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Barnstable County HOME Consortium

Rental Housing Development Project Underwriting, Subsidy Layering, and Risk Analysis Evaluation

Policies and Guidelines

Adopted August 12, 2021

Overview of the Application and Review Process

Decisions on funding requests are made by the Barnstable County HOME Consortium Advisory Council, a 17-member body with representation from each of the Cape's fifteen communities and two at-large members. Barnstable County HOME Consortium Advisory Council will review and evaluate rental project funding requests as follows:

- Concurrent with the release of funding from the Massachusetts Department of Housing and Community Development (DHCD), Barnstable County HOME Consortium (the Consortium) will accept applications for rental development projects. Due to the limited allocation and staff resources of the HOME Program, for projects seeking DHCD funding as well as Barnstable County HOME funding, projects in their second round of the DHCD funding process will be given priority for review and funding.

  Notwithstanding the above, depending upon availability of funds, number of applications, and potential special circumstances, first-round applicants may be accepted by the Consortium.

  Information and forms for the HOME Investment Partnership Program applicable to both the state and Barnstable County HOME Programs can be found under 'Program Information' on the Mass.gov HOME Investment Partnership Program website: https://www.mass.gov/service-details/home-investment-partnerships-program-home

  For projects not seeking DHCD funding in conjunction with an application for Barnstable County HOME Program funding, contact the Barnstable County

HOME Program Manager regarding the availability of funding and the application process at homeprogram@barnstablecounty.org.

- Upon receipt of an application for funding, HOME staff will inform the applicant of available funding and priority for review. If it is determined that the application will be formally reviewed, HOME staff will review the application for completeness and contact the applicant to clarify issues and/or to request additional information. Applications are not considered complete until all the information requested has been supplied by the applicant. When staff has the necessary information to deem the application complete, the application will be date stamped and an Underwriting Risk Analysis will be prepared in accordance with the policies in this document.

- The HOME Consortium Project Review Subcommittee (made up of three to five members of the Barnstable County HOME Consortium Advisory Council) will review the application and the Underwriting Risk Analysis and make a recommendation to the Consortium's Advisory Council.

- The Advisory Council meets on a regular basis and will review and discuss the recommendation of the Project Review Subcommittee and make the final determination on the funding request.

- In the event DHCD has not issued a Notice of Funding Availability "NOFA" for funds and Barnstable County HOME has available funds, Barnstable County HOME may issue an RFP soliciting project applications.

Applications for Barnstable County HOME funding will be evaluated on the following criteria:

1. Experience of the applicant and of development team members in projects of similar size and type;

2. Financial strength of the applicant to adequately carry out the project and the project's financial feasibility, including an assessment of the development and operating budgets.

3. A subsidy layering analysis that determines the minimum amount of HOME funds necessary for project feasibility.

4. Documented market needs for the project and a satisfactory marketing plan.

5. Readiness to proceed and ability to close on and expend HOME funds within 12 months of award.

6. The applicant and members of the development team are in Good Standing with respect to prior HOME Consortium funding awards, including but not limited to having no unresolved findings from annual project monitoring reviews.

7. Project Score.

- While the above are the primary criteria, the Consortium reserves the right to consider other factors such as geographic balance, population served, etc. in making its funding awards.

Development Entity and Project Team's Capacity

The Consortium will assess the capacity of the developer/development entity and key members of the development team- in particular, the contractor if one has been selected; the architect; the marketing entity; and the management entity- to successfully complete the project. The Consortium will assess the level of risk associated with the following:

1. The experience of the developer and development team on projects of similar size, scope, and complexity. The Consortium will review the resumes and when appropriate the references of the developer, contractor, architect, marketing agent, and property management entity.
2. The overall staff capacity and the assigned staff to the project of the developer and development team to carry out the project tasks within the projected time frame.
3. The financial strength of the developer, including its liquidity and level of unrestricted net assets or net worth. The Consortium primarily will review the two most recent years of audited financial statements to make a determination.
4. Whether the developer is in Good Standing on prior Consortium funded rental developments and the Consortium's experience on Consortium funded projects, if any, with any/all members of the development team.

Market Need/Study and Marketing/Tenant Selection Plan

Projects that submit in DHCD funding rounds will be required to provide a market study done by an independent third party. Projects that do not require DHCD funding, in lieu of a full market study, may provide evidence of the local need and market demand for the project through documentation of local market conditions and the demand for comparable new or existing affordable rental developments in the primary market area.

The Consortium will assess the level of market risk associated with the project through a review of the submitted data along with the Consortium's experience on recently completed affordable rental developments.

As a condition of any funding, the Consortium will require the submission of an Affirmative Fair Housing Marketing Plan (AFHMP) that fully complies with DHCD's Chapter 40B AFHMP Guidelines and an approved Tenant Selection Plan (TSP). The AFHMP will describe the proposed marketing efforts, the lottery process for filling the initial units, including any DHCD approved local preference, and how subsequent vacancies will be filled. The Consortium will review the lottery/marketing agent's qualifications as part of the analysis of the project team's capacity.

