Snohomish County, WA

Human Services

Office of Housing and Community Development

HOME Investment Partnership Program Policies

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I. Introduction

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The HOME Investment Partnerships (HOME) Program is a federal block grant program for affordable housing from the U.S. Department of Housing and Urban Development (HUD). Snohomish County, as the lead agency for the Snohomish County HOME Consortium, is the recipient of HOME funds for the Consortium, which HUD allocates to the County by formula. As the lead agency, Snohomish County is responsible for the overall administration, planning, monitoring, and reporting requirements for this program. This Policies Manual shall be applied to all HOME projects funded through the Snohomish County HOME Consortium.

These Policies are subject to change at any time.

This Section is divided into the Subsections listed below.

a.	Overview	I-1
b.	Distribution of Funding	I-2
c.	Definitions	I-2

a. Overview

The HOME Program was established in 1992, and is authorized by Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended. HOME is designed to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing. The national objectives of the program are:

- Provide decent, affordable housing for low-income households
- Develop the capacity of nonprofit housing agencies to address the housing needs of low-income households
- Provide funding for state and local governments to address low-income housing needs
- Leverage private sector participation

Only housing-related activities can be funded with HOME funds. All HOME-assisted units must provide housing for households with incomes of less than 80% of the area median income (AMI), and for certain activities, a portion of the funds must provide housing for households with less than 50% of the AMI.

Eligible activities are defined in accordance with the following HOME assistance categories:

- Homeowner Rehabilitation
- Homebuyer Unit Development
- Direct Homeownership Assistance
- Rental Housing
- Community Housing Development Organization Operating Support
- Tenant-Based Rental Assistance

b. Distribution of Funding

The Snohomish County HOME Consortium distributes HOME funds within the boundaries of its HOME Consortium area, and among different categories of housing need, according to the priorities of housing needs and goals identified in its approved Consolidated Plan.

The Snohomish County HOME Consortium only invests HOME funds in eligible projects within its Consortium boundaries. The Snohomish County Consortium may consider joint projects within the boundaries of contiguous local jurisdictions, which serve residents from both jurisdictions where both jurisdictions must make financial contribution to the project that contributes to the feasibility of the project

Applications for Snohomish County HOME funds are solicited annually (subject to fund availability), typically through a Notice of Fund Availability (NOFA) process, and reviewed competitively. Awards are included each year in the Action Plans to the Consolidated Plan, which are approved by the Snohomish County Council. Before committing funds to a project, Snohomish County underwrites and evaluates the project and will not invest any more HOME funds, in combination with other project financing, than is necessary to provide affordable housing.

Funding applications are assessed for such characteristics as community need, conformance with adopted plans and priorities, nature and extent of benefit, financial and technical feasibility, and/or other factors bearing upon the merit of proposals competing for funding. The specific competitive selection criteria for projects will be published at the time applications are solicited.

Twenty-one percent (21%) of the Consortium's HOME allocation each year is set-aside for City of Everett affordable housing projects. These projects are selected separately through the City of Everett's project selection process, with final approval by Snohomish County as part of each year's Action Plan, or as amendment to the Action Plan. These projects are typically located in the City of Everett or the City of Everett's Urban Growth Area.

c. Definitions

Action Plan: The annual one-year portion of the Consolidated Plan. It includes the annual HOME project awards and is the participating jurisdiction's annual application for HOME funds.

Adjusted Income: Adjusted income is annual (gross) income reduced by deductions for dependents, elderly households, medical expenses, handicap assistance expenses and childcare (these are the same adjustment factors used by the Section 8 Program).

Agency: Includes Developers, Owners, and Sponsors, and Subrecipients.

Affordability: The requirements of the HOME Program that relate to the cost of housing both at initial occupancy and over established timeframes, as prescribed in the HOME Final Rule. Affordability requirements vary depending upon the nature of the HOME assisted activity (i.e., homeownership or rental housing).

Annual Income: Annual income is the annual household income as defined in 24 CFR § 5.609, or the adjusted gross income as defined under the IRS 1040 series for individual Federal annual income tax purposes.

Commitment: Commitment means:
(1) The participating jurisdiction has executed a legally binding written agreement (that includes the date of the signature of each person signing the agreement) with a State recipient, a subrecipient, or a contractor to use a specific amount of HOME funds to produce affordable housing, provide down payment assistance, or provide tenant-based rental assistance; or has met the requirements to commit to a specific local project, as defined in paragraph (2) of this definition. (See § 92.504(c) for minimum requirements for a written agreement.) An agreement between the participating jurisdiction and a subrecipient that is controlled by the participating jurisdiction (e.g., an agency whose officials or employees are official or employees of the participating jurisdiction) does not constitute a commitment. An agreement between the representative unit and a member unit of general local government of a consortium does not constitute a commitment. The requirements for commitment to a specific local project apply to all CHDO fund commitments.

Commitment to a Specific Local Project: Commitment to a specific local project means that a legally binding agreement was executed meeting one of the following sets of requirements:

1. For rehabilitation or new construction projects, the PJ (or other entity) and the project owner will execute an agreement for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within 12 months of the agreement date. If the project is owned by the Snohomish County or state recipient, the project must be set up in the disbursement and information system and construction reasonably expected to start within 12 months of the set-up date.
2. If the project consists of acquisition of standard housing by the PJ, the agreement must be a binding contract for the sale of an identifiable property and the property title must be transferred to the PJ (or other entity) within six months of the date of the contract.
3. If the project involves the acquisition of standard housing and the Snohomish County is providing HOME funds to a purchaser, under the agreement, the title of the property must be transferred to the purchaser within six months of the agreement date.
4. Note that preliminary or conditional "commitments" may be made, but no funds are considered committed under the rules unless the above conditions have been met.

Community Housing Development Organization (CHDO): A private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations at 24 CFR § 92.2. A participating jurisdiction must award at least 15% of its annual HOME allocation to one or more CHDOs.

Consolidated Plan: A five-year strategic plan prepared in accordance with the requirements set forth in 24 CFR part 91 for certain HUD programs, including HOME, which assesses priority community needs for affordable housing and community development, identifies anticipated resources, and develops goals and other actions to be undertaken to help achieve the goals. The plan guides the investment of the HOME and other HUD funds for the five-year period; HOME projects funded with these funds must be consistent with the plan.

Consortium: Geographically contiguous units of general local government consolidated in a single unit of general local government for the purpose of receiving HOME funds each year as a formula grant to use for locally determined needs and priorities. The Snohomish County HOME Consortium consists of Snohomish County and all the cities and towns in Snohomish County. The City of Bothell is split by the King County-Snohomish County line and partners with Snohomish County for the area of its city that lies within Snohomish County. Snohomish County is the lead agency and grand recipient for the Consortium. In this capacity, Snohomish County is responsible for the overall administrating, planning, monitoring, and reporting requirements for the HOME program on behalf of the Consortium.

Developers, Owners, and Sponsors: Includes individuals, for-profits entities, and nonprofits that are developers, owners, or sponsors of housing.

Draw-Down: The process of requesting and receiving HOME funds. Snohomish County draws down funds from a line of credit established by HUD.

Final Rule: The Final HOME Rule was published at 24 CFR part 92 on July 24, 2013 and became effective on August 24, 2013. HOME contracts that are executed, or contracts that are amended after August 23, 2013, must conform to the 2013 Final HOME Rule.

First-Time Homebuyers: Means an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home with HOME assistance. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent.

Group Home: Housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the unit, and (except in the case of shared one-bedroom units) separate private space for each family.

HOME-Assisted Units: A term that refers to the units within a HOME project for which rent, occupancy and/or resale restrictions apply. The number of units designated as HOME-assisted affects the maximum HOME subsidies that may be provided to a project.

HOME Funds: All appropriations for the HOME Program, plus all repayments and interest or other returns on the investment of these funds.

HOME Investment Trust Fund: The term given to the two accounts - one at the Federal level and one at the local level - that "hold" the Snohomish County's HOME funds. The Federal HOME Investment Trust Account is the U.S. Treasury account for each participating jurisdiction. The local HOME Investment Trust Fund account includes repayments of HOME funds, matching contributions and payment of interest or other returns on investment.

Household: One or more persons occupying a housing unit.

Jurisdiction: A state or unit of general local government.

Low-Income Families: Families whose annual incomes do not exceed 80% of the median income for the area (adjusted for family size).

Match: Match is the Snohomish County Consortium's required contribution to the HOME Program – the local, non-Federal contribution to the partnership. The overall match contribution must equal not less than 25% of HOME funds disbursed for projects and programs each federal fiscal year (October 1 – September 30).

New Construction: The creation of new dwelling units. Any project which includes the creation of new or additional dwelling units in an existing structure is considered new construction.

Owners: Refer to the definition of Developers, Owners, and Sponsors.

Participating Jurisdiction (PJ): The term given to any state, local government or consortium that has been designated by HUD to administer a HOME Program. Snohomish County is the PJ for the Snohomish County HOME Consortium.

Program Income: Gross income received by Snohomish County, or a sub recipient directly generated from the use of HOME funds or matching contributions.

Project: A site or an entire building or two or more buildings, together with the site or sites on which the building or buildings is located, that are under common ownership, management and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking. The HOME Final Rule eliminated the requirement that all buildings fall within a four block radius.

Project Completion:
There is a four-year project completion deadline for all projects to which HOME funds are committed on or after August 23, 2013. A one-year extension of the four-year deadline is possible if the PJ can demonstrate that the project will be completed within the one-year timeframe.

Project completion means that all necessary title transfer requirements and construction work have been performed; the project complies with all HOME requirements; the final draw-down of HOME funds has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD, except that with respect to rental housing project completion, for the purposes of § 92.502(d) of this part, project completion occurs upon completion of construction and before occupancy. For homebuyer projects, the final transfer has occurred and the beneficiary information is entered into IDIS.

Property Standards: Activities and costs are eligible for HOME funding only if the housing meets the property standards in § 92.251 upon project completion.

Reconstruction: The rebuilding, on the same lot, of housing standing on a site at the time of project commitment. Except that housing that was destroyed may be rebuilt on the same lot if HOME funds are committed within 12 months of the date of destruction the number of housing units on the lot may not be changed as part of the reconstruction project, but the number of rooms per unit may change. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing.

Rehabilitation: All rehabilitation that is performed using HOME funds must meet the Snohomish County Rehabilitation Standards (as may be amended) to ensure that housing rehabilitated with

HOME funds is decent, safe, sanitary, and non-luxury housing with suitable amenities. (See Property Standards)

Single-Room Occupancy (SRO): Housing consisting of single-room dwelling units that is the primary residence of its occupant or occupants. The unit must contain food preparation and/or sanitary facilities if the project involves new construction, conversion of non-residential space, or reconstruction. If the units do not contain sanitary facilities, the building must contain sanitary facilities shared by the tenants. SRO must be in compliance with the local zoning regulations.

Sponsors: Refer to the definition of Developers, Owners, and Sponsors.

State Recipient: State PJs can award their HOME funds to units of local government to run HOME locally. Any unit of local government designated by a state to receive HOME funds is called a "state recipient." The state is responsible for ensuring that HOME funds allocated to state recipients are used in accordance with the HOME regulations and other applicable laws.

Students: Certain students are explicitly excluded from participating independently in the HOME program. The HOME program adopts the Section 8 Housing Choice Voucher (HCV) program restrictions on student participation found at 24 CFR § 5.612, which exclude any student that:

1. Is enrolled in a higher education institution;
2. Is under age 24;
3. Is not a veteran of the U.S. military;
4. Is not married;
5. Does not have a dependent child(ren);
6. Is not a person with disabilities; and
7. Is not otherwise individually eligible, or has parents who, individually or jointly, are not eligible on the basis of income.

Subrecipient: HOME subrecipients receive funds to carry out programs (e.g., downpayment assistance, homeowner rehabilitation, or tenant-based rental assistance programs, etc.), and not to undertake specific projects. (Entities that carry out projects are generally owners, developers, or sponsors.) A public agency or nonprofit organization selected by the Snohomish County to administer all or a portion of Snohomish County's HOME Program is a subrecipient. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient.

Targeting: Requirements of the HOME Program relating to the income or other characteristics of households that may occupy HOME-assisted units.

Tenant-Based Rental Assistance (TBRA): A form of direct rental assistance in which the recipient tenant may move from a dwelling unit with a right to continued assistance.

Terminated Projects: A HOME assisted project that is terminated before completion, either voluntarily or involuntarily, constitutes an ineligible activity, and the participating jurisdiction must repay any HOME funds invested in the project to the participating jurisdiction's HOME Investment Trust Fund in accordance with § 92.503(b). Any project that does not meet the HOME requirements for affordable housing (affordability provisions, income targeting, property standards, etc.) must repay HOME funds expended for the project.

Uniform Physical Condition Standards (UPCS): The UPCS are uniform national standards established by HUD for housing that is decent, safe, sanitary, and in good repair, pursuant to 24 CFR § 5.703. These standards apply to HOME rehabilitation, acquisition, and tenant-based rental assistance projects in accordance with § 92.251. In the near future, HUD will issue guidance on the specific required elements of UPCS that will apply to HOME.

Very-Low-Income Families: Families whose annual incomes do not exceed 50% of the median income for the area (adjusted for family size).

Written Agreement: An executed, legally binding written agreement committing HOME funds from Snohomish County. Funds may be in the form of a loan or grant.

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II. General Requirements

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This Section is divided into the Subsections listed below.

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a. Project Eligibility

i. Eligible Activities

HOME funds may be used for the following activities to develop and support affordable rental housing and homeownership affordability of permanent or transitional housing that, upon completion, must meet applicable Property Standards. Descriptions of the eligible activities and the eligible costs associated with each activity are described in the General Requirements: Eligible Project Costs and in more detail in the applicable HOME assistance section.

Table 2.1 ***Eligible Activities***

HOME Assistance	Eligible Activities	Description
Homeowner Rehabilitation [92.254]	- Repair - Rehabilitation - Reconstruction	Assistance to existing owner-occupants.
Homebuyer Unit Development [92.254]	- Acquisition - Acquisition and Rehabilitation - New Construction	Development of affordable homes.
Direct Homeownership Assistance [92.254]	- Acquisition - Acquisition and Rehabilitation	Assistance to first-time homebuyers in acquiring affordable homes.
Rental Housing [92.252]	- Acquisition - New Construction - Rehabilitation	For affordable rental housing.
CHDO Operating Costs	- Agency Operating Expenses	For development of affordable housing.
Tenant-Based Rental Assistance [92.209]	- Rental Assistance Programs - Security Deposit and Utility Deposit Assistance Programs	Financial assistance provided to tenants.

A HOME assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and will be subject to recapture.

ii. Eligible Properties

HOME funds may be used only for eligible properties within Snohomish County. The eligible properties vary depending on the HOME assistance provided. Refer to the applicable HOME assistance section for a complete list and description of eligible properties. Refer to the table below for a general list of eligible and ineligible Housing:

Table 2.2	***Housing Generally***	
Inclusions [92.2]		
Manufactured Housing	Manufactured Housing Lots	Elder Cottage Housing Opportunity (ECHO) units that are small free-standing, barrier-free, energy-efficient, removable, and designed to be installed adjacent to existing single-family dwellings
Permanent Housing	Transitional Housing	
Single-Room Occupancy Housing	Group Homes	
Exclusions [92.213]		
Emergency Shelters (including shelters for disaster victims)	Nursing Homes	Convalescent Homes
Hospitals	Residential Treatment Facilities	Correctional Facilities
Halfway Houses	Housing for Students	Dormitories (including farmworker dormitories)
Public Housing [92.213]: HOME-assisted housing units may not receive Operating Fund or Capital Fund assistance under section 9 of the 1937 Act during the HOME period of affordability. **Exceptions**: HOME funds may be used for the development of public housing units, if the units are developed under section 24 of the 1937 Act (HOPE VI) and no Capital Fund assistance under section 9(d) of the Act is used for the development of the unit; such a unit may receive 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 and the HOME units are separately designated.		

iii. Entities Eligible to Administer HOME Funds

HOME funds may be administered only by eligible entities, which vary depending on the HOME assistance provided. Refer to the applicable HOME assistance section for a complete list and description of eligible entities. Refer to the table below for a general list of eligible entities:

Table 2.3	***Entities Generally***	
Developers, Owners, Sponsors: individuals, for-profit entities, public agencies, or nonprofits		**Contractors**: a private for-profit contractor procured through a competitive process in accordance with applicable Office of Management and Budget (OMB) procurement requirements.
Subrecipients: public agency or non-profit organization	**Community Housing Development**	

	Organizations (CHDO)	

iv. Eligible Applicants/Beneficiaries

Eligible beneficiaries include households who:

- Reside in or are relocating to Snohomish County;
- Are not an agent, consultant, officer, employee, and/or elected official of Snohomish County or a HOME recipient of funds (household may still be able to receive assistance if a waiver is approved by HUD); and
- Meet all other requirements as applicable, including income requirements.

INCOME REQUIREMENTS

The HOME Program is designed to provide affordable housing to low-income families and individuals. HOME regulations require that all HOME funds benefit households with annual gross incomes at, or below, 80% of the area median income (AMI). For certain HOME assistance, such as HOME Rental Housing, the County has further restricted the income requirements through the Consolidated Plan that requires that all HOME funds benefit households with annual gross incomes at, or below, 60% AMI. Refer to the applicable HOME assistance section for further detail on income requirements.

Annual income refers to the gross amount of income anticipated to be received by all persons in a household, including non-related individuals, during the 12 months following the effective date of the income determination.

RESTRICTION ON SERVING STUDENTS

The HOME program adopts the Section 8 Housing Choice Voucher (HCV) program restrictions on student participation found at 24 CFR § 5.612. Students are prohibited from receiving any type of HOME assistance, including renting HOME-assisted rental units, receiving HOME tenant-based rental assistance, or otherwise participating in the HOME program independent of their low- or very low-income families. Refer to Introduction: Definitions for the definition of students.

b. Eligible Project Costs [92.206]

HOME funds may be used for a variety of costs. These project costs vary depending on the HOME assistance provided and the nature of the project activity; below are examples of the general categories of eligible costs, which are explained in further detail in the applicable HOME assistance section. Check with Snohomish County to determine the eligibility of costs that fall outside of these examples.

i. Eligible Costs

Table 2.4	***General Eligible Project Costs***
Project Cost	**Description**
Acquisition Costs	Costs of acquiring improved or unimproved real property.
Development Hard Costs	Actual cost of constructing or rehabilitating housing.

