

HOME Project Requirements

CDBG/HOME Guidebook



Section K

General Program Requirements

Projects awarded HOME funds are subject to a number of rules beyond those outlined in the other chapters of the Guidebook. The rules will vary by project type and are outlined in this section. Staff will work with organizations to document compliance for specific projects.

Eligible HOME - Funded Activities

The Kitsap County – City of Bremerton 2021-2025 Consolidated Plan prioritized HOME funds for the following:

- Construction of new rental housing
- Rehabilitation of existing rental housing
- Direct financial assistance to homebuyers

Eligible HOME Costs

- **New Construction** – HOME funds may be used for new construction of both rental and ownership housing.
- **Rehabilitation** – This includes the alteration, improvement or modification of an existing structure.
- **Reconstruction** – This refers to rebuilding a structure on the same lot where housing is standing at the time of project commitment.
- **Conversion** – Conversion of an existing structure from another use to affordable residential housing.
- **Site improvements** – Site improvements must be in keeping with improvements to surrounding standard projects. They include new, on-site improvements (sidewalks, utility connections, sewer and water lines, etc.) where none are present. Building new, off-site utility connections to an adjacent street is also eligible. Off-site infrastructure is not eligible as a HOME expense.
- **Acquisition of property** – Acquisition of existing standard property, or substandard property in need of rehabilitation, is eligible as part of either a homebuyer program or a rental housing project. After acquisition, rental units must meet HOME rental occupancy, affordability and lease requirements.
- **Acquisition of vacant land** – HOME funds may be used for acquisition of vacant land *only* if construction will begin on a HOME project within 12 months of purchase. Land banking is prohibited.
- **Demolition** – Demolition of an existing structure may be funded through HOME only if construction will begin on a HOME project within 12 months.
- **Related Soft Costs:** HOME funds may be used for other reasonable and necessary costs incurred by the owner and associated with the financing or development (or both) of new construction, rehabilitation, or acquisition of housing assisted with HOME funds. These costs include, but are not limited to:
 - Architectural, engineering, or related professional services required to prepare plans, drawings, specifications, or work write-ups.

- Costs to process and settle financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees
- for recordation and filing of legal documents, building permits, attorney fees, private appraisal fees and fees for an independent cost estimate, builders, or developer fees.
- Costs of a project audit.
- Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants.
- Costs for new construction or substantial rehabilitation, the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project run up and which may only be used to pay operating expenses, reserve for replacements and debt service.
- **Relocation Costs:** HOME funds may be used for the costs of relocation payments and other relocation assistance for permanent or temporarily relocating individuals, families, businesses, non-profit organizations, and farm operation where assistance is required in a HOME project.
- HOME funds may **not** be used for furniture, fixtures, and equipment (aka FEE) which are personal rather than real property.

Community Development Housing Organization (CHDO)

A CHDO is a private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves. A CHDO must meet certain requirements pertaining to their:

- Legal status.
- Organizational structure; and
- Capacity and experience

HOME program rules require that a minimum of 15% of HOME funds be set-aside for CHDOs. These funds can be used by the CHDO for HOME activities where the CHDO acts as the developer, sponsor and/or owner of the housing.

A. Legal Status

CHDOs must be organized under state and local law. Provision of decent housing that is affordable to low- and moderate-income persons must be among the purposes of the organization. This commitment must be evidenced in the CHDO's:

- Charter;
- Articles of incorporation;
- By-laws; or
- A resolution of the CHDO's board of directors.

No individual benefit: No part of the CHDO's earnings (profits) may benefit any members, founders, contributors or individuals.

Clearly defined service area: A CHDO should have a clearly defined geographic service area.

Nonprofit status: A CHDO must have received a tax-exempt ruling from the IRS under Section 501 (c) of the Internal Revenue Code. The 501 (c) designations permissible under HOME are:

- 501 (c)(3) status – a charitable, nonprofit corporation
- 501 (c)(4) status – a community or civic organization
- Section 905 status – a subordinate organization of a 501 (c) organization.