Location and Property and Neighborhood Standards

To the greatest extent feasible, the Consortium looks to fund developments that

1) are located close to (within a mile) of employment opportunities, public and other services, health care, public transportation, schools, and recreational areas;

2) have no environmental impacts or none that cannot be mitigated; and

3) are consistent with DHCD's sustainable development principles.

The applicant must also demonstrate that their project promotes greater choice of housing opportunities and avoids undue concentration of assisted persons in areas containing a high proportion of low-income and/or minority households.
An analysis of the locational, environmental, and sustainability issues along with whether the project provides a greater choice of housing opportunities for low income and minority households will be included in staff's Underwriting Risk Analysis.

Design and Accessibility Issues

In general, the Consortium's Design guidelines are consistent with those of DHCD's Qualified Allocation Plan (https://www.mass.gov/service-details/qualified-allocation-plan) and DHCD HOME Design Guidelines (https://www.mass.gov/service-details/home-investment-partnerships-program-home) that encourage energy efficient building envelopes and major building systems, healthy interior air quality, universal design, and "green" design elements.

In addition to the DHCD HOME Design Guidelines, the Consortium will incentivize Applicants to provide additional individual tenant storage space for each unit beyond what is provided inside the units.

For new construction of five (5) or more rental units and/or substantial rehabilitation projects of fifteen (15) or more dwelling units, a minimum of five (5) percent of the dwelling units in the project (but no less than one unit) must be accessible to and usable by persons with mobility impairments.

An additional two (2) percent of the dwelling units (but at a minimum no less than one unit) must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments).

For new construction projects, adoption of visit-ability standards is strongly encouraged. A unit is visit-able when a person with mobility impairments can enter the unit and navigate throughout the first floor and have access to an accessible bathroom. An analysis of the design and accessibility issues will be included in staff's Underwriting Risk Analysis.

Financial Feasibility Analysis

The Consortium ultimately needs to decide that the project is financially feasible to make any conditional funding award. The financial feasibility analysis included in staff's Underwriting Risk Analysis will include a review of both the project's development (sources and uses) and operating budgets.

A. Development Budget:

Sources: Applicants will be required to provide copies of commitment letters or at a minimum, letters of interest from lenders for all the funding sources identified in the development budget. For projects submitting in their second or more DHCD funding round, staff will review the projected state sources for consistency with DHCD's various program guidelines. For low income housing tax credit projects, staff will analyze the projected amount of equity raised with the guidance provided to applicants by DHCD. Staff will compare the total amount of public/DHCD subsidy requested against that of recent (within last 3 years) HOME funded projects of similar size and type.

Uses - Acquisition: For projects that have an acquisition expense, the applicant will be required to provide an appraisal from an independent party that justifies the acquisition cost.

Uses - Construction: The applicant will be required to provide a line item construction cost estimate that includes both site work and building construction. Staff will assess the reliability of the estimate based upon by whom (developer, architect, contractor) and by what method (comparable projects, contractor pricing, actual bids) the estimate was produced. A construction contingency of 5% above the estimate for new construction and 10% for substantial rehab projects is acceptable.

Staff will compare the overall per square foot (PSF) total construction cost (site and building) to the range of PSF costs of recent similar HOME projects. The analysis will note any unusual project factors- difficult topography, lack of nearby infrastructure, or environmental issues that affect site work costs, special project design elements such as enhanced accessibility or solar panels, etc.- that impact the cost estimate.

In general, the Consortium shall expect that the contractor's general conditions, overhead, and profit should be no more than the DHCD related party 40B standard of 14% of the site and building construction costs.

Uses - Soft Costs: These include financing costs such as loan interest, permits, legal fees, property appraisals, credit and title costs, etc. Also included are engineering, architectural, or related professional services, project related audit costs, relocation costs, affirmative marketing expenses, and any lender required capitalized reserves. HUD requirements specifically state that project soft costs must be "reasonable and necessary". A soft cost contingency of up to 5% is acceptable.

The Consortium generally will require additional documentation and justification from the applicant when soft costs exceed 15% of total development costs on non-tax credit projects and when soft costs exceed 20% of total development costs on tax credit projects.

Uses - Developer Overhead and Fee: The Consortium's maximum allowable developer overhead and fee is 15% of the total of hard (acquisition and construction) and soft costs.

Uses - Total Development Cost (TDC) Per Unit: Consistent with DHCD's policy, the Consortium does not have a maximum per unit TDC limit; however, the Consortium has an obligation to use its limited HOME resources in the most efficient manner possible. As with other parts of the development budget, the Consortium will review the project's per unit TDC in comparison with that of other recent, similar HOME funded projects to make its assessment of the reasonableness of the project's overall costs.

B. Operating Budget:

Revenue- Rents and Other Revenue: All the HOME-assisted units shall have rents that are at or below the published HOME rents as of the date of the application. In general, and to allow for a marketing window, the Consortium will approve rents that are set about 10% below the maximum allowable HOME rents. A vacancy rate of 5% is generally appropriate although a lower vacancy rate would be acceptable for project-based units and a slightly higher vacancy rate allowable for any market rate units.