Project Related Soft Costs	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.
Relocation Costs	Cost of relocation payments and other relocation assistance to persons displaced by the project.
Refinancing Costs	**Snohomish County does not currently permit refinancing of existing debt secured on a housing project as part of the rehabilitation.** The County intends to develop and adopt refinancing guidelines in the future which would then permit refinancing as an eligible cost.
Costs Relating to Payment of Loans	If HOME funds are not used to directly pay an eligible project cost, but are used to pay off a construction loan, bridge financing loan, or guaranteed loan, the payment of principal and interest for such loan is an eligible cost only if: the loan was used for eligible costs, and the HOME assistance is part of the original financing for the project Loan. Refer to the Snohomish County Consortium Bridge Loan Policy.

ii. Ineligible Activities, Costs, and Fees

<table>
<tr><th>Table 2.5</th><th colspan="3">Ineligible Activities, Costs, and Fees [92.214]</th></tr>
<tr><td colspan="2">Acquisition of vacant land only (without the construction of housing)</td><td>Demolition only (without the construction of housing)</td><td>Project-based rental assistance: rental assistance tied to occupancy in a particular project</td></tr>
<tr><td colspan="2">Project reserve accounts* or operating subsidies</td><td>TBRA for the special purpose of the existing section 8 program, in accordance with section 212(d) of the Act</td><td rowspan="4">Double-dipping: assistance (other than TBRA, or assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by the participating jurisdiction in the written agreement under § 92.504.*** However, additional HOME funds may be committed to a project up to one year after project completion</td></tr>
<tr><td colspan="2">Non-federal matching contributions required under any other Federal program</td><td>Development, operations, or modernization of public housing: assistance for uses authorized under section 9 of the 1937 Act (Public Housing Capital and Operating Funds)</td></tr>
<tr><td colspan="2">Assistance to low-income housing under 24 CFR part 248 (Prepayment of Low Income Housing Mortgages)**</td><td rowspan="2">Acquisition of property owned by Snohomish County, except for property acquired with HOME funds, or property acquired in anticipation of carrying out a HOME project</td></tr>
<tr><td colspan="2">Delinquent taxes, fees or charges on properties to be assisted with HOME funds</td><td>Any other ineligible cost as defined in the HOME Regulation, §§ 92.206 through 92.209.</td></tr>
<tr><td colspan="2">Servicing, origination and other fees for the purpose of covering costs of administering the HOME Program</td><td colspan="2">Fees not customarily charged in rental housing</td></tr>
<tr><td colspan="4">*Except for costs of funding an initial operating deficit reserve for new construction or rehabilitation, see Project Related Soft Costs and § 92.206(d)(5).
**Except assistance may be provided to priority purchasers as defined in 24 CFR § 248.101
***Additional HOME funds may be committed to a project up to one (1) year after project completion (see § 92.502), but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount established under § 92.250.</td></tr>
</table>

c. Property Standards [92.251]

Activities and costs are eligible for HOME assistance only if the housing meets certain minimum property standards upon project completion. Minimum property standards vary according to the nature of the activity (i.e., acquisition, new construction, rehabilitation) and are described in further detail in the applicable HOME assistance section.

GENERAL INSPECTION REQUIREMENT [92.504(d)]
The PJ must conduct an on-site inspection of each project at project completion and during the period of affordability, if applicable, to determine that the project meets the minimum property standards. Additional inspection requirements may apply, depending on the activity.

d. Project Underwriting and Subsidy Layering [92.250(b)]

HOME funds are limited to gap financing. The PJ's subsidy layering and/or underwriting must demonstrate that it is not investing any more HOME funds, alone or in combination with other funds, than are necessary to provide quality, affordable, and financially viable housing for at least the duration of the affordability period. The evaluation must determine a reasonable level of profit or return on the owner's or developer's investment in a project. Project underwriting and subsidy layering requirements vary by the HOME assistance provided and are described in further detail in the applicable section. Refer also to the Snohomish County Consortium Appraisal Policy.

The PJ's subsidy layering and underwriting guidelines require the PJ to:
- Assess the reasonableness of profit or return to the owner or developer, for the size, type, and complexity of the project
- Examine the sources and uses for each project and determine whether the costs are reasonable
- Assess the market conditions of the neighborhood in which the project will be located
- Assess the experience and financial capacity of the developer
- Determine whether there are firm financial commitments for the project

i. Project Underwriting

Underwriting (review of sources and uses) of all HOME projects (rental and homebuyer) is required whether or not the projects are assisted with other governmental assistance. Refer to the applicable HOME assistance section for further details and exceptions to this requirement.

ii. Subsidy Layering Review Guidelines

The County must determine that no more than the necessary amount of HOME funds, in combination with other governmental funds, is invested than is necessary to provide quality affordable housing that is financially viable for a reasonable period.

As part of the review of applications for County funding and again at the time of funding commitment, the County conducts a Layering Review of projects that include state or other public funds. The County will follow its Subsidy Layering Review Guidelines, 2012 #3. The review includes a consideration of the sources and uses of funds proposed for a project, the

reasonableness of project development costs, the proposed project operating costs, and the amount of cash flow generated over time. The per subsidy limit review formula will round-up to the nearest whole number.

iii. Market Assessment

A market assessment or market study must be completed in order to assess whether there is current market demand for the project. The type is dependent on the project; the Agency must work with the County to determine which is applicable. Information will be provided in the funding notice and by the County, as requested. The PJ's policies and procedures must be followed in order to assess whether there is a current market demand for the project.

e. Methods of Assistance

i. Eligible Forms of Subsidy

Snohomish County HOME funds are provided through a subsidy to eligible entities. The following subsidies are eligible under HOME; the particular type of subsidy provided will be determined through the application and contracting process. Please note that Snohomish County does not currently provide all of the subsidies listed: the table below is separated between those subsidies that Snohomish County currently provides and those that are not currently provided but that may be provided at a future date.

Table 2.6	***Eligible Forms of Subsidy* [92.205(b)]**
Type of Subsidy	**Description**
Subsidies Currently Provided by Snohomish County	
Deferred loans (forgivable or repayable)	Loans that are not fully amortized; some, or all, principal and interest payments are deferred to a point in the future. May be structured in many ways. - May be forgivable or repayable - Can accrue interest or be non-interest bearing - The property (or other assets) is used as collateral
Grants (TBRA only)	Provided with no requirement or expectation of repayment. No lien on the property (or other assets) is required.
Subsidies Not Currently Provided by Snohomish County	
Interest-bearing loans or advances	Amortizing loans; repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal and interest is repaid. - May have interest rates at or below the prevailing market rate - The property (or other assets) is used as collateral - Loan term varies depending on the nature of the activity funded
Non-interest-bearing loans or advances	Principal amount of these loans is paid back on a regular basis over time, but no interest is charged. - The property (or other assets) is used as collateral - Loan term varies depending on the nature of the activity funded
Interest subsidies	Up-front discounted payment to a private lender in exchange for a lower interest rate on a loan. May be a deposit in an interest-bearing account from which monthly subsidies are drawn and paid to a lender along with the homeowner's monthly payment.
Equity Investments	Investment made in return for a share of ownership.

Loan guarantees and loan guarantee accounts	Both types ensure the payment of a loan in case of default. - Loan guarantee: written promise to pay the lender some percentage of the outstanding principal balance of a loan in the event the borrower defaults. - Loan guarantee account: loan loss reserve held by the lender in an amount equal to some percentage of the outstanding principal.
Other forms approved by HUD and Snohomish County	Requires HUD and County approval, in writing.

ii. Subsidy Limits

HOME establishes a minimum HOME investment and maximum HOME subsidy limit per project, as set forth below.

Table 2.7	***Subsidy Limits***
Minimum HOME Investment [92.205]	**Maximum HOME Subsidy Limit [92.250]**
$1,000 of HOME funds per unit assisted For multi-unit properties, the average must be $1,000 per unit assisted, but any single unit may receive less than $1,000. Minimum HOME Investment does not apply to Tenant-Based Rental Assistance.	The current Maximum Per Unit Subsidy Limits established by HUD for Snohomish County may not exceed 240% of the per-unit dollar limitations established under Section 234–Condominium Housing Limits, elevator-type, basic mortgage limits for projects in the Seattle-High Cost Percentage (HCP) area. The County will provide the current and updated subsidy limits.

iii. Projects Containing both HOME and Non-HOME Units

HOME funds may be used to assist one (1) or more housing units in a multi-unit project that contains other non-HOME units. However, only the *actual* HOME eligible development costs may be supported by the HOME program. The method for determining the allocation of eligible costs that may be charged to the HOME program depends on whether the units are comparable in terms of size, features, and number of bedrooms.

Table 2.8	***Method for Determining Allocation of Costs***
Comparability	**Method**
HOME project with Comparable units	Pro Rata Share Method: Prorate the total HOME eligible development costs of the project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME-assisted units in the project.
HOME project with Incomparable units	Actual Cost Allocation Method

f. Minimum Long-Term Affordability Period [92.252 and 92.254]

To ensure investments provide affordable housing over the long term, rent and occupancy restrictions continue throughout the period of affordability. The minimum length of an affordability period depends on the amount of the HOME investment in the property and the nature of the activity, and will be specified in the applicable HOME assistance section and in each project contract.

Throughout the period of affordability, income eligible households must occupy the assisted units and agencies must comply with all applicable regulations. The HOME Affordability and Program Compliance periods are listed in the table below.

Table 2.9	***HOME Affordability and Program Compliance Periods***	
Eligible Activity	**Average Per Unit HOME Assistance**	**Minimum HOME Period of Affordability**
Homebuyer and rental housing acquisition and/or rehabilitation	<$15,000/unit	5 years
	$15,000 to $40,000/unit	10 years
	>$40,000/unit	15 years
Refinance of rental housing	Any $ amount	15 years
New Construction of rental housing	Any $ amount	20 years

The County requires an affordability period for rental housing projects beyond the minimum HOME affordability period so that the total affordability period is 40 years (i.e., HOME compliance + County Compliance = 40 years). **The County is currently reviewing this policy and will consider input on whether it should maintain a 40-year County affordability period for rental housing projects or should reduce the term of the County affordability period for these types of projects in the future. The current 40-year policy remains in effect until such time as it may be revised.**

g. Matching Funds

The Consortium is required to match at least 25% of all HOME funds disbursed on projects and programs each federal fiscal year. The HOME Program does not require every project or program that receives HOME funding to provide a 25% match; however, total Consortium match contributions must equal at least the minimum match requirements.

The County will coordinate with Agencies awarded funding for HOME activities to identify eligible sources of matching funds and the amount of matching funds to be contributed by each activity in order to meet the Consortium's overall HOME match requirement.

Matching funds are permanent contributions to affordable housing and can be provided through cash, assets, services, labor and other contributions of value to the County's HOME program. Federal resources (i.e. CDBG funds) are not an eligible source of match.

Eligible sources of matching funds include:

Table 2.10	***Eligible Sources of Matching Funds***

<table>
<tr><td>Cash from a non-federal source</td><td>Value of waived taxes, fees, or charges</td><td>Value of donated land</td><td>Cost of infrastructure improvements</td></tr>
<tr><td colspan="4">Twenty-five percent (25%) to 50% (depending on the type of bonds) of the proceeds of government issued housing bonds provided as a loan to a project</td></tr>
<tr><td colspan="2">Value of donated materials, equipment, labor, or professional services</td><td>Sweat equity</td><td>Costs of supportive services for residents of HOME projects</td></tr>
<tr><td colspan="4">Cost of homebuyer counseling services.</td></tr>
</table>

h. Site and Neighborhood Standards [92.202]

Housing provided through the Consortium's HOME program must promote greater choice of housing opportunities. HOME-assisted housing must be suitable from the standpoint of facilitating and furthering compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063, and HUD regulations.

In addition, construction of new rental housing assisted with Consortium HOME funds must meet the site and neighborhood standards under 24 CFR § 983.57(e)(2) and (e)(3) which places limiting conditions on building in areas of minority concentration or in racially mixed areas if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

A site and neighborhoods standards review will be conducted for all new construction rental projects requesting HOME funds. The review will occur as part of the application threshold eligibility criteria review. New construction rental projects must meet the following site and neighborhood standards:

1. The site must <u>not</u> be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

2. The site must <u>not</u> be located in an area of minority concentration, except that this may be permitted only if all of the following conditions are met:
   - Sufficient, comparable opportunities exist for housing for minority families in the income range to be served by the proposed project outside areas of minority concentration;
   - The project is necessary to meet overriding housing needs that cannot be met in the housing market area;
   - The site promotes greater choice of housing opportunities and avoids undue concentration of assisted persons in areas containing a high proportion of low-income persons;
   - The neighborhood is not seriously detrimental to family life or one in which substandard dwellings or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions;
   - The housing is 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; and
   - For non-elderly housing, the travel time and the cost via public transportation or private automobile from the neighborhood to places of employment providing a range of jobs for lower-income workers is not be excessive.

Refer also to Overarching Program Regulations and Requirements: Fair Housing and Civil Rights.

i. Authorization and Payment of Pre-Award Costs

At the County's discretion, HOME funds may be used to reimburse the project/program sponsor for costs incurred after the award of funds to the project in an approved Annual Action Plan and prior to the effective date of the County's annual HOME Agreement for that year of funding, subject to certain conditions. Such project costs may be reimbursed so long as the costs meet all regulatory requirements, including but not limited to, NEPA and Uniform Relocation Act (URA) requirements, the costs represent eligible uses of HOME funds, the Agency has received written authorization from the County *prior to* incurring the costs, the total of all pre-award costs is less than 25% of the current HOME allocation and the costs are within the allowable amount of pre-award costs allowed under the regulations.

COSTS INCURRED BEFORE COMMITMENT OF HOME FUNDS

HOME funds may be used to pay architectural and engineering and other professional services costs that are incurred before the County has made a commitment of HOME funds. These costs can be paid when the County expressly authorizes payment in the written agreement and when the costs have been incurred in the 24 months prior to the commitment of funds. This allows flexibility to the County and affordable housing developers that are planning a project that is intended to eventually receive HOME financing. It also permits the County to reimburse these costs for projects that are already under construction when it becomes clear that HOME financing is necessary to complete the project. (**NOTE:** This must be reviewed in conjunction with potential environmental clearance dates to avoid Choice Limiting Activities restrictions.)

j. Project Completion Deadline and Terminated Projects [92.205(e)]

Typically the County must be able to execute a written agreement with the Agency for the project within 12 months of July 1 of the year in which funding is awarded. The Agency must typically be able to complete the project and expend all funds within two (2) years of the execution of the written agreement.

When HOME funds are expended for projects that are terminated before completion, for whatever reason, the HOME funds that have been expended are ineligible and must be repaid. The County must terminate any project that does not meet the HOME requirements for affordable housing (i.e., affordability provisions, income targeting, property standards, etc.) and repay HOME funds expended for the project.

k. Overarching Program Regulations and Requirements

All projects and programs must comply with the Overarching Program Regulations and Requirements.

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III. Homeowner Rehabilitation

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This Section is divided into the Subsections listed below.

a.	Project Eligibility	III-1
b.	Eligible Project Costs	III-3
c.	Property Standards	III-4
d.	Project Underwriting and Subsidy Layering	III-5
e.	Methods of Assistance	III-6
f.	Minimum Long-Term Affordability Period	III-6
g.	Project Completion Deadline	III-6
h.	Overarching Program Regulations and Requirements	III-6

a. Project Eligibility

i. Eligible Activities

Activities allowed with the use of Snohomish County Consortium HOME funds are activities that assist existing homeowners with the repair, rehabilitation, or reconstruction of owner-occupied units to ensure decent, safe, sanitary, and non-luxury housing with suitable amenities.

ii. Eligible Properties [92.2 and 92.254]

Properties that are eligible for HOME assistance include those properties that are:

- Owned and occupied by a homeowner (with good and marketable title) who qualifies as a low-income family; and
- The homeowner's principal residence.

HOME assistance may be provided for the following single family property types:

Table 3.1	***Eligible Homeowner Rehabilitation Property Types***		
1-to-4 unit dwelling (single family home, duplex, triplex, or four-plex)	Condominium unit	Cooperative unit	Manufactured home

Families or individuals must have the following ownership of the eligible property:

Table 3.2	***Homeowner Rehabilitation Ownership***	
Inclusions [92.2 and 92.254]		
Has **fee simple title** to the property	Owns a **condominium unit**	Maintains a 99-year leasehold interest in the property or a 50-year leasehold on **Community Land Trust**
Manufactured housing, including a mobile home, on ground leased for a period at least equal to the applicable affordability period		
Owns or has membership in a **cooperative or mutual housing project** that constitutes homeownership under State law		

Permissible Inclusions, if Approved by Snohomish County [92.254]		
Owns and occupies **inherited property** and shares ownership with other nonresident heirs, and pays all the costs associated with ownership and maintenance of the housing		
Has a **life estate** and has the right to live in the housing for the remainder of his or her life and does not pay rent		
Has a **living trust** and does not receive a benefit from the trust or have any control over the trust assets until the beneficiary is deceased; the trust must be valid and enforceable and ensure that each beneficiary has the legal right to occupy the property for the remainder of his or her life		
Has a beneficiary deed that conveys an interest in the real property, including any debt secured by a lien on the real property, to them as the grantee beneficiary designated by the owner that expressly states that the deed is effective upon the death of the owner.		
Exclusions		
Has a land contract	Has an installment contract	Has a contract for deeds

MAXIMUM PROPERTY VALUE

To be considered an eligible property, the estimated after-rehabilitation value of the property, which must be determined prior to any work being performed, must not exceed 95% of the median purchase price for the area.

HUD establishes the median purchase price limits and these limits can be found on its website: https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/. The County will provide current and updated limits.

REHABILITATION OF RENTAL HOUSING UNITS

HOME funds may be used to rehabilitate rental units in two- to four-unit properties (duplex, triplex, or four-plex) where the low-income homeowner occupies one of the units as their principle residence. When HOME funds are used to assist the rental housing units in these properties, the HOME Rental Housing requirements apply to the rental units; when HOME funds are used to assist only the owner-occupied units in these properties, the HOME Rental Housing requirements do not apply.

iii. Entities Eligible to Administer HOME Funds

HOME funds may be administered only by eligible entities, which include:

Table 3.3	***Eligible Entities***
Subrecipients: public agency, non-profit organization, or CHDO,	Snohomish County or unit of general local government in the Snohomish County HOME Consortium/PJ
Contractors: a private for-profit contractor procured through a competitive process in accordance with applicable Office of Management and Budget (OMB) procurement requirements.	

iv. Eligible Applicants/Beneficiaries

Homeowner households assisted must have incomes at, or below, 80% of the area median income (AMI). Refer also to General Requirements: Project Eligibility. Income limits are established by HUD; the County will provide current and updated limits.

Income must be calculated in accordance with 24 CFR § 5.609 (commonly referred to as the "Part 5 (Section 8 Program) definition"), except that for homeowner rehabilitation the value

of the homeowner's principal residence may be excluded from the calculation of Net Assets as defined in 24 CFR § 5.603. The passbook savings rate for calculation of imputed asset income over $5,000 shall be the same passbook savings rate utilized by the local Public Housing Authority, i.e. the Everett Housing Authority or the Housing Authority of Snohomish County, whichever is appropriate to the location of the project. The projected annual income of each homeowner must be determined initially before HOME assistance is provided. Income must be documented according to the acceptable forms of documentation listed in the table below. A reexamination of income does not need to occur unless more than six (6) months have elapsed from the time of the initial determination to the provision of HOME assistance.

Table 3.4	***Income Determination Documentation [92.203]***
Frequency	**Acceptable Forms of Documentation**
Initially (and for Subsequent Determinations if more than six (6) months have elapsed before HOME assistance is provided)	2 months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the household.

b. Eligible Project Costs [92.206]

i. Development Hard Costs

The actual cost of repairing, reconstructing or rehabilitating the homeowner housing unit is considered eligible Development Hard Costs. Eligible costs include, but are not limited to:

Table 3.5	***Development Hard Costs [92.206(a)]***
Examples of Eligible Costs	
Generally	Alteration, improvement, or modification of a non-luxury nature to existing housing unit structure; including but not limited to costs to meet Rehabilitation Property Standards and other property standards.
Demolition	Demolition of existing housing unit structures.
Reconstruction [92.2]	Rebuilding, on the same lot, of housing unit standing on a site at the time of project commitment.
Site Improvements	Improvements to the housing unit site necessary to the development of the project and in keeping with improvements of surrounding, standard housing units in the area; including but not limited to: sewer lines and water lines that are the responsibility of the homeowner.
Utility Connections	Creation of utility connections including off-site connections from the property line to the adjacent street that are the responsibility of the homeowner

ii. Project Related Soft Costs

Costs include other reasonable and necessary costs incurred by the owner and associated with the rehabilitation of housing assisted with HOME funds. These costs include, but are not limited to:

Table 3.6	***Related Soft Costs [92.206(d)]***
Examples of Eligible Costs	

Costs required to prepare plans, drawings, specifications, or work write-ups			
Architectural Services	Engineering Services	Related Professional Services	
Other development costs			
Private lender origination fees	Credit Reports	Fees for Title Evidence	Fees for Recordation & filing of legal documents
Building Permits	Attorney Fees	Private Appraisal Fees & Fees for Independent Cost Estimate	Builders or Developers Fees
Costs of a project audit			
Costs of a project audit, including certification of costs performed by a certified public accountant that the PJ may require with respect to the development of the project			
Costs to provide information services			

iii. Relocation Costs (for persons displaced by the project)

Relocation costs include the cost of relocation payments and other relocation assistance to persons displaced by the project.