B. Organizational Structure: The CHDO is intended to respond to a particular community's needs. The CHDO board must be composed as follows:

- At least one-third must be representatives of the low-income community.
- No more than one-third may be public officials or employees of the County or City.
- The balance is unrestricted.

Low-income community representation: As noted above, a minimum of one-third of the board must consist of representatives of the low-income community. There are three ways to meet this requirement:

1. Residents of low-income neighborhoods in the community.

- ✓ Low-income neighborhoods are defined as neighborhoods where 51 percent or more of the residents are low-income.
- ✓ Residents of low-income neighborhoods on CHDO boards do *not* have to be low-income themselves.

and/or

2. Low-income residents of the community.

- ✓ In urban areas, "community" is not necessarily limited to a single neighborhood, but may include several neighborhoods, the city, county or metropolitan area.
- ✓ In rural areas, "community" may also cover a multi-county area (but not the whole state). The board need *not* include low-income residents from each county in the multi-county area.
- ✓ Low-income residents of low-income neighborhoods in the community *do not* need to submit proof of their income.

- ✓ If low-income residents of the community who do not live in low-income neighborhoods are necessary to meet this threshold, the CHDO must obtain a certification from the resident that the resident does qualify as low-income. No PJ verification of the CHDO certification of income is required.

and/or

3. Elected representatives of low-income neighborhood organizations.

- ✓ A *low-income neighborhood organization* is an organization composed primarily of residents of a low-income neighborhood.
- ✓ The primary purpose of the organization must be to serve the interests of the neighborhood residents.
- ✓ Block groups, town watch organizations, civic associations, neighborhood church groups and NeighborWorks® organizations can be examples of low-income neighborhood organizations.

Input from the low-income community is not met solely by having low-income representation on the board. The CHDO must also provide a formal process for low-income program beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing. The process must be described *in writing* and must be included in the organization's by-laws or a board resolution.

Public-sector limits: A maximum of one-third of the governing board may consist of representatives of the public sector. This limitation is intended to ensure that CHDOs are community-based and community-controlled organizations.

A member of the governing board of a CHDO would be considered a representative of the public sector if he or she is a public official, including:

- Elected officials of the County or City; or
- Appointed public officials of the County or City including members of a planning commission or of any other regulatory and/or advisory boards or commissions that are appointed by a County/City official; or
- Public employees of the County or City; or
- Any individual who is not necessarily a public official, but who has been appointed by a public official.

Capacity and Experience:

A CHDO must also demonstrate that it has at least one year of experience serving the community where it intends to develop the HOME-assisted housing.

CHODs must demonstrate the capacity of their key staff to carry out the HOME-assisted activities they are planning. This means that CHDOs must have:

- Experienced key staff who have successfully completed projects similar to those proposed by the CHDO; **or** key staff with limited experience, and who will use experienced consultants for the planning and development activities, as long as there is a plan in place for the consultant to train the key staff.

There are significant differences in the type of experience and capacity that is required to carry out the variety of housing development activities eligible under the HOME program. Therefore, “experience in having completed similar projects” is different for development /management of rental housing and development/sale of housing for homebuyers.

CHDOs must have financial accountability standards that conform to *2 CFR Part 200 Standards for Financial Management Systems*

CHDO Certification

Kitsap County Block Grant Program is required to certify that an organization qualifies as a Community Housing Development Organization (CHDO) each time it commits CHDO set-aside funds to the organization. CHDO certification will be required before a commitment of set-aside funds is made.

General Program Rules

The HOME Program has specific program rules that applicants should be aware of when contemplating applying for funds. Some applicable program rules include but are not limited to:

1. Household Eligibility

All HOME Projects: Beneficiaries of HOME funds – homebuyers, homeowners, or tenants – must have income at or below 80% of the area median income. Eligibility is based on annual income. HUD annually publishes income limits for Kitsap County, and these will be provided by the Block Grant Office.