The Applicant will need to document the basis of its estimate of any additional revenue sources, e.g. laundry income. Application/wait list fees and other fees other than those that the Consortium has deemed reasonable and customary for the location or market area shall not be allowed.

Expenses - Operating Costs: The Consortium will review both individual line item expenses as well as the overall per unit per year operating expenses against other recent, similar HOME-funded projects. Property management fees of 5% to 8% of collected rents shall be acceptable. The Consortium's replacement reserve requirement will be consistent with that of DHCD (currently $350 per unit per year) on DHCD projects; however, the Consortium may impose a higher replacement reserve requirement on non-DHCD funded projects. The Consortium's annual monitoring fee currently is $35 per HOME unit plus the actual cost of the property inspections. Such a fee must be carried as an expense in the project's operating budget.

Debt Service Coverage (DSC): The minimum acceptable debt service coverage (annual net operating income divided by annual mortgage(s) expense) shall be 1.15. The Applicant will be required to provide an analysis of revenues and expenses over at least a fifteen (15) year period. In exceptional circumstances and with the concurrence of the permanent lender, the Consortium may accept a DSC as low as 1.10. In general, the permanent loan shall have a fixed rate for at least twenty (20) years.

C. Maximum Per Unit/Total HOME Subsidy Limit for Project:

HOME has maximum allowable subsidy limits for HOME funds permitted in projects depending upon the number of HOME units and the bedroom composition. While the amount of County HOME funding will likely never exceed the allowable maximums, staff's Underwriting Risk Analysis will include this HOME required calculation.

D. Subsidy Layering Analysis/Conclusion:

HOME requires that the amount of HOME funds invested in a project be the minimum amount needed to make it feasible. Based upon the results of the foregoing financial feasibility analysis, staff's Underwriting Risk Analysis will include a determination of the amount of HOME funding that satisfies the subsidy layering and cost allocation requirements.

ATTACHMENT A

RENTAL HOUSING DEVELOPMENT PROGRAM GUIDELINES

SECTION 1. INTRODUCTION

Applications from non-profit organizations, housing authorities, for profit entities, and municipalities in cooperation with any of the above that are interested in receiving HOME funds to assist them in undertaking the creation or preservation of affordable rental units for families and individuals of very low and low-income are welcome.

HOME funds are available for 1) the creation of new affordable rental units- whether via new construction or rehabilitation/redevelopment; and 2) transactions that involve the acquisition and/or rehabilitation of existing affordable units whose affordability restrictions are about to expire in the near term (in general within the next 36 months). Except for preservation projects noted in 2) above, HOME rental development funds are not available for the rehabilitation of existing affordable rental units.

No HOME funds can be awarded until the Consortium certifies that it has adequate resources and has conducted an underwriting review, assessed developer capacity and fiscal soundness, and examined market conditions to ensure adequate need.

Applications for HOME funding are available at
https://www.bchumanservices.net/publications-data/home-publications-data/
or by contacting Barnstable County HOME Consortium:
homeprogram@barnstablecounty.org / 508-375-6622.

SECTION 2. PROGRAM REQUIREMENTS

The following terms and conditions shall apply to any HOME funded rental housing developments:

Eligible Applicants	Non-profit organizations, for profit entities, housing authorities, municipalities, and Affordable Housing Trusts, in cooperation with any of the above.
Eligible Activities	HOME funds are available for 1) the creation of new affordable rental units- whether new construction, rehabilitation or redevelopment; and 2) transactions that involve the acquisition and/or rehabilitation of existing affordable units whose affordability

	restrictions are about to expire in the near term (in general within the next 36 months). Except for preservation projects noted in 2) above, HOME rental development funds are not available for the rehabilitation of existing affordable rental units. The Consortium will not accept rental housing funding applications for projects containing less than three (3) HOME assisted units, unless determined otherwise for good cause.
Site Control	The applicant must demonstrate site control, either via a deed, signed Purchase & Sale or Designated Developer agreement, or some other comparable evidence of site control at the time of application.
Permitting	The applicant's development must be fully permitted (except for building permits) and include evidence of being allowed as-of-right or required zoning approvals and/or a Comprehensive Permit with all appeals periods ended to apply for HOME funds.
Location	To the greatest extent feasible, the Consortium looks to fund developments that 1) are located close to (within a mile) employment opportunities, public and other services, health care, public transportation, schools, and recreational areas; 2) have no environmental impacts or none that cannot be mitigated; and 3) are consistent with DHCD's sustainable development principles. The applicant must also demonstrate that their project promotes greater choice of housing opportunities and avoids undue concentration of assisted persons in areas containing a high proportion of low-income and/or minority households.
Eligible Costs	In general, with the exceptions of the timing of the expenses noted below and with the list of ineligible costs noted in the following section, most development related expenses: acquisition, hard and soft costs, and developer overhead and fee are eligible costs. The maximum allowable overhead and fee is 15% of the total of hard and soft costs. Consortium policy is to reimburse only for those expenses incurred after the date of the HUD Regional

	Office's approvals of the environmental review and Request for Release of Funds.
Ineligible Costs	Initial operating and other capitalized reserves; Non-HOME affordable unit costs: Non-residential portions of the development; Working capital; Syndication costs; Providing assistance to a project previously assisted with HOME funds during the established period of affordability unless the project is subsequently determined to be a "troubled" project; Providing assistance to federal public housing; Project-based rental assistance.
Maximum Award/ Loan Amount	The minimum HOME expenditure is $1,000 per HOME assisted unit, while the maximum award is **$50,000 per HOME assisted unit for projects scoring less than 95 points** or **$60,000 per HOME assisted unit for projects scoring 95 points or more.** No single funding award, unless determined otherwise for good cause by the Consortium, will exceed **$250,000 for projects scoring less than 95 points and $300,00 for projects scoring 95 points or more** (see chart below).

