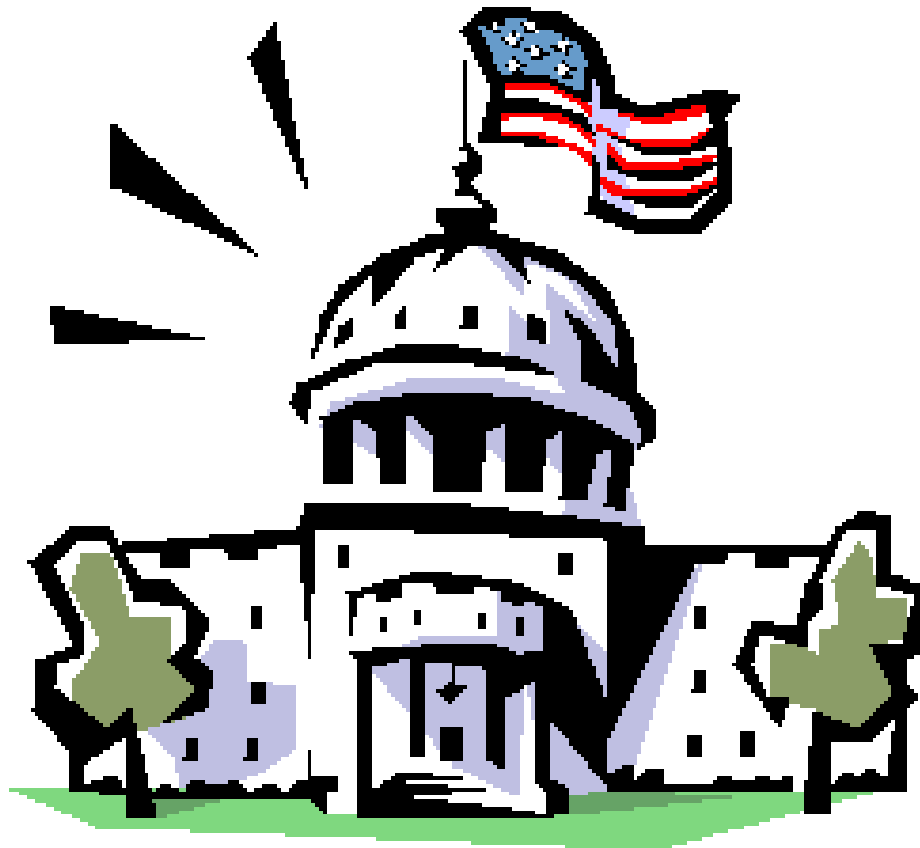
Property Standards

- New construction must also:
 - Meet accessibility requirements
 - Mitigate disaster impact
 - Meet the State-adopted edition of the International Energy Code
 - Meet Energy Star qualifications or achieve a HERS index of 85 or less when tested by a certified rater

Property Standards

- Work write-ups or plans and specifications must be approved by THDA prior to any project being put out to bid

Other Federal Requirements



Relocation (URA)

- Contact THDA prior to submitting a HOME application if individuals may be displaced or relocated due to your program
- Relocation has the potential for significant financial impact on a project



Equal Opportunity & Fair Housing

- No individual can be excluded from participation in the HOME Program on the basis of:
- Race
 - Color
 - Religion
 - Sex
 - Familial Status
 - National Origin
 - Disability



Affirmative Marketing

- Applies to all homeownership programs of five or more units
- Grantees must adopt procedures to provide information and otherwise attract eligible persons in the housing market to the available housing without regard to race, color, religion, sex, familial status, national origin or disability

Limited English Proficiency (LEP)

- Each Grantee must have policies and procedures to assist non-English speaking applicants
- Local staff should be knowledgeable of the procedures
- Each Grantee should also have a process that notifies LEP persons of language assistance available (i.e. notices, signs)

Environmental Review

- HOME funds cannot be committed to a project **prior to the completion of the environmental review**
 - Tier 2 reviews must be completed before the work write-up is submitted for approval

- The applicability of the environmental review is **based on the project as a whole** and not the type of costs paid with HOME funds
 - **No commitment of non-federal funds** in the project before completion of the environmental review



Site and Neighborhood Standards

- Promote a greater choice in housing opportunities
- Ensure that the proposed activity does not allow or promote segregation on the basis of race, disability or income

Flood Plains

- THDA does not generally fund HOME Homeownership projects in a flood plain.
 - In some circumstances however, with written permission from THDA, projects located in a floodplain may be assisted when;
 - The flood plain is mitigated where all occupiable space of the dwelling and support systems are a minimum of 12” above the recognized flood plain or;
 - A map revision is obtained for the subject property removing it from the flood plain

Flood Plains

- In cases where properties are allowed to be built in the flood plain;
 - The community must be participating in the National Flood Insurance Program and flood insurance must be obtained on the units.
 - The beneficiary must obtain and maintain Flood Insurance for the duration of the compliance period.