- Annual income is the gross amount of income anticipated by all persons in the household during the 12 months following the effective date of the income determination.
- To verify program applicant’s income at least two months of income documentation using source documents must be used. Source documentation may include wage statements, Social Security Statements, Unemployment compensation statements, etc. Third party verifications of income such as verification of employment are also acceptable.

Rental Housing: When HOME funds are used for rental housing, additional targeting requirements apply:

- Ninety percent (90%) of the occupants of HOME-assisted rental units must have incomes that are 60% or below area median income (AMI)
- 20% of the units in each rental housing project containing five or more units must be occupied by households with incomes at or below 50% of area median income.

2. HOME Project Completion

Recipients of HOME funds will have 4 years from the commitment date (contract date) to complete projects. Project completion means that all construction work and title transfer (if applicable) is completed and the final draw of HOME funds has been disbursed.

Rental Housing: Within six months from the date of project completion, if a HOME assisted rental unit remains unoccupied, the Block Grant office will provide to HUD information about current marketing efforts, and if appropriate, an enhanced plan for marketing the unit so that it is leased as quickly as possible. Within 18 months from the date of project completion, if efforts to market the unit are unsuccessful and the unit is not occupied by an eligible tenant, HUD will require repayment of all HOME funds invested in the unit.

Homeownership Housing: HOME assisted homeownership housing must have a ratified sales contract with an eligible homebuyer within 9 months of the completion of construction or rehabilitation, or it must be converted to rental housing. If converted, this rental housing must comply with all provisions of 24 CFR 92.252. If an unsold homebuyer unit is not converted to rental housing, the HOME funds must be repaid.

3. HOME Affordability

To ensure that HOME investments yield affordable housing over the long term, HOME imposes rent and occupancy requirements over the length of an affordability period. The length of the affordability period depends on the amount of the HOME funds in the property and nature of the activity funded. Affordability periods range from 5 to 20 years and follow the guidelines in the charts below.

Homebuyer Affordability

Homebuyer projects will use either resale or recapture restrictions to ensure long-term affordability of housing assisted with home funds. Kitsap County will designate in the written agreement (contract) the method to be used.

- a. Recapture will be used when funds can be easily recaptured from the project upon transfer of ownership such as down payment assistance to homebuyers or rehabilitation loans to homeowners. When HOME funds are used to directly assist a homebuyer such as with down-payment assistance or purchase price reduction, a HOME Recapture Agreement will be used.

- b. Resale provisions will be used when funds have been used to pay development or acquisition costs directly to a developer to reduce development costs, thereby making the price of the home affordable to the buyer. When HOME funds are used for the development or construction of units, HOME regulations require a Resale Agreement with the homebuyer. Resale restrictions restrict the sale of the home to an income qualified buyer and restricts the equity the homeowner can capture at sale. The resale restriction is in place for the duration of the affordability period, regardless of the number of times the home is re-sold. Due to the restrictive and complex nature of this type of sale, Kitsap County’s policy is to only use resale restrictions where there is another restrictive mechanism tied to the home (i.e. a Community Land Trust restriction recorded on the property).

Homeowner/Homebuyer Activities	
HOME assistance provided per unit	Period of Affordability
Under \$15,000	5 years
Between \$15,000 to \$40,000	10 years
Over \$40,000	15 years

Rental Housing Affordability

Rental housing activities will carry rent and occupancy restrictions during the period of affordability. Affordability restrictions remain in force regardless of transfer of ownership. A *Low-Income Housing Covenant Agreement* must be recorded, by the project owner/sponsor, on the property and include the appropriate number of years of affordability.

Rental Housing Activities		
Activity	Dollar Threshold**	Minimum Affordability Period
Rehabilitation or Acquisition of existing housing	Less than \$15,000/unit	5 Years
	\$15,000 - \$40,000/unit	10 Years
	Greater than \$40,000/unit	15 Years

Refinance of a Rehabilitation project	Any \$ amount	15 years
New Construction (including land acquisition) or Acquisition of new housing.	Any \$ amount	20 Years

4. HOME-Assisted Units

Unlike other federal programs, such as CDBG, the HOME Program distinguishes between the units in a project that have been assisted with HOME funds and those that have not. This distinction allows HOME funds to be spent on mixed-income projects while still targeting HOME dollars only to income-eligible households.