	Per HOME-assisted Unit Funding Maximum	Maximum Project Funding Limit
Project- Score of Less Than 95 Points	$50,000	$250,000
Project- Score of 95 Points or More	$60,000	$300,000

Project Cost Limits	Consistent with DHCD's policy, the Consortium does not have a maximum per unit Total Development Cost (TDC) limit; however, the Consortium is obligated to use its limited HOME resources in the most efficient manner possible. The Consortium will review the project's per unit

	TDC compared with that of other recent, similar HOME funded projects to assess the reasonableness of the project's overall costs.
Term of Loan	Generally, awards are provided as a Deferred Payment Loan (DPL) with a term of forty (40) years. During the final year of the loan, the borrower may request an extension of up to forty (40) years to preserve the affordability of the housing. During the term of the Affordable Housing Restriction, the affordability requirements will remain in effect regardless of a transfer occurring during its term or whether the loan is repaid. The full amount of the DPL will be repaid if the property is sold, transferred or otherwise encumbered during the term of the mortgage or if the terms and conditions of the loan are violated.
Interest Rate	Generally, HOME loans are 0% interest rate with no monthly payments required. For projects receiving federal or state Low Income Housing Tax Credits, if a 0% interest rate is infeasible for tax credit underwriting purposes, the interest rate on the Note and Mortgage can therefore be the Applicable Federal Rate at the time of closing.
Security	The DPL will be secured through a Promissory Note and Mortgage on the property to be executed between the County and the Borrowing entity. HOME funds are usually subordinate to other loans although the subordinate position will depend upon the financial structure of the deal. Barnstable County HOME is a MassDocs participate and for the most part will be part of the MassDocs loan document process. However, Barnstable County HOME reserves the right, if in the best interest of the County, to process the DPL documents unilaterally.
Recourse	The loan will be non-recourse.
Holdback	HOME funds are provided through the regular requisition process with 10% of the loan held back until both substantial completion of the project and submission of a HOME Rental Completion Report and M/WBE and Section 3 reports. Forms available:

	https://www.bchumanservices.net/publications-data/home-publications-data/
Replacement Reserve	The Consortium's replacement reserve requirement will be consistent with that of DHCD on DHCD projects; however, the Consortium may impose a higher replacement reserve requirement on non-DHCD funded projects.
Permanent Loan	In general, the permanent loan shall have a fixed rate for at least twenty (20) years.
Debt Service Coverage (DSC)	The minimum acceptable DSC (annual net operating income divided by annual mortgage(s) expense) shall be 1.15. In exceptional circumstances and with the concurrence of the permanent lender, the Consortium may accept a DSC as low as 1.10.
Affordability- Incomes	All HOME assisted units shall be occupied by households whose income at their initial lease up is no more than 60% of the HUD published area median income.
Affordability- Rents, Utility Allowance, and Allowable Fees	Up to 80% of the HOME-assisted units in a rental housing **project of five units or more** must have rents that are no more than the "high" HOME rent. A minimum of 20% of the HOME-assisted units in a rental **project of five units or more** must have rents that are no more than the "low" HOME rent for households whose incomes are at or below 50% of area median income. In general, and to allow for a marketing window, the Consortium will approve rents that are set about 10% below the maximum allowable HOME rents. For utility allowance, Applicants should use utility allowances that are consistent with DHCD's policy and HOMEfires Volume 13 No. 2 (attached) or the Consortium schedule, if available. For households that have a mobile Section 8, MRVP, or local rental voucher, the maximum HOME rent is the "high" HOME rent or the Section 8 fair market rent (FMR), whichever is less. In those instances, where the project receives State or Federal project-based rental subsidies, the HOME rent is the rent allowable under the Federal or State project-based rental subsidy program.

	Application/wait list fees and other fees other than those that the Consortium has deemed reasonable and customary for the location or market area are prohibited.
HOME Assisted Units	In general, the income, rent, and bedroom unit mix of the HOME assisted units shall be proportional to that of the overall project. The Consortium will generally designate the HOME assisted units within a project as “floating” units; i.e. not tied to any units in the project if the income, rent, and bedroom mix requirements are satisfied.
Affordable Housing Restriction (AHR)	All HOME funded projects require an AHR executed by the borrower and recorded at loan closing to ensure the long-term affordability of the HOME units for the period noted in the chart below.