Table 3.7	***Relocation Costs [92.206(f)]***		
Relocation Payments			
Replacement Housing Payments	Payments for moving expenses	Payments for reasonable out-of-pocket costs incurred in the temporary relocation of persons	
Other Relocation Assistance: Staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by the project			
Timely written notices to occupants	Referrals to comparable & suitable replacement property	Property inspections	Counseling
		Other assistance necessary to minimize hardship	

iv. Refinancing

The Snohomish County Consortium does not currently permit refinancing of existing debt secured on homeowner units as part of the rehabilitation costs. Should this policy be revised in the future, Snohomish County will adopt refinancing guidelines and state them in the Consolidated Plan consistent with the HOME regulations.

v. Ineligible Activities, Costs, and Fees

Refer to the General Requirement: Eligible Project Costs for a list of ineligible activities, costs, and fees under the HOME Program.

c. Property Standards [92.251]

All properties rehabilitated with HOME funds must meet or exceed the minimum housing rehabilitation standards set forth in the Snohomish County Urban County Consortium Rehabilitation Standards for HOME-Funded Projects and Programs, dated February 26, 2014, or as may be subsequently amended. These standards provide the minimum acceptable material, equipment and workmanship standards for items to be furnished and installed under the

rehabilitation specifications. These standards are intended to ensure that housing rehabilitated with HOME funds is decent, safe, sanitary, and non-luxury housing with suitable amenities.

All properties rehabilitated with HOME funds must also comply with the property standards described in the table below.

The specifications for bidding should incorporate both the minimum property standards listed below and the Snohomish County Urban County Consortium Rehabilitation Standards for HOME-Funded Projects and Programs.

Table 3.8	***Rehabilitation Property Standards [92.251(b)]***
State and local codes, ordinances, and zoning requirements	
Must comply with all applicable State and local codes, ordinances, and requirements.	
Accessibility	
Must comply with accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable.	
Covered multifamily dwellings, as defined at 24 CFR § 100.201, must also meet the design and construction requirements at 24 CFR § 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619).	
Lead-Based Paint	
Must meet the lead-based paint requirements at 24 CFR part 35.	
Additional Standards for Rehabilitation of Manufactured Housing [92.251(e)]	
Foundation and Anchoring	
Must meet all applicable State and local codes, ordinances, and requirements. Foundation systems must be inspected and meet the applicable State or local codes, subject to the approval of the PJ's building officials.	
In the absence of State and local codes, must meet the Model Manufactured Home Installation Standards at 24 CFR part 3285.	

INSPECTION REQUIREMENT

Construction documents must be in sufficient detail so that an initial property inspection can be conducted to identify the deficiencies that must be addressed, and so that progress and final inspections can be conducted by the PJ to determine that work was done in accordance with work write-ups.

d. Project Underwriting and Subsidy Layering

Generally, underwriting (review of sources and uses) of all HOME projects is required whether or not the projects are assisted with other governmental assistance; however, the following exceptions apply to Homeowner Rehabilitation:

Table 3.9	***Exceptions***
HOME Assistance	**Exceptions to the Underwriting Requirement**

Homeowner Rehabilitation [92.250(b)(3)(i)-(ii)]	The following general requirements are not required: - Underwriting does not apply unless HOME funds are provided as an amortizing loan. - Market analysis - Developer capacity assessment

e. Methods of Assistance

ELIGIBLE FORMS OF SUBSIDY AND SUBSIDY LIMITS

The Eligible Forms of Subsidy and Subsidy Limits established in General Requirements: Methods of Assistance apply here.

The Snohomish County Consortium may choose to finance all of the rehabilitation costs or only a portion of the cost.

f. Minimum Long-Term Affordability Period

Homeowner Rehabilitation does not require a minimum long-term affordability period.

g. Project Completion Deadline

Typically, the Agency must be able to execute a written HOME agreement with the homeowner for home rehabilitation within 12 months of July 1 of the year in which funding is awarded. The Agency must typically be able to complete the rehabilitation and expend all funds within two (2) years of the execution of the written agreement.

Refer also to General Requirements: Project Completion Deadline and Terminated Projects.

h. Overarching Program Regulations and Requirements

All projects and programs must comply with the Overarching Program Regulations and Requirements.

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IV. Homebuyer Unit Development

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This Section is divided into the Subsections listed below.

a.	Project Eligibility	IV-1
b.	Eligible Project Costs	IV-3
c.	Property Standards	IV-6
d.	Project Underwriting and Subsidy Layering	IV-7
e.	Methods of Assistance	IV-8
f.	Minimum Long-Term Affordability	IV-8
g.	Resale and Recapture	IV-9
h.	Homebuyer Counseling	IV-9
i.	Program Policies	IV-9
j.	Project Completion Deadline	IV-10
k.	Overarching Program Regulations and Requirements	IV-10

a. Project Eligibility

i. Eligible Activities

Activities allowed with the use of Snohomish County Consortium HOME funds are activities that support the development of affordable homes for first-time homebuyers and that address the needs identified in the Consolidated Plan.

Table 4.1	***Eligible Activities***
Activity	**Description**
Acquisition	Acquiring property for the purposes of developing first-time homebuyer units. Acquiring vacant land or demolition is allowable only for a specific affordable housing project within allowable timeframes.
Acquisition and Rehabilitation	Assisting a Developer to acquire and rehabilitate substandard properties to be sold after rehabilitation to low-income homebuyers.
New Construction	Assistance to construct affordable housing.

RENTAL TO HOMEBUYER CONVERSION [92.255]

HOME-assisted rental units may be converted to homebuyer units with prior approval. All homebuyer requirements in § 92.254 apply. Refusal by the tenant to purchase the housing does not constitute ground for eviction or for failure to renew the lease.

ii. Eligible Properties

Properties that are eligible for HOME assistance include those properties that will serve as the purchaser's principal residence throughout the period of affordability.

HOME assistance may be provided for the following property types:

Table 4.2	***Eligible Homebuyer Properties [92.2 and 92.254]***		
1-to-4 unit dwelling (single family home, duplex, triplex, or four-plex)	Condominium unit	Cooperative unit	Manufactured home

Families or individuals must have the following ownership of the eligible property:

Table 4.3	***Homebuyer Ownership***	
Inclusions [92.2 and 92.254]		
Has **fee simple title in a 1-to-4 unit dwelling**, or a 99-year lease interest	Owns a **condominium unit**	Maintains a 50-year leasehold on **Community Land Trust**
Manufactured housing, including a mobile home, on ground leased for a period at least equal to the applicable affordability period		
Owns or has membership in a **cooperative or mutual housing project** that constitutes homeownership under State law		
Exclusions		
Has a land contract	Has an installment contract	Has a contract for deeds

MAXIMUM PROPERTY VALUE

For new construction or acquisition of standard housing, to be considered an eligible property, the property must have a purchase price that does not exceed 95% of the median purchase price for single family housing in the area.

For acquisition with rehabilitation of existing units, to be considered an eligible property, the estimated after-rehabilitation value of the property, which must be determined prior to any work being performed, must not exceed 95% of the median purchase price for the area.

HUD establishes the median purchase price limits and these limits can be found on its website: https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/. The County will provide current and updated limits.

iii. Entities Eligible to Administer HOME Funds

HOME funds may be administered only by eligible entities, which include:

Table 4.4	***Eligible Entities***
Subrecipients: public agency or non-profit organization	**Community Housing Development Organizations (CHDO)**

iv. Eligible Applicants/Beneficiaries

Homebuyer households assisted must have incomes at, or below, 80% of the area median income (AMI). Refer also to General Requirements: Project Eligibility. Income limits are established by HUD; the County will provide current and updated limits.

When determining annual income for homebuyer development, income must be calculated in accordance with adjusted gross income as defined for purposes of reporting under the Internal Revenue Service Form 1040 series for individual Federal annual income tax purposes.

INCOME ELIGIBILITY DETERMINATION

The projected annual income of each prospective household must be determined at the times described in the table below, depending on the type of assistance provided. A re-examination of income does not need to occur unless more than six (6) months have elapsed from the time of the initial determination to the provision of HOME assistance.

Table 4.5	***Income Eligibility Determination [92.203]***
HOME Assistance	**Timing of Income Eligibility Determination**
Contract to purchase existing housing	Determine eligibility at the time the HOME written agreement is entered into with the homebuyer.
Contract to purchase housing to be constructed	Determine eligibility at the time the HOME written agreement is entered into with the homebuyer.
Lease-purchase agreement (for existing housing or housing to be constructed)	Determine eligibility at the time the lease-purchase agreement is signed

Income must be documented according to the acceptable forms of documentation listed in the table below.

Table 4.6	***Income Determination Documentation [92.203]***
Frequency	**Acceptable Forms of Documentation**
Initially (and for Subsequent Determinations if more than six (6) months have elapsed before HOME assistance is provided)	2 months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the household.

b. Eligible Project Costs [92.206]

There are a variety of costs that may be paid with HOME funds. Below is a non-exhaustive list of eligible Homebuyer project costs; check with Snohomish County to determine the eligibility of costs that fall outside of these examples.

i. Acquisition Costs

Acquisition Costs include the costs of acquiring improved or unimproved real property, including, but not limited to, the following costs:

Table 4.7	***Acquisition Costs [92.206(c)]***
Eligible Activity	**Examples of Eligible Costs**
Acquisition of property	Acquisition of existing standard property that meets applicable HOME standards, or substandard property in need of rehabilitation. Includes the acquisition of a manufactured housing unit. *
Acquisition of vacant land	Acquisition of vacant land ONLY if construction will begin on a HOME project within 12 months of project commitment. Includes the acquisition of the land upon which a manufactured housing unit will be located. *
* The manufactured housing unit must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability per § 92.205 (a) (4)	

ii. Development Hard Costs

The actual cost of constructing or rehabilitating housing is considered eligible Development Hard Costs. Eligible costs include, but are not limited to:

Table 4.8	***Development Hard Costs [92.206(a)]***	
Eligible Activity	**Examples of Eligible Costs**	
Acquisition (of Standard Housing)	Site Improvements	Improvements to the project site (only property owned by the project owner, where the project is located) necessary to the development of the project and in keeping with improvements of surrounding, standard projects; including: on-site roads, sewer lines, water lines.
	Utility Connections	Creation of utility connections including off-site connections from the property line to the adjacent street.
New Construction	Generally	The actual cost of construction.
	Demolition	Demolition of existing structures only if construction will begin on the HOME project within 12 months of project commitment.
	Site Improvements	Refer to Acquisition Site Improvements above for Examples.
	Utility Connections	Refer to Acquisition Utility Connections above for Examples.
Rehabilitation	Generally	Alteration, improvement, or modification of an existing structure; includes project costs to meet Rehabilitation Property Standards in § 92.251.
	Conversion	Conversion of an existing structure from another use to affordable residential housing.
	Demolition	Refer to New Construction Demolition above for Examples of Eligible Costs.
	Reconstruction [92.2]	Rebuilding, on the same lot, of housing standing on a site at the time of project commitment.
	Site Improvements	Refer to Acquisition Site Improvements above for Examples.
	Utility Connections	Refer to Acquisition Utility Connections above for Examples.

iii. Project Related Soft Costs

Costs include 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:

Table 4.9	***Related Soft Costs [92.206(d)]***			
Eligible Activity	**Examples of Eligible Costs**			
Acquisition, New Construction, Rehabilitation	*Costs required to prepare plans, drawings, specifications, or work write-ups*			
	Architectural Services	Engineering Services	Professional Services	
	Other development costs			
	Private lender origination fees	Credit Reports	Fees for Title Evidence	Fees for Recordation & filing of legal documents

	Building Permits	Attorney's Fees	Private Appraisal Fees & Fees for Independent Cost Estimate	Builders or Developers Fees
	Costs of a project audit			
	Certification of costs performed by a certified public accountant that the PJ may require with respect to the development of the project			
	Costs to provide information services			
	Affirmative marketing and fair housing information to prospective homeowners for projects containing 5 or more HOME assisted units.			
	Costs of environmental review in accordance with 24 CFR part 58 which are directly related to the project			
New Construction, Rehabilitation	*Payment of impact fees that are charged for all projects within a jurisdiction*			

iv. Relocation Costs (for persons displaced by the project)

Relocation costs include the cost of relocation payments and other relocation assistance to persons displaced by the project.

Table 4.10	***Relocation Costs [92.206(f)]***		
Relocation Payments			
Replacement Housing Payments	Payments for moving expenses	Payments for reasonable out-of-pocket costs incurred in the temporary relocation of persons	
Other Relocation Assistance: Staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by the project			
Timely written notices to occupants	Referrals to comparable & suitable replacement property	Property inspections	Counseling
		Other assistance necessary to minimize hardship	

v. Costs Relating to Payment of Loans

If HOME funds are not used to directly pay an eligible project cost, they may be used to pay off a Construction Loan, Bridge Financing, or Guaranteed Loan. Refer to the Snohomish County Consortium Bridge Loan Policy.

Table 4.11	***Costs Relating to Payment of Loans [92.206(g)]***
Eligible Cost	**Requirements of Payment of Loans**
Payment of Principal and Interest	The HOME assistance must be part of the original financing for the project
	Loan must have been used for eligible costs as specified in the HOME Regulations and this manual

vi. Ineligible Activities, Costs, and Fees

Refer to the General Requirement: Eligible Project Costs for a list of ineligible activities, costs, and fees under the HOME Program.

c. Property Standards

Activities and costs are eligible for HOME assistance only if the housing meets certain minimum property standards upon project completion.

GENERAL INSPECTION REQUIREMENT [92.504(d)]
The PJ must conduct an on-site inspection of each project prior to occupancy and at project completion to ensure that the project meets the applicable property standards.

i. New construction

New construction projects must meet the property standards below.

Table 4.12	***New Construction Property Standards [92.251(a)]***
State and local codes, ordinances, and zoning requirements	
Must comply with all applicable State and local codes, ordinances, and zoning requirements.	
Accessibility	
Must comply with accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable.	
Disaster Mitigation	
Housing must be constructed to mitigate the impact of potential disasters (e.g., earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or requirements, or such other requirements as HUD may establish.	
Additional Standards for New Construction of Manufactured Housing [92.251(e)]	
Manufactured Home Construction and Safety Standards, 24 CFR part 3280	
Permanent Foundation	
Must be on a permanent foundation, meaning a foundation system of supports that is capable of transferring all design loads to the ground and meets the requirements of 24 CFR § 203.43f(c)(i). This definition is consistent with the FHA mortgage insurance requirements for all manufactured homes.	
Applicable State and local laws or codes	
Utility Hook-ups	
At the time of completion, must be connected to permanent utility hook-ups	
Location	
At the time of completion, must be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability	

INSPECTION REQUIREMENT
Construction contract(s) and documents must describe the work to be undertaken in adequate detail so that progress and final inspections can be conducted to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents.

ii. Rehabilitation

All properties rehabilitated with HOME funds must meet or exceed the minimum housing rehabilitation standards set forth in the Snohomish County Urban County Consortium

Rehabilitation Standards for HOME-Funded Projects and Programs, dated February 26, 2014, or as may be subsequently amended. These standards provide the minimum acceptable material, equipment and workmanship standards for items to be furnished and installed under the rehabilitation specifications. These standards are intended to ensure that housing rehabilitated with HOME funds is decent, safe, sanitary, and non-luxury housing with suitable amenities.

All properties rehabilitated with HOME funds must also comply with the property standards described in the table below.

The specifications for bidding should incorporate both the minimum property standards listed below and the Snohomish County Urban County Consortium Rehabilitation Standards for HOME-Funded Projects and Programs.

Table 4.13	***Rehabilitation Property Standards [92.251(b)]***
State and local codes, ordinances, and zoning requirements	
Must comply with all applicable State and local codes, ordinances, and requirements.	
Accessibility	
Must comply with accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable.	
Lead-Based Paint	
Must meet the lead-based paint requirements at 24 CFR part 35.	
Uniform Physical Condition Standards	
Upon completion, the HOME-assisted project and units must be decent, safe, sanitary, and in good repair as described in 24 CFR § 5.703.	
Must correct the minimum deficiencies as established by HUD in the UPCS.	
Additional Standards for Rehabilitation of Manufactured Housing [92.251(e)]	
Foundation and Anchoring	
Must meet all applicable State and local codes, ordinances, and requirements. Foundation systems must be inspected and meet the applicable State or local codes, subject to the approval of the PJ's building officials.	
In the absence of State and local codes, must meet the Model Manufactured Home Installation Standards at 24 CFR part 3285.	

INSPECTION REQUIREMENT

Construction documents must be in sufficient detail so that an initial property inspection can be conducted by the PJ to identify the deficiencies that must be addressed, and so that progress and final inspections can be conducted by the PJ to determine that work was done in accordance with work write-ups.

d. Project Underwriting and Subsidy Layering

The PJ will evaluate the project, according to its established underwriting and subsidy layering requirements, to determine financial viability before making a funding commitment for funds for new construction or rehabilitation. Subsidy Layering also applies to homebuyer units with

multiple government funding awards. Refer also to General Requirements: Project Underwriting and Subsidy Layering.

***UNDERWRITING STANDARDS* [92.254(f)]**
The County allows agencies providing purchase assistance to conduct their own screening and loan underwriting for first-time homebuyers, so long as the underwriting procedures are substantially consistent with the following procedures and policy requirements. Each homebuyer subrecipient must provide a copy of their underwriting procedures and policy requirements that must be approved by the County in advance of executing a HOME agreement with the County.

Agencies will complete a Mortgage Subsidy Layering Worksheet provided by the County prior to executing a home loan using mortgage assistance from more than one government agency with the prospective homebuyer and will submit it to the County for approval. The County staff will review each Mortgage Subsidy Layering Worksheet to ensure that there is not an excess of HOME funds awarded to homebuyers. After receiving County approval, an Agency may proceed with the loan. The subsidy layering review documentation for each homebuyer loan will be maintained in each Agency's Project folder.

The sale of a property and any assistance to a homebuyer require that the buyer be underwritten according to the County's HOME project underwriting guidelines for homebuyers. This underwriting will include standards for the first mortgage and establish the terms for any subordination of the HOME loan. Resale of the property during the affordability period, and if applicable, qualification of subsequent buyers will be governed by the Snohomish County HOME Homebuyer Program Guidelines for Resale and Recapture. (Refer to subsection g below)

The PJ's underwriting guidelines specify how the PJ evaluates the homebuyer's ability and willingness to pay, and the appropriateness of the proposed HOME subsidy amount. The homebuyer is evaluated according to:

Table 4.14	***Homebuyer Evaluation Criteria***	
Housing debt and overall household debt	Recurring household expenses	Assets available to acquire the housing
Monthly expenses of the household	Financial resources available to the household to sustain homeownership	

Development of homebuyer units where there is not a market study demonstrating demand for homebuyer housing will not be supported with HOME funds.

e. Methods of Assistance

ELIGIBLE FORMS OF SUBSIDY AND SUBSIDY LIMITS
The Eligible Forms of Subsidy and Subsidy Limits established in General Requirements: Methods of Assistance apply here.