- The HOME rent and occupancy rules apply only to HOME-assisted units.
- The number of HOME-assisted units in a given project will be determined at project commitment by Block Grant staff through a cost allocation analysis and included in the written agreement.

5. HOME Assisted Rental Housing On-going Monitoring

The HOME Program requires that all households who occupy HOME units be low income. Property owners and operators must develop policies and procedures which address:

- Admission & Tenant Selection (including an Affirmative Marketing Plan)
- Lease Provisions & Occupancy

At initial occupancy and during the period of affordability Block Grant staff will monitor the project for compliance with HOME requirements. The monitoring will include inspections of HOME assisted units and the property overall, review of policies and procedures, project financial information and tenant files.

6. Underwriting, Subsidy Layering Review & Developer Capacity Analysis

Kitsap County, using guidelines it has established, will document that when HOME funds are used in combination with other government assistance in a project, no more subsidy is invested than necessary. Staff will also conduct a review of developer capacity and project fiscal soundness.

Before the commitment of HOME funds projects will be reviewed by staff and include analysis of the following:

- Financial commitments for the project
- Development Budget and Sources of funds to determine that all project costs are reasonable
- Operating Pro Forma if rental housing/Sales Plan if homeownership housing

- Market Study (if applicable) to assess current market demand for the project,
- Capital Needs Assessment (if applicable)
- Detailed description of the project including scope, number of units, size, number of bedrooms, common spaces, description of financing structure.
- Project Timeline
- Other information on the target population to be served, outreach plan, and affirmative marketing plan.
- Cost allocation analysis to determine the number and type of HOME assisted units,
- Assessment of the experience and financial capacity of the developer and rental project owner,

7. Leveraging

The City of Bremerton requires leveraging of HOME funds for homeownership housing projects. For every \$1 of HOME funds committed, the project sponsor must show leveraged funding of \$2 from other sources.

8. HOME Match Requirements

The HOME program requires a match of 25% for every HOME dollar spent. Block Grant staff is responsible for ensuring that the HOME Consortium is meeting this requirement. Staff will work with agencies to identify sources and levels of HOME match required on a project basis. The match requirement may be met in several ways:

- A. Non-Federal Cash or Cash Equivalent – acceptable sources of cash match include:
 - a. Local or state general revenues
 - b. Housing Trust Funds
 - c. Foundations, donations
 - d. State appropriations
 - e. HFA reserves that are not federal funds (e.g. bond proceeds)
 - f. The interest rate subsidy achieved by the exemption of state or local taxes
 - g. Present value of the interest subsidy for loans made at rates below market
- B. Value of waived taxes, fees or charges associated with the project.
- C. Value of donated land or real property.
- D. Cost of infrastructure improvements associated with the project.
- E. A percentage of the proceeds of single or multi-family housing bonds issued by state or local government.
- F. Value of donated materials, equipment, labor, and professional services.
- G. Sweat equity.
- H. Direct costs of supportive services to residents of the project.
- I. Direct cost of homebuyer counseling to families purchasing homes with HOME assistance.

9. HOME Funds and Public Housing

HOME funds cannot be used, alone or in combination with Public Housing Capital Funds, for public housing units. HOME units cannot receive public housing Capital Fund or Operating Fund assistance. HOME funds may be used in a project that also contains public housing units, provided that HOME funds are not used in the public housing units themselves and the HOME units are separately designated.

10. Market Assessment Requirement

Most Homebuyer and Rental housing development projects (including acquisition, rehabilitation, new construction, down payment assistance) awarded HOME funds will be required to have a Market Assessment. For HOME-funded direct homebuyer assistance that is not part of a HOME-funded development activity, and homeowner rehabilitation activities, a market assessment is not required.