Amount of HOME Project Funding	HOME period of affordability- years	County period of affordability- years	Total period of affordability- years
Less than $100,000	20	30	50
$100,000-$199,999	20	50	70
$200,000 or more	20	79 or longest period allowed by law to achieve perpetuity	99 or longest period allowed by law for perpetuity

Conflict of Interest	No HOME assisted affordable housing unit can be leased to any individual or any member of an individual’s immediate family, including those by blood, marriage or adoption, who is an officer, employee, agent, elected or appointed official, or consultant of the owner, developer, or sponsor of a project assisted with HOME funds.
Environmental Review	An ASTM Phase One environmental site assessment must be submitted with the application for each property within the project. All HOME projects must satisfy HUD’s environmental review requirements, including possible review and approval from the HUD Regional Office. Additional documentation will be required from the applicant for Consortium staff to complete the review. **Construction and site work cannot begin, and HOME funds cannot be released prior to approval from HUD.** Information on the Environmental Review process can be found:

	https://www.hudexchange.info/programs/environmental-review/. HOME staff will conduct an environmental review according to a Part 58 Environmental Assessment.
Design Guidelines	The Consortium's Design guidelines are generally consistent with those of DHCD's Qualified Allocation Plan (https://www.mass.gov/service-details/qualified-allocation-plan) and DHCD HOME program guidelines (https://www.mass.gov/service-details/home-investment-partnerships-program-home) that encourage energy efficient building envelopes and major building systems, healthy interior air quality, universal design, and "green" design elements. In addition to the DHCD design guidelines, the Consortium will award a maximum of 10 points to Applicants who provide additional individual tenant storage space for each unit beyond what is provided inside the units. HUD requires installation of broadband infrastructure at the time of new construction or substantial rehabilitation of multifamily rental housing that is funded or supported by HUD. The rule, however, recognizes that installation of broadband infrastructure may not be feasible for all new construction or substantial rehabilitation, and, therefore, it allows limited exceptions to the installation requirements.
Lead- Based Paint Requirements	All projects involving the rehabilitation of properties constructed prior to 1978 are subject to HUD's lead-based paint requirements.
Accessibility for Persons with Disabilities	For new construction of five (5) or more rental units or substantial rehabilitation projects of fifteen (15) dwelling units or more, Section 504 requires a minimum of five (5) percent of the dwelling units in the project (but no less than one unit) must be accessible to and usable by persons with mobility impairments. An additional two (2) percent of the dwelling units (but at a minimum no less than one unit) must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments). For moderate rehabilitation of 15 or more units, Section 504 also requires to the maximum extent feasible that the

	units be accessible to and usable by individuals with disabilities. For new construction projects, adoption of visit-ability standards is strongly encouraged. A unit is visit-able when a person with mobility impairments can enter the unit and navigate throughout the first floor and have access to an accessible bathroom.
Section 3 and MBE/WBE Requirements	All HOME projects must have outreach and reporting plans to achieve the Section 3 and MBE/WBE goals approved prior to closing.
Affirmative Marketing/Tenant Selection	As a condition of any funding, the Consortium will require the submission of an Affirmative Fair Housing Marketing Plan (AFHMP) that fully complies with the form and content of DHCD's Chapter 40B AFHMP Guidelines. These Guidelines can be found: https://www.mass.gov/service-details/home-investment-partnerships-program-home
Monitoring/Fee	The Consortium will annually monitor the recertification of tenants' income, rent, and utility allowances. Every 1-3 years, depending upon project size, the Consortium will conduct property inspections along with site monitoring visits to review for compliance in the areas of tenants' income and rents, lease terms, and resident selection policies. Finally, the Consortium will require annual project income/expense reports and/or audits to assess the project's financial health. The annual monitoring fee currently is $35 per HOME unit plus the actual cost of the property inspections. Such fee must be carried as an expense in the project's operating budget.
Good Standing	Applicants for HOME funds, including all members of their development teams, must be in good standing with the Consortium with respect to other Consortium-funded projects.

SECTION 3. THRESHOLD SCORING SYSTEM

1. Type of Development:

   - Rehabilitation/redevelopment: *30 points*
   - New Construction: *10 points*

   Redevelopment involves the use and expansion of an existing building, the conversion of use of an existing building, and the razing of an existing building to construct housing. Buildings will be determined primarily through their assessment classification. The demolition solely of accessory structures shall not be considered redevelopment.

2. Design likely to achieve LEED eligibility through architect submission of LEED for Homes Project Checklist: *10 points*

3. Project's wastewater is tied to sewer or local package system, or employs alternate denitrifying system that exceeds state Title V standards: *10 points*

4. Percentage of total project units that are handicap accessible:

   at least 5%: *5 points*
   at least 10%: *10 points*
   at least 15%: *15 points*
   at least 20%: *20 points*

5. Percentage of total project units that are visit-able:

   at least 20%: *4 points*
   21-40%: *6 points*
   41-70%: *8 points*
   71%+: *10 points*

   A unit is visit-able when a person with mobility impairments can enter the unit and navigate throughout the first floor and have access to an accessible bathroom.

6. Tenant Storage Space: Up to a maximum of 10 points for applicants who provide additional individual storage space in addition to what is provided in the unit.