The County may provide gap financing in the form of a deferred loan or grant to affordable housing projects.

f. Minimum Long-Term Affordability Period

To ensure investments provide affordable housing over the long term, the housing must be the principal residence of a low-income household throughout the period of affordability. Funding agreements will define the term of affordability. Affordability requirements will be recorded on the property through:

- A deed restriction or covenant running with the land, and
- Loan documents.

The affordability shall be maintained for the minimum period even if the homebuyer sells the property or if the property is foreclosed.

The minimum length of an affordability period is listed in the chart below. Refer to the Resale and Recapture subsection for more details on those provisions. The County reserves the right to extend the affordability period after the minimum HOME affordability period ends.

Table 4.15	***HOME Affordability and Program Compliance Periods***		
Maintaining Affordability	**Basis for Determining Affordability Period**	**Average Per Unit HOME Assistance**	**Minimum HOME Period of Affordability**
Resale Provision	Amount of HOME funds invested per unit	<$15,000	5 years
		$15,000 to $40,000	10 years
Recapture Provision	Amount of HOME funds provided as direct assistance to a buyer	>$40,000	15 years

If HOME funds are used to assist with the purchase or acquisition of one or more rental units along with the homebuyer unit(s), the HOME rental affordability requirements apply to the rental units. Refer to Rental Housing: Minimum Long-Term Affordability Period.

g. Resale and Recapture [92.254(a)(5)]

Resale and recapture provisions apply to the use of HOME funds in homebuyer development programs. Snohomish County will allow for the use of either resale or recapture provisions, as appropriate.

Resale or recapture provisions are triggered when, during the period of affordability, the housing ceases to be the principal residence of the buyer who was assisted with HOME funds. The resale or recapture provisions are triggered by any transfer of title, either voluntary or involuntary, during the established HOME period of affordability. Refer to the Minimum Long-Term Affordability Period subsection. Refer to the Snohomish County HOME Homebuyer Program Guidelines for Resale and Recapture.

h. Homebuyer Counseling [92.254(a)(3)]

Homebuyers receiving HOME assistance must receive pre- and post-purchase homebuyer counseling from a HUD approved housing counseling agency that has adopted National Industry Standards for Homebuyer Education and Counseling.

i. Program Policies [92.254(f)]

The agency must use fair housing marketing practices when selling HOME units, as detailed further in Overarching Program Regulations and Requirements: Fair Housing and Civil Rights.

PREDATORY LENDING

- All HOME assisted homebuyers must obtain an appropriate term fixed rate conventional (or conforming mortgage), such as a 30-year term;
- Homebuyers must receive pre-purchase homebuyer counseling from a HUD approved housing counseling agency that has adopted National Industry Standards for Homebuyer Education and Counseling; and
- Homebuyers must receive a homebuyer counseling "certification of completion".

j. Project Completion Deadline

Typically the County must be able to execute a written agreement with the Agency for the project within 12 months of July 1 of the year in which funding is awarded. The Agency must typically be able to complete the project and expend all funds within two (2) years of the execution of the written agreement.

When HOME funds are expended for projects that are terminated before completion, for whatever reason, the HOME funds that have been expended are ineligible and must be repaid. The County must terminate any project that does not meet the HOME requirements for affordable housing (i.e., affordability provisions, income targeting, property standards, etc.) and repay HOME funds expended for the project.

NINE-MONTH SALE DEADLINE

Any unit not sold within nine (9) months of the completion of construction must be converted to rental housing and meet all of the requirements for HOME rental housing. HOME funds provided for any such unit that is not rented within 18 months of conversion must be repaid to the County.

k. Overarching Program Regulations and Requirements

All projects and programs must comply with the Overarching Program Regulations and Requirements.

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V. Direct Homeownership Assistance

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This Section is divided into the Subsections listed below.

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a. Project Eligibility

i. Eligible Activities

Activities allowed with the use of Snohomish County Consortium HOME funds are activities that support first-time homebuyers in acquiring affordable homes and that address the needs identified in the Consolidated Plan.

Table 5.1	***Eligible Activities***
Activity	**Description**
Acquisition of Affordable Housing	Assisting eligible homebuyers to purchase affordable homes through downpayment or closing cost assistance, reducing the monthly carrying costs of a loan from a private lender, or providing mortgages for home purchase.
Acquisition and Rehabilitation	Assisting eligible homebuyers to perform rehabilitation after purchase, often through rehabilitation loans.*
*If a prospective homebuyer home is in need of rehabilitation, additional requirements apply. Contact County staff for more information.	

ii. Eligible Properties

Properties that are eligible for HOME assistance include those properties that will serve as the purchaser's principal residence throughout the period of affordability.

HOME assistance may be provided for the following property types:

Table 5.2	***Eligible Homebuyer Properties [92.2 and 92.254]***		
1-to-4 unit dwelling (single family home, duplex, triplex, or four-plex)	Condominium unit	Cooperative unit	Manufactured home

Families or individuals must have the following ownership of the eligible property:

Table 5.3	***Homebuyer Ownership***	
Inclusions [92.2 and 92.254]		
Has **fee simple title in a 1-to-4 unit dwelling**, or a 99-year lease interest	Owns a **condominium unit**	Maintains a 50-year leasehold on **Community Land Trust**
Manufactured housing, including a mobile home, on ground leased for a period at least equal to the applicable affordability period		
Owns or has membership in a **cooperative or mutual housing project** that constitutes homeownership under State law		
Exclusions		
Has a land contract	Has an installment contract	Has a contract for deeds

MAXIMUM PROPERTY VALUE

To be considered an eligible property, the homes acquired must have a purchase price that does not exceed 95% of the median purchase price for single family housing in the area.

HUD establishes the median purchase price limits and these limits can be found on their website: https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/. The County will provide current and updated limits.

iii. Entities Eligible to Administer HOME Funds

HOME funds may be administered only by eligible entities, which include:

Table 5.4	***Eligible Entities***
Subrecipients: public agency or non-profit organization	**Community Housing Development Organizations (CHDO)**

iv. Eligible Applicants/Beneficiaries

Homebuyer households assisted must have incomes at, or below, 80% of the area median income (AMI). Refer also to General Requirements: Project Eligibility. Income limits are established by HUD; the County will provide current and updated limits.

When determining annual income for homebuyer assistance, income must be calculated in accordance with adjusted gross income as defined for purposes of reporting under the Internal Revenue Service Form 1040 series for individual Federal annual income tax purposes.

INCOME ELIGIBILITY DETERMINATION

The projected annual income of each prospective household must be determined at the time described in the table below. A reexamination of income does not need to occur unless more than six (6) months have elapsed from the time of the initial determination to the provision of HOME assistance.

Table 5.5	***Income Eligibility Determination [92.203]***
HOME Assistance	**Timing of Income Eligibility Determination**
Contract to purchase existing housing	Determine eligibility at the time the PJ, or subrecipient, enters into a written agreement with the homebuyer

Income must be documented according to the acceptable forms of documentation listed in the table below.

Table 5.6	***Income Determination Documentation [92.203]***
Frequency	**Acceptable Forms of Documentation**
Initially (and for Subsequent Determinations if more than six (6) months have elapsed before HOME assistance is provided)	2 months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the household.

b. Eligible Project Costs [92.206]

There are a variety of costs that may be paid with HOME funds. Below is a non-exhaustive list of eligible homebuyer project costs; check with Snohomish County to determine the eligibility of costs that fall outside of these examples.

i. Acquisition Costs

Acquisition costs include the costs of acquiring existing or newly constructed single family homes including, but not limited to, the following costs:

Table 5.7	***Acquisition Costs [92.206(c)]***
Eligible Activity	**Examples of Eligible Costs**
Acquisition of property	Acquisition of existing standard property that meets applicable HOME standards, or substandard property in need of rehabilitation. Includes the acquisition of a manufactured housing unit. *
*The manufactured housing unit must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability.	

ii. Project Related Soft Costs

Costs include other reasonable and necessary costs incurred in associated with the financing acquisition of housing assisted with HOME funds. These costs include, but are not limited to:

Table 5.8	***Related Soft Costs [92.206(d)]***			
Eligible Activity	**Examples of Eligible Costs**			
Acquisition	*Costs to process and settle the financing for a project*			
	Private lender origination fees	Credit Reports	Fees for Title Evidence	Fees for Recordation & filing of legal documents
		Attorney's Fees	Private Appraisal Fees & Fees for Independent Cost Estimate	
	Costs to provide information services			
	Affirmative marketing and fair housing information to prospective homeowners			
	Loan processing inspections			
	Other services related to assisting potential homebuyers, such as housing counseling (only for individuals who ultimately own or occupy a HOME unit)			

iii. Relocation Costs (for persons displaced by the project)

Relocation costs include the cost of relocation payments and other relocation assistance to persons displaced by the project.

Homebuyer programs must be in compliance with the Homebuyer Down Payment Assistance Program "URA-Policy 2011 #2". Refer to the Overarching Program Regulations and Requirements: The Uniform Act and Section 104(d).

Table 5.9	***Relocation Costs [92.206(f)]***		
Relocation Payments			
Replacement Housing Payments	Payments for moving expenses	Payments for reasonable out-of-pocket costs incurred in the temporary relocation of persons	
Other Relocation Assistance: Staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by the project			
Timely written notices to occupants	Referrals to comparable & suitable replacement property	Property inspections	Counseling
		Other assistance necessary to minimize hardship	

iv. Ineligible Activities, Costs, and Fees

Refer to the General Requirement: Eligible Project Costs for a list of ineligible activities, costs, and fees under the HOME Program.

c. Property Standards

Activities and costs are eligible for HOME assistance only if the housing meets certain minimum property standards upon project completion.

GENERAL INSPECTION REQUIREMENT [92.504(d)]

The PJ, or an approved state-licensed home inspector, must conduct an on-site inspection of each property prior to occupancy to ensure that the project meets the applicable property standards.

ACQUISITION ONLY

For properties receiving assistance for acquisition only, the property must meet the property standards for existing housing or new construction.

Table 5.10	***Property Standards for Acquisition***
HOME Assistance	**Housing Requirements**
Existing housing	Must be decent, safe, sanitary and in good repair, and meet all applicable state and local housing quality standards and code requirements. Housing must be free of any deficiencies identified in the Uniform Physical Condition Standards (UPCS). The current standard is housing must meet state and local housing property standards or codes, or in their absence, Housing Quality Standards (HQS), which will be in effect until HUD provides further guidance to implement UPCS.

Newly constructed housing	Must meet state and local codes, ordinances and zoning codes for new construction.
Existing Manufactured Housing	Foundation systems must be inspected and meet the applicable State or local codes, subject to the approval of the PJ's building officials.
	In the absence of State and local codes, must meet the Model Manufactured Home Installation Standards at 24 CFR part 3285.
	Must be connected to permanent utility hook-ups.
New Manufactured Housing	Foundations and anchoring must meet all applicable state and local codes and other requirement.
	Must be on a permanent foundation, meaning a foundation system of supports that is capable of transferring all design loads to the ground and meets the requirements of 24 CFR § 203.43f(c)(i).
	Must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280.
	Must be connected to permanent utility hook-ups.

Uniform Physical Condition Standards (UPCS) *is an inspection protocol that is used to evaluate the condition of housing. The PJ uses this inspection protocol as the minimum property condition standard.*

d. Project Underwriting and Subsidy Layering

The PJ will evaluate the project, according to its established underwriting and subsidy layering requirements, to determine financial viability before making a funding commitment for funds for new construction or rehabilitation. Subsidy Layering also applies to homebuyer units with multiple government funding awards. Refer also to General Requirements: Project Underwriting and Subsidy Layering.

UNDERWRITING STANDARDS **[92.254(f)]**

The County allows agencies providing purchase assistance to conduct their own screening and loan underwriting for first-time homebuyers, so long as the underwriting procedures are substantially consistent with the following procedures and policy requirements. Each homebuyer subrecipient must provide a copy of their underwriting procedures and policy requirements that must be approved by the County in advance of executing a HOME agreement with the County.

Agencies will complete a Mortgage Subsidy Layering Worksheet provided by the County prior to executing a home loan using mortgage assistance from more than one government agency with the prospective homebuyer and will submit it to the County for approval. The County staff will review each Mortgage Subsidy Layering Worksheet to ensure that there is not an excess of HOME funds awarded to homebuyers. After receiving County approval, an Agency may proceed with the loan. The subsidy layering review documentation for each homebuyer loan will be maintained in each Agency's Project folder.

The sale of a property and any assistance to a homebuyer require that the buyer be underwritten according to the County's HOME project underwriting guidelines for homebuyers. This underwriting will include standards for the first mortgage and establish the terms for any

subordination of the HOME loan. Resale of the property during the affordability period, and if applicable, qualification of subsequent buyers will be governed by the Snohomish County HOME Homebuyer Program Guidelines for Resale and Recapture. (Refer to subsection g below)

The PJ's underwriting guidelines specify how the PJ evaluates the homebuyer's ability and willingness to pay, and the appropriateness of the proposed HOME subsidy amount. The homebuyer is evaluated according to:

Table 5.11	***Homebuyer Evaluation Criteria***	
Housing debt and overall household debt	Recurring household expenses	Assets available to acquire the housing
Monthly expenses of the household	Financial resources available to the household to sustain homeownership	

Generally, underwriting (review of sources and uses) of all HOME projects is required whether or not the projects are assisted with other governmental assistance; however, the following exceptions apply to Homebuyer Assistance only:

Table 5.12	***Exceptions [92.250(b)(4)]***
HOME Assistance	**Exceptions to the Underwriting Requirement**
Homeownership Assistance	The following general requirements are not required: - Market analysis - Developer capacity assessment

e. Methods of Assistance

ELIGIBLE FORMS OF SUBSIDY AND SUBSIDY LIMITS

The Eligible Forms of Subsidy and Subsidy Limits established in General Requirements: Methods of Assistance apply here.

The County may provide gap financing in the form of a deferred loan or grant to affordable housing projects.

f. Minimum Long-Term Affordability Period

To ensure investments provide affordable housing over the long term, the housing must be the principal residence of a low-income household throughout the period of affordability. Funding agreements will define the term of affordability. Affordability requirements will be recorded on the property through:

- A deed restriction or covenant running with the land, or
- Loan documents.

The minimum length of an affordability period is listed in the chart below. Refer to the Resale and Recapture subsection for more details on those provisions.

Table 5.13	***HOME Affordability and Program Compliance Periods***		
Maintaining Affordability	**Basis for Determining Affordability Period**	**Average Per Unit HOME Assistance**	**Minimum HOME Period of Affordability**
Resale Provision	Amount of HOME funds invested per unit	<$15,000	5 years
		$15,000 to $40,000	10 years
Recapture Provision	Amount of HOME funds provided as direct assistance to a buyer	>$40,000	15 years

If HOME funds are used to help a purchase/acquire one or more rental units along with the homebuyer unit, the HOME rental affordability requirements apply to the rental units. Refer to Rental Housing: Minimum Long-Term Affordability Period.

g. Resale and Recapture [92.254(a)(5)]

Resale and recapture provisions apply to the use of HOME funds in homebuyer assistance programs. Snohomish County will allow for the use of either resale or recapture provisions, as appropriate.

Resale or recapture provisions are triggered when, during the period of affordability, the housing ceases to be the principal residence of the buyer who was assisted with HOME funds. The resale or recapture provisions are triggered by any transfer of title, either voluntary or involuntary, during the established HOME period of affordability. Refer to the Minimum Long-Term Affordability Period subsection. Refer to the Snohomish County HOME Homebuyer Program Guidelines for Resale and Recapture.

h. Homebuyer Counseling [92.254(a)(3)]

Homebuyers receiving HOME assistance must receive pre- and post-purchase homebuyer counseling from a HUD approved housing counseling agency that has adopted National Industry Standards for Homebuyer Education and Counseling (NISHEC).

i. Lender Relations [92.254(e)]

When HOME homeownership assistance is provided through a for-profit or nonprofit entity that also provides first mortgage financing to the homebuyer, the following applies:

- A written agreement between PJ and the lender must specify the forms and amount of homeownership assistance the lender is authorized to provide to families and any conditions that apply to the provision of such homeownership assistance;

- Before the lender provides any homeownership assistance to a family, the PJ must verify that the family is low-income and must inspect the housing for compliance with applicable property standards in 92.251;
- The for-profit or nonprofit organizations are not permitted to charge fees (such as origination fees or points) to the family for the HOME homeownership assistance the organization provides; and

- The PJ must determine that the fees and other amounts charged to the family by the lender for the first mortgage financing are reasonable.

j. Program Policies [92.254(f)]

The agency must use fair housing marketing practices, as detailed further in Overarching Program Regulations and Requirements: Fair Housing and Civil Rights.

PREDATORY LENDING

- All HOME assisted homebuyers must obtain an appropriate term fixed rate conventional (or conforming mortgage), such as a 30 year term
- Homebuyers must receive pre- and post-purchase homebuyer counseling from a HUD approved housing counseling agency that has adopted NISHEC, and also includes education on predatory lending and other financial pitfalls; and
- Homebuyers must receive a homebuyer counseling "certificate of completion"

k. Project Completion Deadline

Typically the County must be able to execute a written agreement with the Agency for the project within 12 months of July 1 of the year in which funding is awarded. The Agency must typically be able to complete the project and expend all funds within two (2) years of the execution of the written agreement.

When HOME funds are expended for projects that are terminated before completion, for whatever reason, the HOME funds that have been expended are ineligible and must be repaid. The County must terminate any project that does not meet the HOME requirements for affordable housing (i.e., affordability provisions, income targeting, property standards, etc.) and repay HOME funds expended for the project.

l. Overarching Program Regulations and Requirements

All projects and programs must comply with the Overarching Program Regulations and Requirements.

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VI. Rental Housing [92.252]

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a. Project Eligibility

i. Eligible Activities

Activities allowed with the use of Snohomish County Consortium HOME funds are activities that support the development of affordable rental housing and that address the needs identified in the Consolidated Plan.

Table 6.1	***Eligible Rental Housing Activities***
Activity	**Description**
Acquisition	Acquiring property for affordable rental housing. Acquiring vacant land or demolition is allowable only for a specific affordable housing project within allowable timeframes.
New Construction	Constructing affordable rental housing.
Reconstruction	Rebuilding housing on the same lot, without increasing or decreasing the number of units, although the number of rooms may be increased or decreased. Reconstruction also includes replacing a substandard unit of manufactured housing with new or standard unit of manufactured housing.
Conversion	Conversion of an existing structure to affordable housing, without adding units is considered rehabilitation. If the conversion entails adding one or more units beyond the existing walls, the project is considered new construction.
Rehabilitation	Altering, improving, or modifying existing structure(s) of affordable rental housing.

ii. Eligible Properties

Properties that are eligible for HOME assistance include those properties that are listed in the Table below. The project may be one (1) or more buildings on a single site or multiple sites that are under common ownership, management, and financing, but the project must be assisted with HOME funds as a single undertaking.