It must be completed by the applicant (or consultant hired by the applicant) and submitted at the time of application for funding or after a conditional commitment of funds but before a contract with Kitsap County is executed. Block Grant Program staff will review the Market Assessment to determine:

- If a need for the type and number of housing units has been convincingly demonstrated.
- If the developer/program will be able to sell the planned homebuyer units prior to the six-month deadline.
- If the developer/program will be able to lease-up the planned rental units as expected, e.g., within the timeframe specified in the project pro-forma.
- If the development will adversely impact existing affordable housing developments.

The market analysis should utilize the most currently available data. Data should be from an industry recognized source such as: U.S. Census Bureau, WA State Office of Financial Management, Washington State Employment Development Department, Washington Center for Real Estate Research, Kitsap County, and other government sources or organizations that provide data to housing industry professionals.

Block Grant staff after review will determine if additional information is needed and work with the project developer to obtain information. If it is determined after review that the market assessment does not demonstrate a convincing need for the project or it will adversely impact the community or other existing affordable housing, Block Grant Program will recommend changes to the project/program design. If the project is determined to be too risky or does not appear to be viable, the award of funds may be canceled, at the sole discretion of the Block Grant Program Manager.

In some cases, market studies may not be cost effective. For small developments where tenants are already HOME-eligible and rents are already within program limits, a simplified or in-house market assessment may be more appropriate. Assessment for projects serving special needs populations can often be completed using primary data from service providers whose existing client base will form the primary pool of potential tenants. In these cases, the Block Grant program will work with project developers, and provide examples, to assess market demand.

Market Analysis Key Areas

- Housing demand
- Demographic trends
 - ✓ Analyze Demographic trends – especially household trends – in order to understand the overall market context. Is the market growing, contracting, or stable? Quantify the pool of eligible tenants or buyers in terms of household size, age, income, tenure (homeowner or renter), and other relevant factors. Not all residents of the market area are potential or likely tenants or buyers of any given project.
- Housing supply
 - ✓ Assess for-sale housing **supply** activity – such as sales volume, prices, and length of time on market – in order to understand overall metro/county market trends. Are there excess for-sale units on the market? Are sales prices rising, stable, or declining?
 - ✓ Examine changes in the **supply** of rental – Is the market now balanced in terms of multi-family housing supply and demand? Are additional units needed? Is the market already overbuilt?
- Construction trends – analyze the competition by evaluating other housing opportunities with an emphasis on other affordable rental developments or sales opportunities in the market area.
- Vacancy rates
 - ✓ Examine rental or for-sale housing Vacancy conditions and trends. Are vacancy rates increasing, stable, or declining?
- Market context – delineate the market area by identifying the geographic area from which the majority of a project’s tenants or buyers are likely to come. This may or may not coincide with census tract or neighborhood boundaries:
 - ✓ Project area/neighborhood
 - ✓ Metropolitan wide
 - ✓ County wide
 - ✓ Other broad market area

Rental Housing Market Analysis

The rental market analysis should include the following:

1. How is the market area defined?
2. What are the site locational advantages and disadvantages?
3. What is the demand for rental housing?

- a. Demand analysis:
 - Market area demographic profile/trends (population, number of households, age profile, household incomes, etc.)
 - Income eligible households
 - Characteristics of households likely to be attracted to development.
 - b. Assess support for proposed rental housing development
 - c. Assess potential unit absorption/timing
 - Assess the market and determine if there is sufficient demand to rent the HOME-assisted housing units within 18 months of project completion.
 - d. Key questions on competing properties that help determine likely rents, occupancy levels, types of service/amenities needed, and likely costs to operate and returns:
 - What are competing properties?
 - How comparable are they to competition?
 - Is there excess effective demand?
 - How do units perform?
 - What do competing properties tell us about likely property feasibility/operations?
 - What do key indicators tell us about timing/lease-up, likely tenants etc.?
4. What is the current supply of rental housing?