Debarment and Suspension

- Grantees must verify that contractors are not presently debarred or suspended from participating in a federal program
- A list of debarred contractors can be found on the HUD website

Conflict of Interest

- Applies to qualified applicants and sale of the home
- Applies to the procurement of property and services including construction services and materials
- The new HOME regulations have been revised to clarify that the covered conflict involves:
 - a financial benefit or interest; and
 - covered familial relationships are limited to immediate family members

Procurement

- All Procurement subject to CFR 200.318
- Open and competitive solicitation by non-profit agencies applies to:
 - Goods and services
 - Professional service contracts
- Generally obtain a minimum of three (3) bids
- Have written procedures for selecting the successful bid

2021 HOME Application



Submission Instructions

- **ALL applications and supporting documentation must be submitted through THDA's online PIMS and GMS systems.**

Neighborhood Market Study

- All applicants proposing homebuyer programs must demonstrate a market demand for the project
 - Neighborhood Market Study
- Be honest in the conclusions the study demonstrates
 - There may not be a demand for the project
 - There are long term consequences to building a project that does not sell within (9) months of completion

Financial Analysis of Non-profits

- The asset and liability information in the audits will be used to evaluate the financial capacity of the non-profit organization by reviewing financial ratios, including:
 - Current Ratios
 - Working Capital
 - Cash to Working Capital
 - Current to Non-Current Liabilities
 - Debt Ratios

Non-Profit Checklist/CHDO Designation

- Certificate of Existence dated within 30 days of application
- Copy of 501(c)(3) or (c)(4) letter from IRS
- Copy of Charter and By-Laws
- Resolution authorizing submission of HOME application
- **CHDO Board Composition**
 - **CHDOs must indicate and document the low-income Board members**

Non-Profit Checklist/CHDO Designation

- Copy of most recent Board minutes
- One page explanation of how Board is involved in the operation of the non-profit

Non-profit Checklist/CHDO Designation

- List of organization's staff and experience
 - Copy of business plan or strategic management plan
 - Documentation of operating funds and amounts
 - Explanation of other programs operated by the agency
 - One page explanation of the organization's experience in housing, particularly for low and very low income
- **Individual Disclosure Form**
 - **Corporate Disclosure Form**