Table 6.2	***Eligible Rental Housing Properties***	
Inclusions [92.2]		
Manufactured Housing	Manufactured Housing Lots	Elder Cottage Housing Opportunity (ECHO) units that are small free-standing, barrier-free, energy-efficient, removable, and designed to be installed adjacent to existing single-family dwellings
Permanent Housing	Transitional Housing	
Single-Room Occupancy Housing	Group Homes	
Exclusions [92.213]		
Emergency Shelters (including shelters for disaster victims)	Nursing Homes	Convalescent Homes
Hospitals	Residential Treatment Facilities	Correctional Facilities
Halfway Houses	Housing for Students	Dormitories (including farmworker dormitories)
Rental properties previously financed with HOME funds cannot receive additional HOME assistance during the HOME affordability period, unless assistance is provided during the first year after project completion.		
Public Housing [92.213]: HOME-assisted housing units may not receive Operating Fund or Capital Fund assistance under section 9 of the 1937 Act during the HOME period of affordability. **Exceptions**: HOME funds may be used for the development of public housing units, if the units are developed under section 24 of the 1937 Act (HOPE VI) and no Capital Fund assistance under section 9(d) of the Act is used for the development of the unit; such a unit may receive 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 and the HOME units are separately designated.		

iii. Entities Eligible to Administer HOME Funds

HOME funds may be administered only be eligible entities, which include the following sponsors, developers and owners of rental housing:

Table 6.3	***Eligible Entities***	
Small-scale property owners	For-profit developers	Community housing development organizations (CHDO)
Nonprofit housing providers	Local governments	
Redevelopment organizations	Public housing authorities	

iv. Eligible Applicants/Beneficiaries

HOME regulations require that all HOME funds benefit households with incomes at, or below, 80% of the area median income (AMI). In addition, PJ's must invest HOME funds each program year for rental units, such that 90% of the units are occupied by households with incomes at or below 60% AMI, and the remainder of the units are occupied by households with incomes at or below 80% AMI. In projects with five (5) or more HOME-assisted units, at least 20% of the HOME-assisted units must be occupied by households with incomes at or below 50% AMI.

Projects must be consistent with the Consolidated Plan which further targets eligible applicants/beneficiaries. Refer also to General Requirements: Project Eligibility. Income limits are established by HUD; the County will provide current and updated limits.

Income must be calculated in accordance with 24 CFR § 5.609 (commonly referred to as the "Part 5 (Section 8 Program) definition"). The passbook savings rate for calculation of imputed asset income over $5,000 shall be the same passbook savings rate utilized by the local Public Housing Authority, i.e. the Everett Housing Authority or the Housing Authority of Snohomish County, whichever is appropriate to the location of the project. The projected annual income of each household must be determined initially and annually thereafter during the period of affordability. Income must be documented according to the acceptable forms of documentation listed in the table below.

Table 6.4	***Income Determination Documentation [92.203]***
Frequency	**Acceptable Forms of Documentation**
Initially	2 months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the household.
Subsequent Determinations	2 months of source documents
	Written statement* (and certification that the information is complete and accurate) from the household of the amount of the household's annual income and family size. The certification must state that the household will provide source documents upon request.
	Written statement from the administrator of a government program under which the household receives benefits and which examines each year the annual income of the household.
* An owner of a multifamily project with an affordability period of 10+ years who uses this form of documentation to re-examine tenant's annual income, must examine the income of the tenant by 2 months of source documents every 6th year of the affordability period. [92.252(h)]	

When designated rental units become vacant during the period of affordability, subsequent households must be income-eligible and must be charged the applicable rent.

An owner must have written tenant selection policies and criteria that are consistent with the purpose of providing housing for the very low-income and low-income households. An owner cannot refuse to lease HOME-assisted units to persons with a voucher for Section 8 Tenant-Based Assistance. An owner must comply with the PJ's affirmative marketing requirements; refer to Overarching Program Regulations and Requirements: Fair Housing and Civil Rights.

b. Eligible Project Costs [92.206]

There are a variety of costs that may be paid with HOME funds. Funding is limited to the amount necessary to facilitate completion of the project and will not exceed a proportionate share of costs in a project. Below is a non-exhaustive list of eligible Rental Housing project costs; check with Snohomish County to determine the eligibility of costs that fall outside of these examples.

i. Acquisition Costs

Acquisition Costs include the costs of acquiring improved or unimproved real property, including, but not limited to, the following costs:

Table 6.5	***Acquisition Costs [92.206(c)]***
Eligible Activity	**Examples of Eligible Costs**
Acquisition of property	Acquisition of existing standard property that meets applicable HOME standards, or substandard property in need of rehabilitation. Includes the acquisition of a manufactured housing unit. **
Acquisition of vacant land	Acquisition of vacant land ONLY if construction will begin on a HOME project within 12 months of project commitment. Includes the acquisition of the land upon which a manufactured housing unit is located. **
*After acquisition, rental units must meet HOME rental occupancy, affordability, and lease requirements ** The manufactured housing unit must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability.	

ii. Development Hard Costs

The actual costs of constructing or rehabilitating housing are considered eligible Development Hard Costs. Eligible costs include, but are not limited to:

Table 6.6	***Development Hard Costs [92.206(a)]***	
Eligible Activity	**Examples of Eligible Costs**	
Acquisition (of Standard Housing)	Site Improvements	Improvements to the project site (only property owned by the project owner, where the project is located) necessary to the development of the project and in keeping with improvements of surrounding, standard projects; including: on-site roads, sewer lines, water lines.
	Utility Connections	Creation of utility connections including off-site connections from the property line to the adjacent street.
New Construction	Generally	The actual cost of construction.
	Demolition	Demolition of existing structures (Uniform Relocation Act and Section 104(d) only if construction will begin on the HOME project within 12 months of project commitment.
	Site Improvements	Refer to Acquisition Site Improvements above for Examples.
	Utility Connections	Refer to Acquisition Utility Connections above for Examples.
	Laundry and Community Facilities	For multi-family rental housing only, costs to construct or rehabilitate laundry and community facilities located within the project and that are for the use of project residents.
Rehabilitation	Generally	Alteration, improvement, or modification of an existing structure, including costs to meet Rehabilitation Property Standards.
	Conversion	Conversion of an existing structure from another use to affordable rental housing.
	Demolition	Refer to New Construction Demolition above for Examples of Eligible Costs.
	Reconstruction [92.2]	Rebuilding, on the same lot, of housing standing on a site at the time of project commitment.
	Site Improvements	Refer to Acquisition Site Improvements above for Examples.

	Utility Connection	Refer to Acquisition Utility Connections above for Examples.
	Laundry and Community Facilities	For multi-family rental housing only, refer to New Construction Laundry and Community Facilities above for Examples.

iii. Project Related Soft Costs

Costs include 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:

Table 6.7	***Related Soft Costs [92.206(d)]***			
Eligible Activity	**Examples of Eligible Costs**			
Acquisition, New Construction, Rehabilitation	*Costs required to prepare plans, drawings, specifications, or work write-ups*			
	Architectural Services	Engineering Services	Professional Services	
	Other development costs			
	Private lender origination fees	Credit Reports	Fees for Title Evidence	Fees for Recordation & filing of legal documents
	Building Permits	Attorney Fees	Private Appraisal Fees & Fees for Independent Cost Estimate	Builders or Developers Fees
	Costs of a project audit			
	Certification of costs performed by a certified public accountant that the PJ may require with respect to the development of the project			
	Costs to provide information services			
	Affirmative marketing and fair housing information to prospective tenants for projects containing 5 or more HOME assisted units.			
	Costs of environmental review in accordance with 24 CFR part 58 which are directly related to the project			
New Construction Rehabilitation	*Costs of funding an initial operating deficit reserve*			
	A reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months) and which may only be used to pay project operating expenses, scheduled payments to replacement reserve, and debt service			
	Payment of impact fees that are charged for all projects within a jurisdiction			

iv. Relocation Costs (for persons displaced by the project)

Relocation costs include the cost of relocation payments and other relocation assistance to persons displaced by the project.

Table 6.8	***Relocation Costs [92.206(f)]***		
Relocation Payments			
Replacement Housing Payments	Payments for moving expenses	Payments for reasonable out-of-pocket costs incurred in the temporary relocation of persons	
Other Relocation Assistance: Staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by the project			
Timely written notices to occupants	Referrals to comparable & suitable replacement property	Property inspections	Counseling
		Other assistance necessary to minimize hardship	

v. Refinancing

Snohomish County does not currently permit refinancing of existing debt secured on a rental housing project as part of the rehabilitation costs. Should this policy be revised in the future, Snohomish County will adopt refinancing guidelines and state them in the Consolidated Plan consistent with the HOME regulations.

vi. Costs Relating to Payment of Loans

If HOME funds are not used to directly pay an eligible project cost, they may be used to pay off a Construction Loan, Bridge Financing, or Guaranteed Loan. Refer to the Snohomish County Consortium Bridge Loan Policy.

Table 6.9	***Costs Relating to Payment of Loans [92.206(g)]***
Eligible Cost	**Requirements of Payment of Loans**
Payment of Principal and Interest	The HOME assistance must be part of the original financing for the project
	Loan must have been used for eligible costs as specified in the HOME Regulations and this manual

vii. Ineligible Activities, Costs, and Fees

Refer to the General Requirement: Eligible Project Costs for a list of ineligible activities, costs, and fees under the HOME Program.

c. Property Standards

Activities and costs are eligible for HOME assistance only if the housing meets certain minimum property standards upon project completion.

GENERAL INSPECTION REQUIREMENT [92.504(d)]

The PJ must conduct an on-site inspection of each project at project completion and during the period of affordability to determine that the project meets the applicable property standards. Additional inspection requirements may apply, depending on the activity.

Snohomish County may charge fees to cover the cost of ongoing monitoring and physical inspection of HOME projects during their period of affordability.

i. Acquisition of Existing Housing

The property standards for acquisition vary depending on the HOME assistance provided. The requirements below apply when existing housing is acquired without rehabilitation or construction.

Table 6.10	***Property Standards for Acquisition [92.251(c)]***
HOME Assistance	**Housing Requirements**
Rental Housing that was Newly Constructed or Rehabilitated Less than 12 Months before the Date of Commitment of HOME funds	Must meet the New Construction or Rehabilitation Property Standards, as applicable, which are described below.
Rental Housing acquired with HOME funds (i.e. housing that was not newly constructed or rehabbed within 12 months of project commitment)	Must meet the applicable Rehabilitation Property Standards, which are described below. Property that does not meet these standards cannot be acquired with HOME funds unless it is rehabilitated to meet this standard.

INSPECTION REQUIREMENT

An inspection must be conducted by the PJ no earlier than 90 days before the commitment of HOME assistance in order to document compliance. In addition, for Rental Housing that was newly constructed or rehabilitated less than 12 months before the date of commitment of HOME funds, the approved building plans and Certificates of Occupancy must be reviewed to document compliance.

ii. New Construction

New construction projects must meet the Property Standards below.

Table 6.11	***New Construction Property Standards [92.251(a)]***
State and local codes, ordinances, and zoning requirements	
Must comply with all applicable State and local codes, ordinances, and zoning requirements.	
Accessibility	
Must comply with accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable.	
Covered multifamily dwellings, as defined at 24 CFR § 100.201, must also meet the design and construction requirements at 24 CFR § 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619).	
Disaster Mitigation	
Housing must be constructed to mitigate the impact of potential disasters (e.g., earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or other requirements, or such other requirements as HUD may establish.	
Additional Standards for New Construction of Manufactured Housing [92.251(e)]	
Manufactured Home Construction and Safety Standards, 24 CFR part 3280	
Permanent Foundation	
Must be on a permanent foundation, meaning a foundation system of supports that is capable of transferring all design loads to the ground and meets the requirements of 24 CFR § 203.43f(c)(i). This definition is consistent with the FHA mortgage insurance requirements for all manufactured homes.	

Applicable State and local laws or codes
Utility Hook-ups
At the time of completion, must be connected to permanent utility hook-ups
Location
At the time of completion, must be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability

INSPECTION REQUIREMENT

Construction contract(s) and documents must describe the work to be undertaken in adequate detail so that progress and final inspections can be conducted to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents.

iii. Rehabilitation

All properties rehabilitated with HOME funds must meet or exceed the minimum housing rehabilitation standards set forth in the Snohomish County Urban County Consortium Rehabilitation Standards for HOME-Funded Projects and Programs, dated February 26, 2014, or as may be subsequently amended. These standards provide the minimum acceptable material, equipment and workmanship standards for items to be furnished and installed under the rehabilitation specifications. These standards are intended to ensure that housing rehabilitated with HOME funds is decent, safe, sanitary, and non-luxury housing with suitable amenities.

All properties rehabilitated with HOME funds must also comply with the property standards described in the table below, and the current implementation procedures which may be obtained from County staff.

The specifications for bidding should incorporate both the minimum property standards listed below and the Snohomish County Urban County Consortium Rehabilitation Standards for HOME-Funded Projects and Programs.

Table 6.12	***Rehabilitation Property Standards [92.251(b)]***
State and local codes, ordinances, and zoning requirements	
Must comply with all applicable State and local codes, ordinances, and requirements.	
Accessibility	
Must comply with accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable.	
Covered multifamily dwellings, as defined at 24 CFR § 100.201, must also meet the design and construction requirements at 24 CFR § 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619).	
Lead-Based Paint	
Must meet the lead-based paint requirements at 24 CFR part 35.	
Additional Standards for Rehabilitation of Manufactured Housing [92.251(e)]	
Foundation and Anchoring	

Must meet all applicable State and local codes, ordinances, and requirements. Foundation systems must be inspected and meet the applicable State or local codes, subject to the approval of the PJ's building officials.
In the absence of State and local codes, must meet the Model Manufactured Home Installation Standards at 24 CFR part 3285.

INSPECTION REQUIREMENT

Construction documents must be in sufficient detail so that an initial property inspection can be conducted by the PJ or a qualified 3rd party, as identified in the current implementation procedures which may be obtained from County staff to identify the deficiencies that must be addressed, and so that progress and final inspections can be conducted by the PJ or the 3rd party to determine that work was done in accordance with work write-ups.

iv. Rental Housing - Ongoing Property Standards

HOME-assisted rental housing must meet all ongoing property condition standards throughout the HOME affordability period to ensure the housing is maintained as decent, safe, and sanitary housing in good repair.

Table 6.13	***On-going Property Condition Standards [92.251(f)]***
State and local codes, ordinances, and requirements	
Must comply with all applicable State and local codes, ordinances, and requirements, including Uniform Physical Condition Standards (UPCS) inspectable areas as prescribed by HUD.	
Health and Safety	
Must be free of all health and safety defects.	
Must immediately address life-threatening deficiencies as described in the Combined Funders' HOME Hazardous Site Inspection Deficiencies List.	
Lead-Based Paint	
Must meet the lead-based paint requirements at 24 CFR part 35.	

INSPECTION REQUIREMENT

Owners of rental properties will be required to provide an Annual Owner's Certification as to the continued operations of the housing in compliance with the HOME requirements and established local standards. In addition, the PJ must conduct ongoing property inspections, in accordance with § 92.504(d). HOME properties will be inspected utilizing the Uniform Physical Condition Standards (UPCS), or other such standard acceptable to the County. At least 20% of the HOME units will be inspected for compliance with these standards; however, 100% of units will be inspected for projects with one-to-four HOME assisted units.

Snohomish County will perform an inspection within 12 months of project completion and every three (3) years thereafter (until the affordability period ends). More frequent inspections may occur based on risk assessment.

CORRECTION OF DEFICIENCIES

If the PJ identifies deficiencies, the PJ must conduct a follow-up inspection within 12 months to ensure the deficiencies have been corrected. However, for certain non-hazardous deficiencies, a third party, may document (i.e., through a paid invoice for work order) that the deficiency has been corrected.

Any deficiencies affecting health and safety must be corrected immediately. The PJ has adopted a more frequent inspection schedule for properties that have such deficiencies.

d. Project Underwriting and Subsidy Layering

The PJ will evaluate the project, according to its established underwriting and subsidy layering requirements, to determine financial viability before making a funding commitment for funds for new construction or rehabilitation. Refer also to General Requirements: Project Underwriting and Subsidy Layering.

In addition, for multi-family rental housing projects of 26 more total units, the PJ must determine that all work will be performed in the rehabilitation of the housing and the long-term physical needs of the project through a capital needs assessment of the project.

e. Methods of Assistance

i. Eligible Forms of Subsidy and Subsidy Limits

The Eligible Forms of Subsidy and Subsidy Limits established in General Requirements: Methods of Assistance apply here. The County will provide gap financing in the form of a loans or grants to affordable housing projects, with terms determined by the County in its underwriting review of the project.

HOME AND LOW-INCOME HOUSING TAX CREDITS

HOME funds may be used with low-income housing tax credits (LIHTCs). Where HOME and LITHTC regulations vary, generally, the more restrictive regulation applies.

ii. Projects Containing both HOME and Non-HOME Units

When HOME funds are used to fund rental housing projects with multiple units, the HOME funds should reflect the proportional allocation of development costs to the HOME-Assisted units.

When a project contains HOME and non-HOME units, the owner, developer, or sponsor of the rental housing may designate, at the time of project commitment, whether the units are "fixed" or "floating." This designation must be contained in the written agreement between the County and the owner, and the HOME units must be identified no later than the time of initial occupancy of the unit. Regardless of the designation, the number of HOME-assisted units must be the number determined by the County.

Table 6.14	***Fixed versus Floating Units [92.252(j)]***
Fixed	**Floating**
Units designated as HOME remain the same throughout the period of affordability.	Units designated as HOME change over time but must remain comparable to the non-assisted units over the affordability period in terms of size, features, and number of bedrooms. The total number of HOME-assisted units must remain constant.

f. Minimum Long-Term Affordability Period

Funding agreements will define the term of affordability. The HOME requirements described in this Rental Housing section apply throughout the period of affordability. The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership. Refer to the General Requirements: Minimum Long-Term Affordability Period.

The County requires an affordability period for rental housing projects beyond the minimum HOME affordability period so that the total affordability period is 40 years (i.e., HOME compliance + County Compliance = 40 years). **The County is currently reviewing this policy and will consider input on whether it should maintain a 40-year County affordability period for rental housing projects or should reduce the term of the County affordability period for these types of projects in the future. The current 40-year policy remains in effect until such time as it may be revised.**

Table 6.15	***HOME Affordability and Program Compliance Periods***		
Eligible Activity	**Average Per Unit HOME Assistance**	**Minimum HOME Period of Affordability**	**Snohomish County Total Affordability Period**
Acquisition and/or rehabilitation of existing housing	<$15,000/unit	5 years	40 years
	$15,000 to $40,000/unit	10 years	
	>$40,000/unit	15 years	
Refinance of Rehabilitation project	Any $ amount	15 years	
New Construction of or acquisition of new housing	Any $ amount	20 years	

g. HOME Rent Requirements

The HOME program establishes two (2) types of rent restrictions, which apply to the rent plus the utilities (or the utility allowance, as applicable). The applicable maximum rents are established by HUD annually for each category. The County will provide current and updated maximum rents.

The owner must maintain documentation to back up rent and utility allowance calculations.

HOME AND LOW-INCOME HOUSING TAX CREDITS
If the assisted unit has multiple financing sources, e.g. HOME, State Housing Trust Fund, LIHTC, etc., the most restrictive guidelines must be met for the rent and income limits. The tenant can at no time be charged more than HOME rent limits even in conjunction with another program, except where there are federal or state project-based rent subsidy programs.