Key analytics in market assessments:

- Net demand: Effective Demand-Supply
- Capture rate: the capture rate (project's units divided by the applicant pool) is the percentage of likely eligible and interested households living nearby who will need to rent units in the proposed project in order to fully occupy it. The lower this rate, the more likely a project is to succeed.
- Determine absorption rate: Rate of rent-up (over time)
- Effect of Subsidy: Is project competitive? Below market?

For-Sale Housing Market Analysis

Initial for-sale housing market questions to ask:

1. Who is the target market?
2. What product will sell in the market area?
3. Will this project sell in this market 6 months after construction completion?
4. What is the competition?

Key components of for-sale market analysis similar to rental market analysis:

- Broad market context (metropolitan wide, county wide, or other broad market area)
- Market area definition

- Market area/project area, neighborhood conditions and trends
 - ✓ Demographic/socioeconomic trends
 - ✓ Physical condition
- Demand analysis
 - ✓ Income eligible households
 - ✓ Characteristics of households likely to be attracted to housing
- Supply analysis
 - ✓ Characteristics, prices, sales activity trends in the target market area
 - ✓ Characteristics and prices in other areas when potential buyers could purchase housing.
- Special considerations
 - ✓ Advantages/disadvantages of project area/housing for attracting buyers
 - ✓ Rehabilitation project site selection
 - ✓ Target Market-Buyer eligibility requirements
 - ✓ Analysis of unit absorption potential/timing

11. Site and Neighborhood Standards

HOME funded rental projects that are newly constructed are subject to a site and neighborhood standards [24 CFR 92.202(b)] review by the Block Grant Program to determine that:

1. Site must be adequate in size, exposure, and contour to accommodate the number and types of units proposed, and adequate utilities (water, sewer, gas, and electricity) and streets must be available to service the site.
2. The site and neighborhood must be suitable from the standpoint of facilitating and furthering full compliance with the applicable provisions of title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and implementing HUD regulations.
3. Site is not in an area of minority concentration – if the site is in an area of minority concentration, the Block Grant Program will determine that one or more of the following is true:
 - a. The project will not increase significantly the proportion of minorities.
 - b. Sufficient comparable housing opportunities exist outside the area for minorities based on analysis of HUD-assisted housing.
 - c. Proposed project is necessary to meet overriding housing need that cannot otherwise be met.
 - d. Proposed project is integral to a neighborhood preservation strategy or integral to revitalization area strategy.
4. The project site promotes greater choice of housing opportunities and avoids undue concentration of assisted persons in areas containing a high proportion of low-income persons.
5. The neighborhood must not be one that is seriously detrimental to family life or in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.
6. The housing must be accessible to social, recreational, educational, commercial, and health facilities and services and other municipal facilities and services that are at least

equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.

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

12. Homeownership Requirements

The HOME program requires that for all HOME assisted homeownership projects:

1. All the HOME funds will benefit families whose incomes are at or below 80% of the area median income.
2. The assisted housing will be the owner's principal residence.
3. The purchase price of the property or the appraised value of a property already owned, after rehabilitation will be less than 95 percent of the median area purchase price. The 2013 HOME Final Rule 24 CFR 92.254(a)(2)(iii) is amended to eliminate the use of the 203(b) limit and to change the methods for determining 95% of area median purchase price. HUD will determine and issue limits that represent 95% of the area median purchase price separately for newly constructed and existing single family housing units. Kitsap County Block Grant Program will use the HUD-issued limits.
4. All homebuyers that receive HOME assistance or purchase a unit developed with HOME funds must receive housing counseling. The Block Grant staff will review the housing counseling policies of subrecipients and owner/sponsor developers of homeowner housing to determine compliance with this requirement.
5. A subsequent low-income purchaser of a HOME-assisted homeownership unit may assume the existing HOME loan and recapture obligation entered into by the original buyer when no additional HOME assistance is provided to the subsequent homebuyer.
6. HOME funded homeownership assistance such as down-payment assistance is capped at no more than 20% of the purchase price of the home.
7. Subrecipients administering homebuyer assistance programs must have and follow written policies for:
 - a. **Underwriting:** Underwriting standards for homeownership assistance must address housing debt, overall household debt, the appropriateness of the amount of assistance, recurring household expenses, assets available to

acquire the housing, monthly expenses of the household and financial resources available to the household to sustain homeownership.