7. Percentage of Project Affordability:

   0- 25%: *0 points*
   26-33%: *5 points*
   34-50%: *10 points*
   51-75%: *15 points*
   76%+: *20 points*

8. Income targeting/ affordable units:

Household Incomes Targeted	**AFFORDABLE UNITS**				
	Up to 15%	16-25%	26-50%	51-75%	76%+
0-30%	*6 points*	*9 points*	*12 points*	*15 points*	*20 points*
31-50%	*2 points*	*4 points*	*6 points*	*8 points*	*10 points*
51-80%	*1 point*	*2 points*	*3 points*	*4 points*	*5 points*

9. Local Support through donation or leasing of land and/or financial support (CPC, trust funds, etc.) in an amount at least equal to HOME request: *10 points*

10. Larger bedroom Mix *maximum of 10 points*:

    - At least 65% of the units in a project are two bedrooms or larger and at least 10% are three bedrooms or larger: *10 points*

    - At least 50% of the units in a project are 2 bedrooms or larger and at least 5% are three bedrooms or larger: *5 points*

11. At least 15% of the total units targeted to serve homeless individuals or families, special needs groups**,** and/or persons with disabilities: *10 points*

12. Development Team (maximum 10 points):

    Inclusion of certified Minority/Women's Business Enterprise (MBE/WBE) members on the development team: *maximum of 5 points*:

- Project sponsor, general contractor, and/or management agent: *5 points*
- Architect, attorney, development consultant, syndicator: *2 points*

    Inclusion of Section 3 eligible members on the development team: *maximum of 5 points*:

- Project sponsor, general contractor, and/or management agent: *5 points*
- Architect, attorney, development consultant, syndicator: *2 points*

13. Project involves permanent displacement of income eligible households: (*-10 points*)

14. Total development costs per unit:

less than $425,000:	*5 points*
$425,000 – $449,999:	*4 points*
$450,000 – $474,999:	*3 points*

$475,000 – $499,999: *2 points*
$500,000+-: *1 point*

15. Total development costs (site and building) per gross square feet (sf):

less than $300/sf: *5 points*
$300 – $324/sf: *4 points*
$325 – $349/sf: *3 points*
$350 – $374/sf: *2 points*
$375+/sf: *1 point*

MINIMUM POINTS NEEDED TO CONSIDER FUNDING: 75

MAXIMUM POINTS: 184

SECTION 4. EVALUATION CRITERIA

Applications for HOME funding will be evaluated on the following criteria:

1. Experience of the applicant and of development team members in Projects of similar size and type.

2. Financial strength of the applicant to adequately carry out the project And the project's financial feasibility on both the development and operating budgets.

3. A subsidy layering analysis that determines the minimum amount of home funds necessary for project feasibility.

4. The documented market needs for the project and a satisfactory marketing plan.

5. Readiness to proceed and ability to close on and expend home funds within 12 months of commitment.

5. The applicant and members of the development team are in good Standing with respect to prior home consortium funding awards, including but not limited to having no unresolved findings from annual project monitoring reviews.

7. Project Score.

While the above are the primary criteria, the Consortium reserves the right to consider other factors- geographic balance, population served, etc.- in making its funding awards. Decisions on funding requests are made by the Barnstable County HOME Consortium Advisory Council, a 17-member body with representation from each of the Cape's fifteen communities.

SECTION 5. SUBMITTAL REQUIREMENTS AND OTHER INFORMATION

Two copies of the application are to be mailed or hand delivered to the Barnstable County Human Services Department, C/O HOME Consortium, 3195 Main Street, PO Box 427, Barnstable, MA 02630. Additionally, an electronic copy with attachments is to be submitted. **Please note that one copy of a complete- including Exhibits- One Stop application may be submitted in lieu of the Consortium's application; however, Section 5- Threshold Scoring System- of the Consortium's application must be submitted along with the One Stop.**

The Consortium reserves the right to seek additional information from all applicants, to select finalists and to schedule interviews.

The Consortium reserves the right to reject all applications; to waive any requirements of this application format, to waive any minor informalities in applications; to modify or amend, with the consent of the respective applicant, any application, if otherwise permitted by law; and to affect any agreement deemed by the Consortium to be in its best interest.

Applicants are encouraged to contact Consortium staff prior to applying. Technical questions about this application for HOME rental development funds should be directed to the HOME Program Manager at 508-375-6622/ homeprogram@barnstablecounty.org

HOMEfires - Vol. 13 No. 2, May 2016

This guidance was originally published in May 2016 and revised in August 2016.

Q. When does the utility allowance (UA) requirement established in the 2013 HOME Final Rule (HOME Rule) become effective, and what methods may a participating jurisdiction (PJ) use to establish the UA for HOME-assisted rental units?

A. PJs are required to determine UAs for HOME-assisted rental units by using either the HUD Utility Schedule Model (HUSM) or a project-specific methodology. This HOMEfires reviews the HUSM and identifies several other methodologies that meet the HOME regulatory requirements including the HUD Multifamily Housing Utility Analysis, a Utility Company Estimate, a Low Income Housing Tax Credit (LIHTC) Agency Estimate, or an Energy Consumption Model.