Table 6.16	***Rent Restrictions [92.252(a) to (c)]***
Rent Restriction	**Description**
High HOME Rents	The maximum High HOME rent is the lessor of: - HUD-established Fair Market Rent (FMR)

		OR - Rent does not exceed 30% of the *adjusted* income of a family whose annual income equals 65% of the area median income (AMI) as determined by HUD.
Low HOME Rents		- Rent does not exceed 30% of the *annual* income of a family whose annual income equals 50% AMI. OR - Rent does not exceed 30% of the family's *adjusted* income. If the unit receives Federal or State project-based rental subsidy and the very-low-income family pays as a contribution toward rent no more than 30% of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program. AND if the Low HOME rent is higher than the High HOME rent, Tenant pays High HOME rent [92.252(b)(1)]
Additional Restrictions for SRO projects	Units with both sanitary and food preparation facilities	The maximum HOME rent is based on the zero-bedroom FMR; use the High and Low HOME Rents, as applicable, as established above.
	Units without sanitary and food preparation facilities (or only 1 of the 2)	The maximum HOME rent is based on 75% of the zero-bedroom FMR.

i. Utility Allowance Calculations

a) The PJ is required by 24 CFR Section 92.252(d)(1) to establish maximum monthly allowances for utilities and services (excluding telephone) and update the allowances annually. The PJ was originally required to use the HUD Utility Schedule Model or otherwise determine the utility allowance for the project based on the type of utilities used at the project. *HUD provided further guidance on* the utility allowance (UA) requirement and what methods a PJ may use to establish the UA for HOME-assisted rental units. This guidance is contained in HOMEfires – Vol. 13 No. *2, originally published in May 2016 and revised in August 2016 and is found here:*

https://www.hudexchange.info/resource/5034/homefires-vol-13-no-2-guidance-on-how-to-establish-utility-allowances-for-home-assisted-rental-units/

Snohomish County requires properties receiving County HOME funding to submit annual utility allowance calculation for approval. Utility Allowance submission including all back up documentation must be submitted. If your project's utility allowance has been approved by Commerce or another funder, please provide their approval form on the top of your required utility allowance documentation for our review.

b) Snohomish County may approve one of the following methods when establishing property specific UA for projects with HOME funds committed prior to 8/23/13**:**

1. Public Housing Authority utility allowance
2. Completed HUD Utility Schedule Model found at http://huduser.org/portal/resources/utilmodel.html
3. Multifamily Housing Utility Analysis following methodology in HUD Notice H-2015-04 at https://portal.hud.gov/hudportal/documents/huddoc?id=15-04hsgn.pdf
4. A Utility Company Estimate per 26CFR 1.42-10(b)(4)(B)
5. Low Income Housing Tax Credit Agency Estimate per 26CFR 1.42-10(b)(4)(C)
6. Energy Consumption Model per 26CFR 1.42-10(b)(4)(D)

c) The County may approve one of the following methods when establishing project specific utility allowance for projects with HOME funds committed on or after 8/23/13**:**

1. Completed HUD Utility Schedule Model found at http://huduser.org/portal/resources/utilmodel.html
2. Multifamily Housing Utility Analysis following methodology in HUD Notice H-2015-04 at https://portal.hud.gov/hudportal/documents/huddoc?id=15-04hsgn.pdf
3. A Utility Company Estimate per 26CFR 1.42-10(b)(4)(B)
4. Low Income Housing Tax Credit Agency Estimate per 26CFR 1.42-10(b)(4)(C)
5. Energy Consumption Model per 26CFR 1.42-10(b)(4)(D)

HOME projects with funds committed on or after August 23, 2013 must notify the County when a recipient of a Housing Choice Voucher (HCV) is occupying a HOME unit and the utility allowance differs from the OHCD approved utility allowance.

d) Once the HOME Period of Affordability (POA) ends, the property will follow the general County UA requirements.

e) Utility Allowance for Special Housing Types

1. Single Room Occupancy (SRO) - Per 24 CFR CH. IX 982.605 utility allowances for an assisted person residing in SRO housing is 75 percent of the zero (0) bedroom utility allowance.

2. Group Home - Per 24 CFR CH. IX 982.612 utility allowances for each assisted person residing in a group home is the pro-rate portion of the utility allowance for the group home unit size

ii. Annual Review of Rents [92.252(f)]

Every unit assisted with HOME funds is subject to annually updated rent limits, which are recalculated after HUD publishes updated FMRs and AMIs. The County will publish on its website the current HUD HOME Program Monthly Rent Limits for Low and High HOME Rents by unit size. Regardless of changes in FMRs and AMIs over time, the HOME rents for a project are not required to be lower than the HOME rent limits for the project in effect at the time of project commitment. The PJ must review and approve (or dis-approve) the rents for each HOME-assisted rental project each year to ensure that they comply with the HOME limits and do not result in undue increases from the previous year. Owners must annually provide the PJ with information on rents and occupancy of HOME-assisted units to demonstrate that rents do not exceed the HOME maximum rent limits. The County will provide implementation

guidance, once HUD has issued further guidance on the PJ's annual review and approval/disapproval of rents.

Owners may adjust rents as soon after the effective date as the lease permits. For any increases in rent, the owner must provide tenants with not less than 30 days written notice.

Occupants of HOME-assisted units must be recertified as income eligible on an annual basis. If a households' income has changed, the owner may increase or decrease the rent, while maintaining the agreed upon number of units renting in the High and Low HOME rent categories. If a unit moves from one category to the other, the rent for the next available unit must be set to bring number of units back into compliance.

Tenants who no longer qualify as low-income must pay as rent the lesser of the amount payable by the tenant under State or local law or 30% of the household's adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent not in excess of limits governed by section 42. For tenants in HOME units designated as floating, who no longer qualify as low-income, rent must not exceed the FMR for comparable, unassisted units in the neighborhood, and as may be otherwise regulated by other regulatory agreement limits.

h. Tenant Leases

The tenant and the owner of rental housing must enter into a written lease agreement of not less than one year, unless a shorter period is mutually agreed upon.

The following lease provisions are explicitly prohibited; refer to the regulation for a description of these prohibited lease provisions.

Table 6.17	***Prohibited Lease Provisions [92.253(b)]***		
Agreement to be sued	Treatment of property	Waiver of a jury trial	Waiver of notice
Excusing owner from responsibility		Waiver of right to appeal court decision	
Tenant chargeable with cost of legal actions regardless of outcome		Waiver of legal proceedings	
Mandatory supportive services (except as permitted in transitional housing projects)			

LEASE TERMINATIONS

Termination of the lease requires a 30-day notice of refusal to renew or termination of tenancy. Owners may only refuse to renew or terminate the lease of a tenant residing in a HOME-assisted unit for good cause. Good cause is defined as: repeated violation of lease terms; violations of federal, State or local law; or for transitional housing: completion of the tenancy period or a failure to follow any required transitional housing supportive services plan. An increase in a tenant's income *does not* constitute good cause for termination of, or refusal to renew, a lease. Terminating the occupancy of a tenant whose income increases could result in creating a disincentive for tenants to increase their incomes, for fear of losing their housing.

i. Financial Management and Oversight

i. Disbursement of Funds

With the exception of acquisition and financing costs, HOME funds are available as reimbursement for eligible expenses. All costs must be in direct relation to the County's approved budget, and supporting documentation of all expenditures is required for all costs paid with HOME funds.

If the HOME funds will be reimbursing construction related costs, eligible costs will be reimbursed at a pro rata share, i.e. if the County's portion of the total development costs is 25%, the County will reimburse 25% of the eligible construction related costs on each invoice.

If the Agency is a non-profit organization receiving a forgivable HOME loan or HOME grant, a minimum of 5% construction retainage will be withheld from each invoice by the County. The County will reimburse retainage fees after the construction is complete and releases have been received from the Department of Revenue, Employment Security Department, and Labor & Industries.

Before monies are released, a loan agreement must be executed between the County and the Agency. The agreement must satisfy Federal requirements and establish the terms under which the funding is provided. Funds will not be released until a written funding agreement is executed and all applicable regulatory compliance has been met (i.e., Uniform Act, environmental review, Section 3, prevailing wages, etc.)

ii. Project Close-Out

As part of the project close-out requirements with the County, the owner shall prepare a final accounting, including Sources and Uses, for the final development costs. In the event a Cost Certification is required by another funder, a copy of the Cost Certification will be provided to the County.

iii. Financial Oversight

At least annually, the PJ must examine the financial condition of HOME-assisted rental projects to determine the continued financial viability of the project. The purpose of this requirement is to enable the PJ to identify HOME-assisted projects that may become financially troubled before problems become severe. If the financial review indicates potential problems, The PJ must take actions to correct those problems, to the extent feasible.

The owner must submit an annual performance report to Snohomish County for review, through the Web Based Annual Reporting System (WBARS), or as may subsequently be required by the County. If problems are identified, the County may offer technical assistance and/or request additional documentation and corrective action.

iv. Troubled HOME-Assisted Rental Housing Projects

A HOME-assisted rental unit is considered no longer financially viable when its operating costs significantly exceed its operating revenue. For troubled projects, the County may take the following actions with prior written HUD approval:

Table 6.18	***Actions for Troubled Projects [92.210]***
Action	**Description**
Investment of additional HOME funds	With HUD pre-approval, Snohomish County may invest additional funds to rehabilitate the HOME-assisted units, to recapitalize project reserves, or take other pre-approved actions, for the HOME units. The total HOME funding for the project (initial investment amount plus the additional funds) may not exceed the maximum per unit subsidy, established at § 92.250(a). This determination is made using the maximum per unit subsidy that is in effect at the time the additional funds are invested. HUD's approval for this action must be in the form of a written memorandum of agreement. In granting approval for an additional investment of funds, HUD may require an extension of the affordability period and/or an increase in the number of HOME-assisted units.
Reduction of the number of HOME-assisted units	A reduction in the number of HOME-assisted units is permitted only if the project contains more than the minimum number of units required to be designated as HOME-assisted units under § 92.205(d).

j. Project Completion Deadline and Lease-Up

The following deadlines apply to all HOME rental housing projects:

Table 6.19	***Deadlines for Completion and Lease-Up [92.252]***
Deadline	**Description**
Within two (2) years of contract execution	Projects must be completed within two (2) years of the date of the executed loan agreement, in accordance with the HOME Project Completion deadline. Snohomish County may request a one-year extension of this deadline to HUD for their review and approval. Refer also to General Requirements: Project Completion Deadline and Terminated Projects. Rental projects must be complete, meaning 100% of HOME funds have been disbursed for the project; and the project completion information has been entered in the disbursement and information system (IDIS) established by HUD (completion may occur after construction is completed, but before occupancy as long as beneficiary data is provided when the units are occupied).
Within six (6) months of project completion	The HOME-assisted units in a rental housing project must be occupied by households that are eligible as low-income families and must meet the requirements of this section to qualify as affordable housing. If eligible tenants do not occupy the housing within this timeframe, the Developer must submit marketing information and, if appropriate, a marketing plan.
Within 18 months of project completion	HOME funds invested in any housing unit that have not been rented to eligible tenants within this timeframe shall be **repaid** to Snohomish County and/or HUD. The tenant must have a written lease that complies with § 92.253.

k. Overarching Program Regulations and Requirements

All projects and programs must comply with the Overarching Program Regulations and Requirements.

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VII. Community Housing Development Organization (CHDO)

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Snohomish County currently makes up to five percent (5%) of the annual HOME allocation available for CHDO Operating Support Grants. The County annually invites existing and potential CHDOs to submit an application for operating support funds, which specifies the amount of the request, how the funds will be utilized, and describes how the funds will support or build the CHDO's capacity to develop HOME-assisted units which are under development.

The County encourages agencies that may be interested in becoming a County CHDO to contact staff in the Office of Housing and Community Development (OHCD). OHCD staff will explain the certification process and provide technical assistance to agencies in order to increase the number of CHDOs developing affordable housing within the County.

This Section is divided into the Subsections listed below.

a. CHDO Eligibility VII-1
b. Eligible Use of Funds VII-1
c. CHDO Certification VII-2
d. Overarching Program Regulations and Requirements VII-2

a. CHDO Eligibility

i. Eligible Entities

Private non-profit organizations with a HOME-funded project under development

ii. Capacity and Experience

The organization must have demonstrated staff, developer, and financial capacity for carrying out affordable housing activities similar to those assisted with HOME funds.

b. Eligible Use of Funds

Eligible costs are defined as "reasonable and necessary costs for the operation of the community housing development organization. Such costs include:

Table 7.1	***Eligible Use of Funds****			
Salaries, wages, and other employee compensation and benefits				Employee education
Training	Travel	Rent	Utilities	Communication costs
Taxes	Insurance	Equipment	Materials	Supplies
*These operating funds are **not** a supplemental funding source for the HOME project which qualifies the CHDO for the operating support grant.				

The County may only provide an operating support grant to a CHDO that has been awarded HOME capital funds for development of a specific project.

The County does not currently offer pre-development loan funds.

c. CHDO Certification

Organizations interested in applying for, or maintaining their current CHDO status, must meet all HOME and Snohomish County requirements for certification. Agencies that occasionally develop affordable housing projects will be encouraged to receive technical assistance from the County and other CHDOs.

The CHDO certification process requires current and potential CHDOs to meet all of the HOME/CHDO regulations including the following:

- Have paid staff, responsible for the day-to-day operations of the CHDO, with relevant development experience with similar projects (this requirement cannot be met through volunteer, donated staff, shared staff, or board members).
- Have a proven track record of developing housing, with three (3) or more projects during the preceding five (5) years;
- Have the organizational, administrative and financial capacity to develop housing;
- Not have any findings from the County or HUD when their work is monitored or reviewed;
- Is willing to participate in County activities in terms of planning for affordable housing; and
- Have the capacity to provide technical assistance to other organizations.

d. Overarching Program Regulations and Requirements

All projects and programs must comply with the Overarching Program Regulations and Requirements.

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VIII. Tenant-Based Rental Assistance

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This Section is divided into the Subsections listed below.

a.	Project Eligibility	VIII-1
b.	Eligible Project Costs	VIII-3
c.	Property Standards	VIII-4
d.	Methods of Assistance	VIII-5
e.	Housing Agreements	VIII-5
f.	Supportive Services	VIII-7
g.	TBRA Assistance Summary	VIII-7
h.	Overarching Program Regulations and Requirements	VIII-8

a. Project Eligibility

HOME tenant-based rental assistance (TBRA) must be provided to allow individuals and families to locate permanent housing (i.e., housing that does not have a designated length of stay) of their choice. Three (3) key features distinguish HOME Rental Housing and HOME TBRA.

Table 8.1 ***TBRA [92.209] versus Rental Housing [92.252]***

Feature	TBRA	Rental Housing
Eligible Applicants	Assists individual households	Subsidizes particular rental projects
Portability	TBRA assistance moves with the tenant if the tenant wishes to rent a different unit; however, TBRA assistance may be provided only within Snohomish County, except as permitted by the Violence Against Women Act (VAWA).	Rental Housing assistance stays with the building(s) on a single site
Method of Assistance	The subsidy varies depending on the tenant's income	The subsidy is tied to the High and Low Income Rents

i. Eligible Activities

Activities allowed with the use of Snohomish County Consortium HOME funds are activities that provide financial assistance to households to obtain and maintain permanent housing and that address the needs identified in the Consolidated Plan.

Table 8.2 ***Eligible TBRA Activities [92.209]***

Activity	Description
Project Delivery	Administering rental assistance
Rental Assistance	Subsidy designed to make housing more affordable
Security Deposit and Utility Deposit	Subsidy designed to assist households move in to housing

ii. Eligible Properties

Properties that are eligible for HOME assistance include those properties that are listed in the Table below. Households must be able to select the unit of their choice within Snohomish County.

Table 8.3	***TBRA Housing Units***	
Eligible Properties		
Privately owned housing	Public Housing including Section 811, Section 202, HOPE VI, Continuum of Care Program, and HOPWA	Housing units developed or rehabilitated with HOME assistance [92.209(c)(3)]
Ineligible Properties		
Resident owner of a cooperative or mutual housing unit	Overnight or temporary shelter	A housing unit that is receiving rental assistance that already reduces the tenant's rent payment to 30% of adjusted monthly income

iii. Entities Eligible to Administer HOME Funds

HOME funds may be administered only by eligible entities (Agencies), which include:

Table 8.4	***Eligible Entities [92.209(k)]***	
Participating Jurisdiction	Public Housing Authority	Other agencies with the capacity to operate TBRA

iv. Eligible Applicants/Beneficiaries

Only eligible applicants/beneficiaries may apply to receive TBRA assistance. The Agency must maintain an individual file for each household served.

INCOME ELIGIBILITY

While HOME regulations require that all HOME funds benefit households with incomes at, or below, 80% of the area median income (AMI), the County has further restricted this through the Consolidated Plan. Eligible tenants are extremely low (at or below 30% AMI) and low income households (at or below 50% AMI). Refer also to General Requirements: Project Eligibility. Income limits are established by HUD; the County will provide current and updated limits.

Income must be calculated in accordance with 24 CFR § 5.609 (commonly referred to as the "Part 5 (Section 8 Program) definition"). The passbook savings rate for calculation of imputed asset income over $5,000 shall be the same passbook savings rate utilized by the local Public Housing Authority, i.e. the Everett Housing Authority or the Housing Authority of Snohomish County, whichever is appropriate to the location of the project. The projected annual income of each household must be determined initially, before assistance is provided, and at least annually thereafter during the period of assistance; the Agency may establish a more frequent reexamination schedule (i.e., for decreases in income, changes in household composition, etc.) as long as this schedule is applied consistently to all participants. If security deposit assistance alone is provided (without rental assistance) income determinations are required only at the time the security deposit assistance is provided.

When an Agency determines, at reexamination, that a tenant is over-income, the Agency must provide the tenant and landlord/owner with reasonable notice that assistance will be terminated.

HOUSING STATUS ELIGIBILITY

Additionally, as permitted by § 92.209(c)(2), TBRA assistance is targeted for persons with the Housing Statuses listed in the Table below. For homeless households, referrals must be accepted from the Investing in Futures (IIF) Coordinated Entry System (CES). Housing status must be determined initially, before assistance is provided.

Table 8.5	***Eligible Beneficiaries [92.209(c)]***		
Housing Status			**Income Eligibility**
Homeless, as defined in the HUD Defining "Homeless" Rule	At Risk of Homelessness	High System Utilizers who are Homeless or At Risk of Homelessness	Extremely Low Income: At or below 30% AMI
			Low Income: At or below 50% AMI

INCOME DETERMINATION DOCUMENTATION

Income must be documented according to the acceptable form of documentation listed in the Table below. In determining income-eligibility, the Agency must re-verify the household size, composition, as well as income.

Table 8.6	***Income Determination Documentation [92.203]***
Frequency	**Acceptable Forms of Documentation**
Initially and Subsequent Determinations (at least Annually)	2 months of source documents evidencing annual income (e.g., wage statements, interest statements, unemployment compensation documentation, etc.)

HOUSING STATUS DOCUMENTATION

Housing status must be documented according to the applicable rules and/or regulations listed in Table 8.5 for the housing status (i.e., documentation of homelessness must be in accordance with the HUD Defining "Homeless" Rule).

HOME TBRA ASSISTANCE AND TENANTS ON SECTION 8 WAITING LIST [92.209(l)]

Tenants on the Section 8 waiting list should not lose their place on the waitlist if they are selected to receive HOME TBRA assistance.

b. Eligible Project Costs

Activities and costs are eligible for HOME assistance only if the housing, upon project completion, meets the applicable minimum property standards described in General Requirements: Property Standards, as well as the property (unit) standards specific to Tenant-Based Rental Assistance, as described below.

i. Project Delivery Costs

Such eligible costs include the costs to administer the TBRA. Administering Rental Assistance, which includes only the specific costs in the table below, is listed in the regulation as an Administration cost, however, these costs may be considered a project delivery cost.

Table 8.7	***Administering TBRA [92.207(a)(5)]***
Inspecting housing occupied by a TBRA recipient	Determining income eligibility of applicants

Please note that calculating the amount of TBRA assistance and disbursing the assistance are *not* considered eligible project delivery costs; instead, these costs are considered Administrative costs, which are not reimbursable as project delivery costs.

ii. Rental Assistance

TBRA assistance may be used to provide up to twenty-four (24) months (extensions may be provided subject to HOME funding availability) of rental assistance on behalf of an income-eligible household. Rental assistance must be provided to allow individuals and families to locate housing of their choice within Snohomish County, except as permitted by the Violence Against Women Act (VAWA). If the household later moves to another suitable unit, the rent assistance may be applied to the new unit. Refer to Methods of Assistance for rental assistance parameters. Rental assistance does not include rental arrears.

iii. Security Deposits and Utility Deposits

TBRA assistance may be used to pay for security deposits either with or without Rental Assistance. Only an eligible applicant/beneficiary may apply for HOME assistance; while HOME regulations permit payments directly to the tenant, Snohomish County policy is that the payment, either as a loan or a grant, must be made directly to the landlord/owner.