- b. **Predatory lending:** (HUD will issue guidance on preventing predatory lending)
- c. **Refinancing:** The refinancing policy must address refinancing loans to which HOME loans are subordinated to ensure that the terms of the new loan are reasonable.

13. Fair Treatment of Applicants & Preferences

All housing programs and projects funded with HOME funds must have written policies to address fair treatment of applicants and define any preferences such as preferences for persons with disabilities or elderly. Occupants of HOME funded units must be low-income. At a minimum, admission and selection policies and criteria must address:

- Eligibility and Income requirements for the specific program or property;
- Use of a written waiting list when selecting households;
- Written notification to applicants who are rejected, including the reason(s) for the rejection;
- Use of criminal background check and credit check.

For rental housing owners must develop tenant selection policies and criteria that ensure that all applicants and tenants are treated fairly and equitably. The HOME Program protects tenant rights in a number of ways:

1. Every tenant must have a **written lease**;
2. The **lease term** must be for at least twelve (12) months, unless otherwise approved by the PJ;
3. The lease term may never be for less than 30 days;
4. Certain **lease clauses are prohibited**;
5. The PJ must approve all leases; and
6. The owner must establish **dispute resolution procedures** for settling disagreements with tenants.

For properties that are owned, developed, or sponsored by community housing development organizations (CHDOs), the property must also have a **tenant participation plan** to ensure that tenants are involved in the management and decision-making of the property and **fair lease and grievance procedures**.

14. Affirmative Fair Housing Marketing Plan

The HOME Final Rule (24 CFR 92.351(a)) requires written affirmative marketing procedures and requirements for rental and homebuyer projects containing 5 or more HOME-assisted units, regardless of the specific activity the HOME funds will finance.

The specific affirmative marketing procedures to be used will depend on the type and size of the program or project. The Kitsap County-City of Bremerton HOME Consortium

has an Affirmative Fair Housing Marketing Plan that clearly state what actions owners/managers must take to provide information to, and otherwise attract, eligible persons in the housing market who are unlikely to apply without special outreach. The extent of the affirmative marketing activities typically varies depending on the size of the property.

Kitsap County HOME Consortium staff will evaluate the success of the affirmative marketing actions every year for each project. Owners and managers are required to retain certain records so staff can evaluate its results. Affirmative Marketing will be reviewed during annual on-site monitoring.

15. Property Standards

A. Compliance with Codes and Standards

For all projects, the Block Grant office is primarily responsible for ensuring compliance with Federal requirements and meeting both project and program goals. This is the case no matter what cost is funded under the HOME Program.

1. Acquisition of existing housing (no rehab. or construction) 24 CFR 92.251(c)

Housing acquired with HOME funds must be inspected for health and safety at the time of title transfer. Block Grant staff will conduct an inspection using established standards. Any deficiencies will be noted and a date for correction and re-inspection will be communicated to the owner. HOME funds will not be disbursed for the acquisition until the project passes the inspection.

2. Rehabilitation of housing 24 CFR 92.251(b)

For any HOME-funded rehabilitation work, the housing must meet the *Kitsap County/City of Bremerton Housing Rehabilitation Standards* and County or applicable City Building Code.

The Rehabilitation Standards address the following:

- **Health & Safety** – the rehab. standards specify the life-threatening deficiencies that must be addressed immediately if a housing unit is occupied.
- **Remaining Useful life of major Systems** – An estimate of the remaining useful life of major system must be completed. Major systems include structural support, roofing, exterior cladding, weatherproofing (e.g., windows, doors, siding, gutters), plumbing electrical and heating, ventilation and air conditioning.