Background

The HOME statute and the regulations at 24 CFR Part 92 establish rent limits for HOME-assisted rental units. These are gross limits that include contract rent plus utilities or a UA for tenant-paid utilities. PJs are required to establish maximum monthly allowances for utilities and services (excluding telephone) and to update the allowances annually. The HOME Rule requires PJs to use the HUD Utility Schedule Model (HUSM) or otherwise determine the utility allowance for the project based on the type of utilities used at the project.

The utility allowance requirement at §92.252(d) in the HOME Rule is applicable to all rental projects to which HOME funds were committed on or after August 23, 2013. Unfortunately, when the HOME Rule was published in 2013, the HUSM contained errors that caused anomalous results. Therefore, it was not possible for PJs to comply with the regulatory UA requirement while the model was producing inaccurate utility allowances. In November 2015, HUD released an updated version of the HUSM, which corrected the errors and helped to ensure proper sequencing of consumption estimates across bedroom sizes and/or structure types. This updated HUSM now is available for PJ use. Consequently, beginning immediately PJs must take steps to implement the UA requirements at 24 CFR 92.252(d) for projects to which HOME funds were committed on or after August 23, 2013 and which are completed and occupied. PJs must instruct owners of these projects to comply with the UA requirements at lease renewal, or as soon as is practicable.

Under the HOME Rule, PJs are no longer permitted to use the utility allowance established by the local Public Housing Authority (PHA) for HOME-assisted rental projects for which HOME funds were committed on or after August 23, 2013. Projects to which HOME funds were committed before the effective date of the 2013 HOME Rule may continue to use the PHA utility schedule. The methods used by PHAs to establish these utility schedules vary across the country and, therefore, may generate inconsistent or inaccurate allowances. In addition, PHA utility schedules are based on average consumption rates across a PHA's portfolio. Application of these standardized utility allowances may result in undercharging or overcharging of rent, particularly in projects where tenants pay utilities directly. As more projects are constructed or rehabilitated to higher energy-efficiency standards, thus enhancing affordability of units, the use of a standard utility allowance may not represent actual utility costs.

The option established in the HOME regulations to "otherwise determine the utility allowance for the project based on the type of utilities used at the project" means that, if PJs choose not to use the HUSM, the UA must be established using a project-specific methodology. A project-specific methodology is based on actual utility usage at the property or estimates an allowance based on project-specific factors such as size, orientation, building materials, mechanical systems and construction quality, as well as local climate conditions.

Responsibility for UA Determination

The HOME Rule requires the PJ to establish a UA for a HOME-assisted unit. However, a PJ may require property owners to complete initial UA calculations and submit their calculations for review and approval of the PJ prior to implementation. The staff cost of determining UAs can be charged as an administrative cost under 24 CFR 92.207(a). In addition, the staff cost of determining the initial UA, prior to project completion, can be charged as a project-related soft cost for projects to which HOME funds were committed on or after August 23, 2013 under 24 CFR 92.206(d).

PJs may establish local policies and procedures for determining and annually updating UAs for each HOME-assisted rental project. Specifically, PJs may:

- Directly calculate the UA for each project based on any of the acceptable methods outlined below using its own qualified staff or by contracting with qualified professionals;

- Require property owners to use a specific method or choose from any of the acceptable methods outlined below to prepare (or employ a qualified third-party professional to prepare) and submit a UA determination for the PJ's review and approval; or

- Accept a UA approved by another funder (state tax credit allocator, federal agency, etc.) provided the UA is calculated using a method acceptable under the HOME Program. In such cases, the PJ is ultimately responsible for ensuring that the UA meets HOME requirements.

Acceptable Methods for Calculating UAs

The following five methodologies used in other Federal housing programs will meet the HOME regulatory requirement that the utility allowance for a specific project be based upon the utilities used at the project. A PJ may adopt one or more of these options across its HOME rental program or may limit their use to a single method. However, a PJ must use the same UA methodology for all HOME units within a single project. HUD encourages PJs to align with other funders, to the extent feasible, when determining the UA for a project with multiple funding sources. The acceptable methods include, but are not limited to:

1. **HUD Utility Schedule Model**: The HUSM enables users to calculate utility schedules by housing type after entering utility rate information (tariffs). This model is based on climate and survey information from the U. S. Energy Information Administration of the Department of Energy and it incorporates energy efficiency and Energy Star data. This model is allowed for LIHTC projects per IRS regulations at 26 CFR 1.42-10(b)(4)(D).

   The HUSM and use instructions can be accessed on HUD User at https://www.huduser.gov/portal/resources/utilallowance.html. The HUSM is available as either a spreadsheet model in MS EXCEL or a web-based model on HUD User at https://www.huduser.gov/portal/datasets/husm/uam.html. During {2016?}, HUD will deliver a web-based training on the use of the HUSM and post the recording on the HUD Resource Exchange as an additional resource for PJs.