Table 8.8	***Security Deposit Costs [92.209]***
Eligible Costs	
Security Deposit Payments (a one-time payment of up to two (2) month's rent)	**Utility Deposit Assistance*** *only if* this assistance is provided with rental assistance or security deposit payment
***Inclusions: electric, gas, water, trash** **Exclusions: telephone, internet access, cable television**	

iv. Ineligible Activities, Costs, and Fees

Refer to the General Requirement: Eligible Project Costs for a list of ineligible activities, costs, and fees under the HOME Program.

c. Property (Unit) Standards

The Agency must approve the housing unit before assistance is provided on behalf of an eligible household to ensure compliance with the TBRA Property (Unit) Standards. The Agency must inspect housing units before assistance is provided and at least annually thereafter during the period of assistance to ensure that the following property (unit) standards are met. If security deposit assistance alone is provided (without rental assistance) Housing Quality Standards inspections are required only at the time the security deposit assistance is provided.

Table 8.9	***TBRA Property (Unit) Standards [92.251(d)]***	
Standard	**Frequency**	**Requirements**
Housing Standards	Initially, Annually	Must comply with all Housing Quality Standards (HQS), 24 CFR § 982.401; if a unit initially fails HQS, the landlord/owner may be given a reasonable amount of time (generally 30 days) to correct any deficiencies and the Agency must re-inspect the unit.
Occupancy Standards	Initially, Annually	The unit must have at least one (1) bedroom or living/sleeping room for each two (2) persons
Rent Reasonableness	Initially, Annually	Gross rent* must be reasonable in relation to other units of comparable size and amenities in the region; rent reasonableness must be documented through the Rent Reasonableness Certification. To demonstrate that the assisted unit is rent reasonable, the Agency must compare the proposed unit's gross rent to the rent of at least three (3) comparable unassisted units in the area by utilizing the Dupre + Scott Rent Reasonableness Survey or completing a Supplemental Analysis of three (3) comparable units on a unit-by-unit basis using other data sources.
Lead-Based Paint Visual Assessment	Initially, Annually	Must meet the lead-based paint requirements at 24 CFR part 35.
*Gross rent is rent plus tenant-paid utilities, which may include gas, electricity, water, sewer and garbage. The following are excluded from utilities: telephone, cable or satellite television service, and internet service.		

INSPECTION REQUIREMENT

In addition to the inspections conducted by the Agency, the PJ must conduct annual on-site inspections to determine compliance with the applicable standards. [92.504(d)(iii)].

d. Methods of Assistance

PAYMENT (RENT) STANDARD

Snohomish County establishes the rent standard annually based on a market analysis of moderately-priced units that meet Housing Standards in Snohomish County; Snohomish County uses this local data to establish the rent standard according to the unit size based on the number of bedrooms. The County will provide current and updated payment standards.

ELIGIBLE FORMS OF SUBSIDY AND SUBSIDY LIMITS

The rental assistance subsidy varies depending on the participant's income, which must be calculated according to 24 CFR § 5.609 and 24 CFR § 5.611(a). Income-eligible tenants must contribute towards the contract rent in order to receive TBRA rental assistance according to the following parameters:

Table 8.10	***Rental Assistance [92.209(h)]***
Minimum Tenant Contribution	**Maximum Rental Assistance Payment**
30% of the household monthly adjusted gross income	The difference between the rent standard and 30% of the household monthly adjusted gross income

A graduated subsidy model must be used and must be tailored to the individual household being served. The exact subsidy amount and schedule must be determined collaboratively with the household as part of the assessment and planning process, but should be adjusted during program enrollment if household circumstances change. The amount of monthly rental assistance provided with HOME funds may not exceed the difference between the rent standard for the unit size and 30% of the household's monthly adjusted income. At no time should the rent paid by the household combined with the rental assistance payment exceed the contract rent. In addition, the gross rent for the unit must meet the rent reasonableness requirement in VIII. C. above. The model must be applied consistently to all participants.

UTILITY ALLOWANCES

In calculating the tenant contribution, a utility allowance must be factored into the calculation if utilities are not included in the unit rent. The utility allowance schedule established annually by the local Public Housing Authority must be used. Where a utility reimbursement must be made, the reimbursement must be paid to the utility company on behalf of the tenant; while HOME regulations permit payments directly to the tenant, Snohomish County policy is that utility reimbursements may not be paid directly to the tenant.

e. Housing Agreements [92.209(k)]

i. Tenant Leases

The tenant and the owner of rental housing must enter into a written lease agreement of not less than one (1) year, unless a shorter period is mutually agreed upon. The Agency must review and approve all leases; if the lease is not reasonable, the Agency may not approve it. The Agency must review any rent increases by the landlord/owner. Please note that it is considered a conflict of interest for the Agency to approve the lease of an Agency-owned unit; therefore, for any unit that is owned by the Agency, the PJ must approve the lease before assistance is provided.

The following lease provisions are explicitly prohibited; refer to the regulation for a description of these prohibited lease provisions.

Table 8.11	***Prohibited Lease Provisions [92.253(b)]***		
Agreement to be sued	Treatment of property	Waiver of a jury trial	Waiver of notice
Excusing owner from responsibility		Waiver of right to appeal court decision	
Tenant chargeable with cost of legal actions regardless of outcome			Waiver of legal proceedings
Mandatory supportive services			

LEASE TERMINATIONS

Termination of the lease requires a 30-day notice of refusal to renew or termination of tenancy. Landlords/owners may only refuse to renew or terminate the lease of a tenant residing in a HOME-assisted unit for good cause. Good cause is defined as: repeated violation of lease terms; violations of federal, State or local law. As discussed further below under Rental Assistance Agreement: Between the Agency and the Tenant, termination of assistance is not required if the lease is terminated; the Agency may continue assistance subsequent to termination of a lease once the participant enters into a new lease. However, the Agency must develop standards regarding whether assistance will continue after the termination of

a lease and the circumstances under which this may occur; these standards must be applied consistently to all participants.

ii. Rental Assistance Agreement

The term of a rental assistance agreement, both between the Agency and the owner/landlord, as well as between the Agency and the tenant, may not exceed twenty-four (24) months, but may be renewed, subject to the availability of HOME funds. The rental assistance agreement must begin on the first day of the term of the lease. Rental assistance agreements must be fully executed before assistance is provided on behalf of the tenant.

BETWEEN THE AGENCY AND THE OWNER/LANDLORD

The Agency may make rental assistance payments only to landlords/owners with whom the entity has a rental assistance agreement. The rental assistance agreement must include the terms under which rental assistance will be provided, the term of the agreement (which must terminate on the termination of the lease or within a reasonable amount of time after a tenant is determined to be over-income), that the landlord/owner will provide the Agency with a copy of all written notices to the participant (including notices to vacate, notices of noncompliance, etc.) and that the landlord/owner will comply with HOME regulations.

BETWEEN THE AGENCY AND THE TENANT

The Agency must enter into a rental assistance agreement with the tenant. The rental assistance agreement must include the terms under which rental assistance will be provided, the term of the agreement (which must terminate within a reasonable amount of time after a tenant is determined to be over-income; but which need not terminate on the termination of the lease (however, no payments may be made after lease termination until the participant enters a new lease)), that the landlord/owner will provide the Agency with a copy of all written notices to the participant (including notices to vacate, notices of noncompliance, etc.).

f. Supportive Services [92.209(c)(2)]

Supportive services are not an eligible activity or cost under TBRA. Tenants receiving rental assistance may be required to participate in a self-sufficiency program as a condition of receiving assistance; however, rental assistance may not be terminated for a failure to continue participating in such a program. Appropriate, non-mandatory services may be provided to recipients of TBRA assistance through another program, but receipt of TBRA assistance may not be tied to services.

g. TBRA Assistance Summary

The following Table, which provides an overview of the steps of providing TBRA assistance, is intended to be a summary only and does not include all of the requirements.

Table 8.12	***Summary***
Determine Eligibility of Applicants	
The Agency must determine and document eligibility of all persons applying for assistance.	
Approval of Housing Unit	

The Agency must approve the housing unit before assistance is provided; the unit must meet all applicable Property (Unit) Standards.
Housing Agreements are Executed Housing Agreements, including tenant leases (which must be approved by the Agency) and Rental Assistance Agreements must be entered in to.
TBRA Assistance Begins The Agency begins providing TBRA assistance on behalf of the participant; the Agency must ensure ongoing compliance with Property (Unit) Standards.

h. Overarching Program Regulations and Requirements

All projects and programs must comply with the Overarching Program Regulations and Requirements.

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IX. Overarching Program Regulations and Requirements

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This Section is divided into the Subsections listed below.

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d.	Environmental Review	IX-6
e.	Lead-Based Paint Hazards	IX-6
f.	The Uniform Act and Section 104(d)	IX-7
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a. Fair Housing and Civil Rights

Agencies must comply with federal, State, and local fair housing and civil rights laws, regulations, and Executive Orders, including Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C. 2000d et seq); the Fair Housing Act (42 U.S.C. 3601-3620); Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12259); and the Age Discrimination Act of 1975, as amended (42 U.S.C. 6101-6107).

Discrimination in the provision of housing is prohibited on the basis of a protected class; federal and Washington State protected classes include:

Table 9.1	***Protected Classes***		
Race or Color	National Origin	Disability	
Creed	Sex	Marital Status	Familial Status
Sexual Orientation or Gender Identity	Veteran or Military Status		

i. Affirmative Marketing [92.351]

Snohomish County requires all Agencies receiving HOME funds for projects with five (5) or more HOME-assisted units and for housing programs (direct homeownership assistance, homeowner rehabilitation, and tenant-based rental assistance) to have plans to affirmatively market housing to eligible populations. This requirement is included in the contracts between Snohomish County and Agencies receiving the HOME funds.

As part of the application process, Agencies are asked to describe their affirmative marketing plan for the HOME-assisted units and HOME-assisted programs. The affirmative marketing plan must include information on:

- How the Agency will inform the public and potential residents about fair housing laws;
- How the Agency will affirmatively market the project units or program assistance and inform persons who might not normally apply for housing through special outreach; and
- How the Agency will document affirmative marketing efforts and evaluate their success.

The marketing plans are reviewed by County staff when the projects are monitored. Housing projects must display the Equal Housing Opportunity information and logo in an area that is accessible to eligible households.

Agencies shall use the Equal Housing Opportunity Slogan, logo, or statement in all advertisements, public service announcements, press releases, and information mailings. The HUD Fair Housing poster must be displayed in offices where rental activity takes place for all properties with five (5) or more units.

Affirmative marketing steps consist of actions to provide information and otherwise attract eligible without regard to:

- Race
- Color
- National origin
- Sex
- Religion
- Familial status
- Disability

The affirmative marketing requirements and procedures adopted by the sponsor must include:

- Methods for informing the public about Federal fair housing laws and the affirmative marketing policy;
- Procedures to inform and solicit applications from persons in the housing market area who are not likely to apply for the housing or housing assistance program without special outreach (e.g. community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies);
- Records that will be kept describing actions taken to affirmatively market units and housing assistance program and records to assess the results of these actions

Developers to the maximum extent possible, will be inclusive of minorities and women, and entities owned by minorities and women, including, without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services, in all contracts entered into by the participating jurisdiction with such persons or entities, public and private, in order to facilitate the activities of the participating jurisdiction to provide affordable

housing authorized under this Act or any other Federal housing law applicable to such jurisdiction.

Agencies must also comply with additional required affirmative marketing procedures for the Snohomish County Consortium.

ii. Housing Accessibility for Persons with Disabilities

Agencies must comply with the following laws:

- Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) and the Fair Housing Amendments Act of 1998 (Amendments Act – FHAA) prohibit discrimination in the provision of housing on the basis of a protected class.
- Section 504 of the Rehabilitation Act of 1973 (Section 504) applies to those receiving federal assistance
- The Americans with Disabilities act (ADA) of 1990 addresses public accommodations, which include rental offices and common areas.

DISABILITY RIGHTS IN HOUSING

Federal laws define a person with a disability as "[a]ny person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment." Major life activities include walking, talking and hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.

Federal laws provide specific protections for persons with disabilities in both public and private housing:

Table 9.2	***Rights of Persons with Disabilities***
Prohibition of Discrimination	Agencies may not refuse to rent/sell to persons because of a disability. It is unlawful to treat persons with disabilities different than persons who are not disabled (i.e., housing providers may not impose different application/qualification criteria, rental fees or sales prices, rental or sales terms or conditions, etc.)
Reasonable Accommodations	Persons with disabilities have the right to reasonable accommodations. A reasonable accommodation is changing the rules, policies, or services so that a person with a disability has equal opportunity to use and enjoy a dwelling unit or common space.
Reasonable Modifications	Persons with disabilities have the right to reasonable modifications. A reasonable modification is modifying a structure so that a person with a disability has the full enjoyment of the housing and related facilities. Reasonable modifications are generally made at the residents' expense, with the exception of federally funded housing.

DESIGN AND CONSTRUCTION REQUIREMENTS

The Fair Housing Act requires that new multifamily housing, including both public and private housing, is designed and constructed to be accessible. In covered multifamily housing consisting of four (4) or more units built for first occupancy after March 13, 1991, *with* an elevator, all units must comply with the following seven (7) design and construction

requirements listed in the Table below; for this type of housing *without* an elevator, all ground floor units must comply with these requirements.

Table 9.3	***Design and Construction Requirements***		
Accessible Entrance on an Accessible Route	Accessible Public and Common-Use Areas	Usable Doors	
Accessible Route into and through the Dwelling Unit	Accessible Light Switches, Electrical Outlets, Thermostats, and Other Environmental Controls	Reinforced Walls in Bathrooms (to permit installation of grab bars)	Usable Kitchens and Bathrooms

Limited exemptions to these requirements apply only for owner-occupied buildings with fewer than four (4) units, single- family housing sold or rented without the use of a broker, and housing operated by organizations and private clubs that limit occupancy to members.

PEOPLE WITH DISABILITIES IN FEDERALLY ASSISTED HOUSING

Programs that receive federal assistance must comply with the requirements of Section 504; Section 504 prohibits discrimination against an otherwise qualified individual with a disability, solely on the basis of the disability.

Housing that complies with Section 504 must meet the Uniform Federal Accessibility Standards (UFAS). Below are examples of Section 504 requirements:

Table 9.4	***Examples of Section 504 Requirements***
Type of Assistance	**Requirement**
New Construction of Multifamily Housing **Substantial Rehabilitation* of Multifamily Housing**	- 5% of the units (but not less than 1 unit) must be accessible to persons with mobility impairments, and - An additional 2% of the units (but not less than 1 unit) must be accessible to individuals with sensory impairments
Rehabilitation that is less extensive than Substantial Rehabilitation*	- Alterations must (to the maximum extent feasible) make the unit accessible to and usable by persons with disabilities until 5% of the units are accessible to persons with mobility impairments - Alternations to the common areas must (to the maximum extent feasible) make the project accessible
* Substantial Rehabilitation includes construction in a project with 15+ units for which the rehabilitation costs will be 75% or more of the replacement cost	

THE AMERICANS WITH DISABILITIES ACT

Title II of the Americans with Disabilities Act (ADA) prohibits discrimination against persons based on disability and applies to all programs, services, and activities (including housing) provided or made available by public entities. For instance, Title II applies to housing operated by public housing authorities, States, or units of local government.

While the ADA generally applies to places of public accommodation and not to residential housing, Title III of the ADA applies to the public and commons use areas in housing developments, if those areas are open to the general public.

b. Equal Opportunity

Federally funded housing projects/programs are subject to Executive Order 11246, as amended, which prohibits Agencies from discriminating against employees or applicants for employment on the basis of race, color, religion, national origin, citizenship status, unfair documentary practices regarding employment verification, sex, age, and disability. These requirements are included in all contracts with Agencies.

i. Section 3 of the Housing and Urban Act of 1968 (Section 3)

The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD financial assistance is directed to low- and very low-income persons to the greatest extent feasible. In accordance with the Snohomish County Section 3 Plan, solicitation of Section 3 businesses is required during procurement for any construction contract of $100,000 or more and is encouraged for contracts of lesser amounts. The Section 3 Plan also requires contractors/subcontractors to follow a specific hiring plan in order to target Section 3 residents.

ii. Women- and Minority-Owned Business Enterprises

The County is required to take affirmative actions to allow Women- and Minority-Owned Business Enterprises (WMBE) to benefit from federal funds. The County passes this requirement on to funded Agencies, which must make a good faith effort to employ WMBE firms when implementing projects/programs. These efforts can include advertising for professional services or construction contractors in minority publications, notifying WMBE firms directly of employment opportunities, or requiring that contractors hire WMBE subcontractors. Solicitation of MBE firms is required during procurement for any construction contract of $50,000 or more.

c. Labor Standards

Labor standards requirements may impact the cost of construction work and should be factored in during the development of the project budget. The labor standards processes may require additional reporting and documentation during construction. Monitoring for compliance with labor standards requirements will be performed by the County.

i. Davis-Bacon and State Prevailing Wages

Any contract for the construction of affordable housing with **12 or more HOME-funded units (inclusive of County and other jurisdictions' HOME funding)** will require that all laborers and mechanics who are employed to perform work on the project be paid wages at federal rates which are not less than those that prevail in Snohomish County.

State Prevailing Wage requirements at RCW 39.12 also apply to all Public Works projects funded with a forgivable HOME loan or HOME grant. Public Work is defined as "All work, construction, alteration, repair, or improvement other than ordinary maintenance, executed at the cost of the state or of any municipality, or which is by law a lien or charge on any property therein."

When both Davis-Bacon and state prevailing wages are applicable to a project, all contractors and subcontractors must pay the higher of federal or state prevailing wages to all laborers and mechanics.

ii. Related Acts

The Contract Work Hours and Safety Standards Act (CWHSSA) requires contractors and subcontractors to pay laborers and mechanics one and one-half (1.5) times their standard rate of pay for all hours worked in excess of 40 hours in a workweek.

Copeland Anti-Kickback Act prohibits a contractor or subcontractor from inducing an employee into giving up any part of wages they are entitled to.

iii. Use of Volunteers

It is permissible to use the services of volunteers to perform work as a laborer or mechanic on a project assisted with HOME funds as long as the requirements of 24 CFR part 70 are met. Individuals cannot be considered a volunteer if, during construction of the project, they are employed in the same type of work as they are performing on the project. (i.e. a plumber cannot perform voluntary plumbing work but can perform work unrelated to plumbing).

d. Environmental Review

The environmental effects of each activity must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and the related authorities listed in HUD's implementing regulations at 24 CFR parts 50 and 58. Snohomish County, as Responsible Entity, assumes the responsibility for environmental review, decision-making, and action that would otherwise apply to HUD under NEPA and other provisions of law that further the purposes of NEPA, as specified in 24 CFR part 58.

The applicability of environmental review regulations is based on the type of project scope (new construction, rehabilitation, acquisition, etc.) or activity (tenant-based rental assistance), not the particular cost paid. For example, if a HOME-assisted project is a new construction project, but the HOME funds are used for acquisition of vacant land for the project, the environmental review is based on new construction of housing, as well as the acquisition of the land.

Any funds committed to an activity or project will be conditional on the completion of the environmental review and approval of the request for release of funds and related certification as needed, except as authorized by 24 CFR part 58. Incurring costs, expenditure of funds, or beginning any work on the project site prior to completion of an environmental review may jeopardize current and future funding for the project. The environmental review process may take up to 90 days or longer depending on the scope of the project.

e. Lead-Based Paint Hazards [92.355]

All housing units assisted with County funds must comply with the requirements of the Lead-Based Paint Poisoning Prevention Act of 1971, as amended (42 U.S.C. 4821-4846); the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856); and 24 CFR part 35.