- **Major systems for rental housing** - This must be done with a capital needs assessment for projects with 26 or more units. If the remaining useful life is less than the affordability period, the Block Grant Program will require replacement reserve deposits to ensure that the project’s major systems and physical needs can be adequately maintained and addressed throughout the affordability period.
- **Major systems for homeownership housing** – upon project completion, major systems must have a useful life of at least five years.
- **Lead based paint requirements**, in accordance with 24 CFR Part 35.
- **Accessibility requirements**, as applicable, in accordance with Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and the Fair Housing Act.
- **Disaster mitigation standards**, in accordance with State and local requirements.
- **Rehabilitation work must comply with local codes, ordinances, and zoning requirements.**
- **Uniform Physical Conditions Standards (UPCS)**

3. **New construction of housing 24 CFR 92.251(a)**

All new housing projects constructed with HOME funds must have project specific material and methods or “construction specifications” for the project. The specifications and design plans will be reviewed by Block Grant staff to ensure that the amenities and aesthetic features of the project are in keeping with modest housing of similar type in the community. Projects will be required to obtain the necessary development permits from the jurisdiction where the project is located and copies of the signed-off permit & certificate of occupancy will be required for final reimbursement of funds.

To meet HOME regulations, all projects involving new construction must:

1. Meet all applicable local building and fire codes (including related electrical, mechanical, and plumbing codes);
2. Meet applicable Section 504 and Fair Housing Act requirements.

3. All buildings of five or more residential units in new construction projects must include the installation of “broadband infrastructure” as defined by 24 CFR 5.100. In practice, this requires the developer to provide the wiring for high-speed internet but does not require the project to provide the internet service itself.

Block grant staff will review and approve written cost estimates, construction contracts and construction documents. In addition, staff will conduct construction progress and final inspections to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents.

4. Newly Constructed or Recently Rehabilitated Housing 24 CFR 92.251(c)(1)

Housing that has been newly constructed or rehabilitated within one year of the date of commitment of HOME funds must meet the applicable property standards [92.251(a)] for new construction and [92.251(b)] for rehabilitation. The Block Grant office will document compliance based on a review of approved building plans and certificates of occupancy and a property inspection that is conducted no earlier than 90 days before the commitment of HOME funds.

5. All Other Existing Housing – Rental

For all other housing (housing not recently rehabilitated or newly constructed) that will be acquired (without rehabilitation) for rental housing, the property must meet the applicable standard for rehabilitation at 92.251(b). The Block Grant office will document compliance based upon a current inspection that is conducted no earlier than 90 days before the date of commitment of HOME assistance. If the property does not meet these standards, it cannot be acquired with HOME funds unless it is rehabilitated to meet this standard.

6. All Other Existing Housing – Homeownership (Down Payment) Assistance

Block Grant staff will utilize Uniform Physical Conditions Standards to ensure that existing housing acquired for homeownership is decent, safe, sanitary, and in good repair.

7. Manufactured Housing Property Standards [24 CFR 92.251(e)]

Newly constructed manufactured housing and housing that replaces an existing substandard unit must be on a permanent foundation. For all rehabilitated manufactured housing, the foundation and anchoring must meet all applicable State and local codes and other requirements.

All new construction of manufactured housing must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280.

All new manufactured housing must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned (or leased for a period at least as long as the affordability period) by the manufactured housing unit owner.

Existing manufactured housing that is rehabilitated with HOME funds must meet the property standards applicable to rehabilitation, as outlined in 92.251(b).

8. On-going Property Standards for Rental Projects [24 CFR 92.251(f)]

Properties must be maintained to meet all applicable State and local codes.

Housing will be inspected using UCPS as the standard (replaces HQS). Housing must be free of all health and safety defects and any life-threatening deficiencies identified during inspection must be corrected immediately. Housing must also meet the lead-based paint requirements in 24 CFR part 35.

B. Lead Based Paint

All housing funded with HOME and/or CDBG constructed before 1978 must comply with lead-based paint regulations at 24 CFR Part 35. The purpose of the regulation is to identify and address lead-based paint hazards before children are exposed to lead.