2. **Multifamily Housing Utility Analysis**: In 2015, HUD published Multifamily Notice H-2015-4 to provide instructions to owners and management agents for completing the required utility analysis. This analysis is also used for the USDA Rural Housing Service program and allowed for LIHTC projects per IRS regulations at 26 CFR 1.42-10(b)(3). HOME PJs may use the methodology from the notice, including the required baseline utility analysis; the optional factor-based utility analysis; and, the utility analysis sample size which are described in Attachment 1 to this HOMEfires.

3. **Utility Company Estimate** (26 CFR 1.42-10(b)(4)(B)) **–** A PJ may establish or approve a UA based on estimates obtained from a local utility company for each of the utilities used in the project. IRS regulations state that the estimate must be obtained in writing and must be based on the estimated cost of that utility for a unit of similar size and construction for the geographic area in which the building containing the unit is located.

4. **LIHTC Agency Estimate** (26 CFR 1.42-10(b)(4)(C)) **–** Under IRS regulations, the tax credit allocating agency estimate entails two options: 1) an agency estimate that is a prospective projection of utility costs based on site and building characteristics, and 2) an actual usage methodology. If a project is receiving both HOME and LIHTC funding, a PJ may coordinate with the LIHTC agency to obtain a project-specific agency estimate or may accept a UA approved by the LIHTC agency based on its actual usage methodology.

5. **Energy Consumption Model (Engineer Model)** (26 CFR 1.42-10(b)(4)(E)) – A PJ may establish or approve a UA based on an energy and water and sewage consumption and analysis model (energy consumption model) prepared by a properly licensed engineer or a qualified professional. IRS regulations require that such professionals be independent from the property owner and they specify the building factors that must be included in the model.

Attachment 1: Multifamily Housing Utility Analysis Methodology

Baseline Utility Analysis – If a PJ uses the Multifamily Housing analysis, a baseline utility allowance must be established every three years using the required sample size. For the two years after the baseline is established, PJs have the option to perform the factor-based utility analysis described below. A baseline utility analysis consists of the following steps:

- Request utility data from either the utility company of the tenant household for at least the number of units determined by the sample size methodology. This must be done for each bedroom size at the property. If the property consists of multiple identical buildings (or buildings that are substantially similar), then the sampling may be performed at the property level (encompassing all buildings on a site) for each bedroom. If the buildings are not identical, the sampling must be done for each bedroom size for each building.

- Determine the average utility cost for each bedroom size without removing any units from the analysis beyond those excluded from the sample size as indicated in the sampling instructions below. Do not remove the highest or lowest utility cost household when determining the average.

A sample format for utility allowance submissions, which includes built-in formulas to average utility costs for each unit size, can be found as Attachment A to Notice H-2015-4. In addition, HUD recognizes the difficulties associated with obtaining utility data from utility companies and tenant households. To assist in obtaining the required sample size, a sample tenant release form is included as Attachment B to Notice H-2015-4.

Factor-Based Utility Analysis – If a PJ has calculated a baseline utility allowance, then the PJ may use a factor-based utility analysis for the following two years. The baseline utility allowance must be recalculated every three years. To conduct a factor-based utility allowance, the PJ will adjust the baseline utility allowance amounts for each bedroom size and each utility at the property by a state-specific increase factor, the Utility Allowance Factor (UAF) provided by HUD. The UAF, which can be found on the HUD User website, is determined by considering the state-specific average retail price of electricity, natural gas, water, and oil/propane for residential consumers that is published by the U. S. Energy Information Administration.

After completing the property's utility analysis under the factor-based utility analysis method, the adjusted utility allowances should be compared to the paid utilities over the previous twelve months. If a PJ determines that the results indicate a significant disparity between the two, a baseline analysis should be completed to ensure that the allowances provided are accurate.

Utility Analysis Sample Size – An appropriate sample size must be used to perform a statistically accurate utility analysis. HUD's Office of Policy Development and Research (PD&R) created a sample size rule and formula for this purpose. This formula has been built into the utility allowance submission template, Attachment A, and Figure 1 below shows how it translates based on the number of units per bedroom size.

Figure 1	
Number of Units*	**Minimum Sample**
1-20	All
21-61	20
62-71	21
72-83	22
84-99	23
100-120	24
121-149	25
150-191	26
192-259	27
260-388	28
389 and above	29

* Per Bedroom Size. If the property consists of multiple non-identical buildings (the buildings are not substantially similar), then the sampling must be performed for each bedroom size for each building on the site.

Figure 2 illustrates how many units would be sampled using a random representation of units of multiple bedroom sizes within a property.

Figure 2		
Bedroom Size	**Number of Units**	**Sampling for Utility Analysis**
0 Bedroom	15	15
1 Bedroom	113	24
2 Bedroom	74	22
3 Bedroom	50	20
4 Bedroom	7	7
Total Units	259	88

A unit should be excluded from the sample only if it:

1. Is receiving an increased utility allowance as a reasonable accommodation;
2. Has been vacant for more than two months. Units included in the sample should have at least 10 months of occupancy; or,
3. Is receiving a flat utility rate as part of a low-income rate assistance utility program.

Multifamily Notice H-2015-4 and its two attachments can be accessed at:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/hsg/2015

The UAF is available on HUD User at: https://www.huduser.gov/portal/datasets/muaf.html