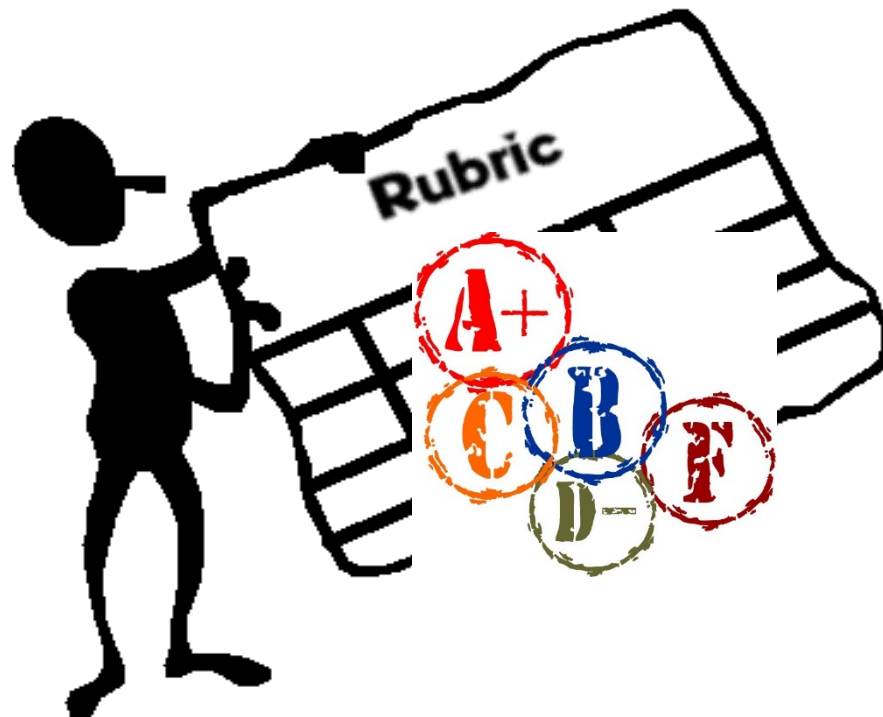
CHDO Checklist & Designation

- **CHDO Organizational Requirements**
 - CHDO legal structure
 - CHDO independence
 - CHDO accountability to its Low Income Community
 - CHDO Capacity
 - ❖ **List of CHDO employees and copy of current W-2s and/or W-4s**

CHDO Checklist & Designation

- **CHDO Organizational Requirements**
 - **CHDO Role as Developer of home buyer projects**
 - **CHDO Operating Expenses**
 - **CHDO Certification**
 - Signed by CHDO's Executive Director

Application Evaluation



Scoring Threshold

- Added a minimum point threshold that applications must receive in order to be considered for funding.
 - To be eligible, an application must meet all threshold requirements and receive a minimum score equal to 60 Points under the applicable scoring matrix.

Scoring Matrix– Up to 100 Points

- **Capability – Up to 50 Points**
 - **Program Design – Up to 25 Points**
 - Sites identified and applicant has site control
 - Applicant has an existing pipeline of potential home buyers ready to purchase or working toward readiness to purchase
 - ❖ **commitment must be to a specific address and home buyer to meet HUD’s 24-month commitment deadline**

Scoring Matrix

- Neighborhood study demonstrates a market for the project
- CHDO has capacity to secure other funding for the project

Scoring Matrix

- **Organizational Capacity – Up to 25 Pts**
 - Has produced successful affordable housing projects of similar size, scope and complexity
 - Has demonstrated capacity to manage home buyer programs
 - Budget reflects multiple sources of funding
 - Able to follow Implementation Plan of prior HOME grants

Scoring Matrix

- Able to draw down HOME funds in a timely manner
- Able to complete projects within contract term
- Has lack of monitoring findings
- Responds to client concerns and THDA staff

Scoring Matrix

- **Service Area not in a PJ – 5 Pts**
- **Public Private Partnership – 5 Pts**
- **Match - Up to 15 Pts**
- **Leverage – Up to 5 Pts**
 - Points awarded based on the % of other funding in the project

Scoring Matrix

- **Energy Conservation – Up to 10 Pts**
- **Universal Design – Up to 10 Pts**
- **Prior Unexpended Funds Deductions Up to -10 Pts**

CHDO Scoring Matrix

➤ **Match – Up to 15 points**

THDA shall award up to 30 points to applications that include a committed contribution of eligible match resources towards the project implementation. A commitment of eligible match contribution from an external source must be documented in the application from the source providing the contribution. To determine the points awarded, THDA will not round the percentage calculated.

CHDO Scoring Matrix

- The project's sources include an eligible HOME match contribution that is equal to or greater than 15% of the proposed HOME funds to be used for project costs;
15 points

Or;

- The project's sources include an eligible HOME match contribution that is equal to or greater than 5% and less than 15% of the proposed HOME funds to be used for project costs;
10 points

CHDO Scoring Matrix

Or;

- The project's sources include an eligible HOME match contribution that is equal to or greater than 1% and less than 5% of the proposed HOME funds to be used for project costs; **5 points**

or

- The project's sources include an eligible HOME match contribution that is less than 1% of the proposed HOME funds to be used for project costs. **0 points**

Internet Availability

- The Program Description, Application and Attachments are available on the THDA website at <https://thda.org/government-nonprofit-partners/home-program>
- The application will be an electronic application delivered on THDA's GMS system
- Nonprofit organizations **MUST** upload basic organizational documentation to PIMS

Contact THDA

- Community Programs staff can answer your general questions about the HOME application until the October 8, 2021, 2021 Homeownership Round submission deadline
- Call Aaron Toran, HOME Program Manager
 - **615-815-2037**
Call us or schedule a meeting!



Application Deadline

October 8, 2021

11:59 PM CST

You will not be able to submit your application into GMS after the deadline and no other application delivery method will be accepted

Questions