Exemptions to the requirements are:

- Units built after January 1, 1978
- Units which house only the elderly
- Studio units and Single Room Occupancy (SRO) units

f. The Uniform Act and Section 104(d)

HOME assisted projects are subject to the Uniform Relocation and Assistance and Real Property Acquisition Polices Act of 1970, as amended (URA) (42 U.S.C. 4601-4655), and the government wide implementing regulations issued by the Federal Highway Administration at 49 CFR part 24. In addition, projects that include demolition or conversion of low-income housing are subject to Section 104(d) (also called the Barney Frank amendment).

i. Acquisition

The URA requirements apply to any and all real property acquisition for a project that receives any amount of HOME funding, regardless of whether the funds are used to purchase the property or for other project costs. The regulations may apply to any acquisition for which a purchase offer was made at any time after the date the applicant first *intended* to apply for HOME funds for the project.

Agencies are exempt from complying with most acquisition requirement of the Uniform Act (Subpart B) *only* if an identified site can be acquired "voluntarily" in accordance with Section 49 CFR § 24.101 of Subpart B. A "voluntary" acquisition requires the Agency (buyer) to inform the seller, prior to executing an agreement to purchase:

- That it does not have the power of eminent domain (buyers with eminent domain authority, must agree not to use it, and must not have specific site needs);
- That it will not be able to purchase the property if negotiations fail to result in an amicable agreement; and
- Of the buyer's estimate of fair market value (FMV) of the property to be acquired.

ESTIMATING FAIR MARKET VALUE

An appraisal is not required to establish the FMV of a property, but there must be documentation that includes an explanation, with reasonable evidence, of the basis for the estimate. A Comparative Market Analysis is acceptable for this purpose.

ii. Section 104(d)

Section 104(d) of the Housing and Community Development Act of 1974, as amended (104(d)) requirements apply when HOME assistance is used for a project involving demolition or conversion.

Section 104(d) has two distinct components:

Table 9.5	***Components of Section 104(d)***
Component	**Requirement**
One for One Replacement	Requires one-for-one replacement of lower-income dwelling units that are demolished or converted to another use. For Section 104(d) purposes "conversion" is defined as: Altering a housing unit that would rent at or below the fair market rent (FMR) so that it is used for non-housing purposes, rents for above the FMR or is used as an emergency shelter.
Relocation of Lower Income Tenants	Requires relocation assistance for displaced lower-income residential tenants and does not provide protection or assistance for persons with incomes above the Section 8 Low Income Limit.

iii. Housing Replacement

The County has adopted a "Residential Anti-displacement and Relocation Assistance Plan", which addresses the Section 104(d) requirement for one-for-one replacement of low-income housing units:

Snohomish County will replace all occupied and vacant occupiable low- and moderate-income dwelling units demolished or converted to a use other than as low- and moderate-income housing as a direct result of activities assisted with HOME funds.

Replacement units do not need to be provided by the same fund recipient whose project resulted in the housing loss. The County will count any net gain in units achieved through the investment of HOME funds as having met the one-for-one replacement requirement.

iv. Relocation

The County strongly discourages the permanent displacement of low-income households by project and programs. The URA stipulates the content and timing of notices for residents of properties to be acquired with HOME funds. If residents will be displaced by the project, they must receive moving cost reimbursement, relocation assistance payments, and relocation assistance services.

If an otherwise feasible and fundable project does necessitate permanent or temporary displacement and relocation, the relocation must be carried out in strict compliance with the URA. Prior to selection for funding, the Agency must demonstrate that:

- Both personnel and budget resources are available to implement relocation, and
- Such projects must have qualified County-approved relocation personnel as part of the development team.

A pre-application conference with County staff is required for any project which may involve relocation to insure that the Agency understands the URA requirements and that proper relocation notices are given.

No relocation may be initiated prior to funding award except with the prior written approval of the County. If relocation is required, a detailed **Relocation Plan** must be submitted with an application for HOME funds. (A relocation plan template is available on the County's Web page.)

v. Temporary Relocation

All conditions of temporary relocation must be reasonable and tenant shall be provided with reimbursement for all reasonable out-of-pocket expenses incurred in connection with temporary relocation.

Tenant shall receive advisory services, including written notice of the date and approximate duration of the temporary relocation, address of suitable temporary unit, and the terms and conditions under which the tenant may lease and occupy the building/complex upon completion of the project.

Temporary relocation may not extend beyond one year before the person is returned to his or her previous unit or location. Any residential tenant who has been temporarily relocated for more than one (1) year must be offered all permanent relocation assistance which may not be reduced by the amount of any temporary relocation assistance previously provided.

If the project requires tenants to be temporarily relocated off site, a detailed **Temporary Relocation Plan** is required. (A temporary relocation plan template is available on the County's web page.)

vi. Snohomish County URA and Section 104(d) Policies

The following URA & Section 104(d) Policies provide guidance on complying with the URA and Section 104(d) requirements, and are available upon request:

- URA Policy 2011 #1 – Section 104(d) Policy
- URA Policy 2011 #2 – Homebuyer Down Payment Assistance Program
- URA Policy 2011 #3 – Appeals Policy
- URA Policy 2011 #4 – Installment Policy

g. Procurement

All projects must comply with the most restrictive of the applicable federal or state, competitive procurement regulations or costs may not be reimbursable.

The Revised Code of Washington (RCW) 39.04.010 defines Public Work as "All work, construction, alteration, repair, or improvement other than ordinary maintenance, executed at the cost of the state or of any municipality, or which is by law a lien or charge on any property therein". A project for which a forgivable HOME loan or HOME grant is executed is considered Public Work and is subject to Washington State requirements at RCW 39.08, 39.26, 39.80, and 60.28.
Federal procurement requirements at 2 CFR part 200 apply to all non-profit organizations acting as a Subrecipient and all public entities. Owners/Sponsors/Developers are not subject to federal procurement requirements.

Procurement requirements are provided in the County's funding notices or written agreements. Agencies are encouraged to contact County staff if they have any questions regarding which procurement requirements will apply to their specific project.

Agencies will be expected to provide a copy of their procurement policies and procedures that meet applicable federal and state regulations with their application for funding. If a project

includes any construction or rehabilitation, a required component of a completed application for funding will be a written description of how the Agency intends to procure prime or general contractors, subcontractors, architects, engineers, consultants, etc. in a competitive manner.

Prior to publishing a Notice of Bid Opening in the Herald newspaper, the County requires review and approval of all bid documents to ensure that all federal, state, and County requirements are included before they are finalized. All other applicable federal requirements will be included in bid specifications, including but not limited to Section 3 of the Housing and Urban Development Act of 1968 and Minority Business Enterprises (MBE).

Only contractors and subcontractors who are not federally debarred or suspended and have current Washington State business licenses with current Workers' Compensation accounts including proper insurance and bonding can work on capital construction projects. The County will check the status of the general contractor for federal debarment and suspension, licensing, insurance, bonding, and Workers' Compensation accounts for capital construction projects. The entity receiving funding is responsible for checking the status of all subcontractors for federal debarment, suspension, licensing, insurance, and Workers Compensation accounts. Licensing and debarment checks for owner-occupied housing rehabilitation and minor home repair clients, contractors and subcontractors are to be conducted by the entity receiving funding from the County.

h. Use of Architect and Engineer for Housing Capital Projects

Agencies must comply with the County's Architect and Engineering Policy 2012 #1 which includes the following requirements for Housing Capital projects:

<u>Single Residential Unit to Four Unit Residential Structures:</u>

- The County strongly encourages the use of a licensed and insured architect or engineer to administer/manage new construction projects and/or rehabilitation projects that involve structural integrity and other scopes of work that could impact safety.

- All housing capital projects shall use the services of a licensed and insured professional architect to render plans or the plans must be stamped by an engineer. If the project will be using design plans (blueprints) from a previously contracted project, those plans must be used with permission from the Author & County, it must meet current code requirements as specified above and have been provided by a licensed architect or engineering firm.

- The contracting Agency *(Agency receiving County funds)* shall require all architectural firms subcontracted for services certify that they are authorized to do business in the state of Washington by providing a copy of their license and they are in full compliance with the requirements of the Board of Professional Registration and Washington state laws.

- The contracting Agency shall require that all architectural or engineering firms be covered by errors and omissions insurance in an amount not less than $1,000,000.

<u>Residential Structures Five Units and Larger:</u>

(Projects within this classification include all of the above provisions, plus the following requirements)

- The County requires the use of a licensed and insured architect or engineer to both certify design of plans and to administer/manage the project.

For new construction projects, the required 3rd party project completion inspection may also be satisfied by the permitting jurisdiction in their permit approvals or the construction lender's inspector reports, for example.

For rehabilitation projects, Architect and Engineering Policy 2012 #1 should be considered along with the Snohomish County Urban County Consortium Rehabilitation Standards for HOME-Funded Projects and Programs (2014), and the implementation procedures that may be obtained from County staff, which require a 3rd party verification.

i. Snohomish County Non-Smoking Policy

Snohomish County has adopted a Non-Smoking policy which encourages applicants for funding under federal, state, and/or local programs administered by Snohomish County for affordable housing and homeless rental capital projects to implement an indoor non-smoking policy for the project site. The policy is intended to improve healthy living conditions, to improve the safety of occupants by minimizing fire risks, to reduce cleaning, preparation and repair work associated with units that have sustained heavy smoke damage, and to help maximize the useful life expectancy of projects. In addition, cost savings associated with this policy may provide for additional funding resources for other affordable housing and homeless capital projects.

Applicants that provide sufficient documentation of a non-smoking policy at the time of application, receive bonus points in the application round. In order to receive the bonus points, the following criteria must be met:

1. The organization must provide evidence of having a written non-smoking policy associated with the project that is currently owned or operated by the agency that is applying for county funds on or before the due date of the application. If the property is new construction or not currently owned or operated by the agency the applicant must provide evidence of a draft non-smoking policy at the time of application.
2. The agency must demonstrate that it has an approved policy by the appropriate governing body of the applicant or has the capacity to obtain approval of the draft policy no later than the time of acquisition and occupancy.
3. The non-smoking policy must apply to all residential units and common areas associated within the project, regardless of whether a portion of the unit(s) or all of the units in a property are funded with County dollars.
4. The non-smoking policy must be consistent with all local, state and federal laws and ordinance associated with tobacco smoking in residential and public areas.
5. The applicant's non-smoking policy/draft policy must outline a resident/occupant outreach plan that verifies that tenants have been made aware of the non-smoking policy on the premise and that notices of such a policy is or will be available in common areas of the residential building, if the property has common areas.

j. Financial Management Requirements

Agencies receiving HUD funds must abide by the financial management requirements of the Federal Office of Management and Budgets found at 2 CFR part 200.

AUDIT REQUIREMENTS

Agencies must follow OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards.

k. Program Income

Some housing activities generate program income, which must be disbursed before seeking reimbursement/draw down of additional HOME funds. Program income is defined as "gross income received by the County, or an agency, which was generated from the use of HOME funds or HOME matching contributions." Income generated by housing projects or programs would typically fall into one of the following categories:

Table 9.6	***Program Income Categories***
Income from the use or rental of HOME-assisted real property owned by the County, or a public or nonprofit agency selected by the County to operate a portion of its housing program minus the costs of generating the income	
Payments of principal and/or interest on loans made with HOME funds	**Proceeds from the sale of real property** which was purchased or rehabilitated with HOME funds

For example, funds for housing are often provided as low-interest or deferred payment loans. The loan repayments are considered program income. The federal regulations require that:

- Program income be spent before drawing funds from the County's HOME Trust account;
- Program income be spent only for eligible activities; and
- Written agreements with agencies that will generate program income must specify whether program income must be returned to the County or used by the agency for an eligible activity.

Program Income does not include gross income from the use, rental, or sale of real property received by the project owner, developer, or sponsor, unless the funds are paid by the project owner, developer, or sponsor to the County.

l. Conflict of Interest

The federal conflict-of-interest provisions at 2 CFR part 200 prohibit any employee, officer, agent, or elected official or appointed official of the County from participating in the award of funds for any activity if either a real or apparent conflict of interest exists. A conflict of interest would occur if any of covered persons had, or would be in a position, to gain a financial interest in any funded activity.

The HOME Program has additional conflict of interest provisions [24 CFR § 92.356]. The additional provisions state that: anyone who has, or has had, any role related to the use of HOME funds, or has been in a position to participate in decision-making or obtain inside information cannot have or obtain a financial interest or benefit from any HOME activity or have an interest in any contract or agreement representing themselves or anyone with whom they have a business or family

relationship. The prohibition applies for one year after the person leaves the position in which they had a conflict. Covered familial relationships are limited to immediate family members.

Immediate family members of an officer, employee, agent, elected or appointed official or consultant of an Agency are prohibited from occupying a HOME-assisted affordable housing unit in a project. The restriction on occupancy applies during the period of affordability only, and not to the entire period of ownership by the entity that received the HOME assistance.

m. Recordkeeping

Agencies must maintain records demonstrating compliance with HOME requirements.

n. Annual Income

The definition of annual income varies by the type of HOME assistance provided. Refer to the applicable HOME assistance section for further detail on calculating annual income.

o. Other Federal Requirements

The Federal requirements set forth in 24 CFR part 5, subpart A, are applicable to participants in the HOME program.

p. Loan Provisions

HOME funds will be provided to Agencies for housing projects as a loan (no-interest or low-interest loan, either deferred payment or amortizing) secured by a deed of trust and promissory note, due and payable if the sponsor 1) fails to maintain the housing at the agreed upon affordability levels for the intended population or 2) changes the use of the project without prior County approval.

The form of assistance will be determined on a case-by-case basis, as will be the specific loan terms. Loans will generally be for 40 years. **The County is currently reviewing this policy and will consider input on whether it should maintain a 40-year County affordability period for rental housing projects or should reduce the term of the County affordability period for these types of projects in the future. The current 40-year policy remains in effect until such time as it may be revised.** The County will also record a covenant running with the land to control rents.

HOME funds for housing programs, such as homeowner rehabilitation or homebuyer purchase assistance programs, will generally be provided to the Agency operating the program as a grant.

The County is currently reviewing this policy to determine whether to revise and/or adopt additional standard loan terms and provisions in the future and will consider input on these items. The current policy remains in effect until such time as it may be revised.

The Human Services Department Director may deviate from the loan terms and conditions contained in these Policies in the following cases:

1. For tax credit entities, where such loan terms may impair the availability of tax benefits.

2. When the borrower expects to receive other funding sources from which full or partial repayment of the County loan can be made prior to the normal maturity date.
3. To enable a project to secure other financing, including HUD-insured loans and HUD capital grant.

q. Site Control

An Agency need not own the site of a proposed project at the time of application. However, the Agency must demonstrate site control (ownership or executed purchase and sale agreement) before the County will contract for funds.

r. Appraisal Requirements

Prior to contracting for funds, Agencies will provide the County with an as-is appraisal of any real property to be acquired in conjunction with a housing project. This policy will ensure that no more than current fair market value (FMR) is paid for land or buildings to be acquired for County-assisted housing projects. The appraisal must be in a form acceptable to the County, and have been prepared no more than twelve (12) months prior to the date of the application for funding.

For acquisition /rehab of multi-family rental projects:
1. An appraisal to substantiate the purchase price is required at application,
2. An updated appraisal is not required once the purchase price has been set, and
3. If an after-rehab appraisal is being required by a private bank, by Commerce, by WSHFC or another entity, Snohomish County requires a copy of it as soon as it is completed. The County may require a third party estimate of after-rehab value if an after-rehab appraisal is not ordered by another lender.

For new construction of either multi-family rental or home-ownership projects to be built on vacant land:
1. An appraisal to substantiate the purchase price of the land is required at application, and
2. An as-built appraisal is required by the County if it is necessary to secure private bank financing, 9% tax credits, or 4% bond financing, and shall be provided to the County by the Agency in conjunction with the application for those funds. The County may require a third party estimate of as-completed value if an as-built appraisal is not ordered by another lender.

For acquisition / rehab of home-ownership projects:
1. An appraisal to substantiate the purchase price is required at application (or with purchase and sale agreement), and
2. The County requires an appraisal before rehab begins (after the scope of work is finalized) to make sure that the after rehab value won't exceed 95% of the area median purchase price (per HOME regulation 92.254(2)(ii)). These two valuation requirements could be met in one appraisal with both as-is and after-rehab values.

The requirement for an appraisal can be waived by the Director of the Human Services Department (HSD) when the proposed acquisition price is an amount lower than the assessed value of the property.

The HSD Director will also have the right to approve the purchase of land or buildings for a price in excess of the as-is appraised value if the price can be justified based on other factors of importance to the County, such as the emergency need for the housing or the positive community development impacts of the project.

The County also reserves the right to require an after-rehabilitation appraisal if the circumstances of the project warrant such information.

s. Development Fees

The County recognizes the developer fee as the mechanism for compensating the developer, either nonprofit or for-profit, for services provided and risks taken in developing the project. The following table lists activities generally covered by the development fee.

Table 9.7	***Development Stages***	
Feasibility	**Pre-Development**	**Construction**
- Site search - Identifying funding sources - Develop preliminary development and operating budgets - Evaluate ownership structures	- Obtain predevelopment financing - Negotiate purchase and sale agreement - Assemble development team - Conduct due diligence - Revise budgets as needed base don due diligence - Negotiate any changes with seller based on due diligence - Review plans and drawings - Prepare financing applications - Development management plan - Prepare relocation plan if needed - Review loan documents - Close purchase of property	- Monitor design - Obtain permits - Develop bid/contract documents - Solicit bids or pre-qualify contractors - Negotiate contracts - Hold preconstruction conference - Monitor construction - Review and act on change orders - Review and act on draw requests - Coordinate relocation if needed - Oversee project closeout - Oversee project rent-up, sale of units, etc.

Agencies may propose a development fee as part of their funding application. In the application, the Agency will be asked to provide a basis for the amount of the fee. An evaluation of the amount and schedule for drawing the fee will be part of the review process. In evaluating the fee, attention will be paid to how much the fee represents as a percentage of total development cost and the complexity of the project.

For projects receiving Low Income Housing Tax Credits (LIHTC), particular attention will be paid to the Agency's proposal for the amount of the fee to be taken during the development period, and the amount to be loaned to the project and paid through the cash flow.

The developer fee will be considered "at risk" until the completion of the project. If, in the course of the development, the project needs funds in excess of budgeted contingencies, the County considers the developer fee a source for payment of those costs.

t. Mixed-Use Projects

County housing funds may be used in developing mixed-use structures which contain residential and other uses (i.e. retail space, commercial office space, spaces for the provision of services). The inclusion of non-residential spaces for the exclusive use of the residents does not create a mixed-use project. Residential spaces include common area, corridors, stairways, laundry areas, storage areas, office space for management of the building, entry ways and lobbies.

Housing funds may only be used for costs associated with the residential portion of the building. They must represent a proportion of the total development cost that does not exceed the proportion of residential space in the entire project.

u. Management of Housing Units

Sponsors of housing projects will be required to address their management capabilities in the fund application. Agencies with adopted management plans will be asked to submit a copy along with the application. Those without such a plan will be asked to describe, in detail, how the units will be managed. Whether addressed through an adopted management plan or in the application, Agencies will need to describe:

- Occupancy standards
- Tenant selection
- Rent collection, late payment, and eviction
- Process for determining and implementing rent increases
- Experience serving the proposed population
- Description of management staff
- Use of reserves
- Long-term maintenance plan
- Marketing of units, including affirmative marketing
- Form of leases or rental agreements

Sponsors of emergency shelters, transitional housing, or special needs housing will also need to describe the service program being provided to residents, the projected availability of service funding, the process by which residents are referred to and from the housing, and any contractual relationships with service providers. The management information will be evaluated in the review process and considered by the staff and TAC in scoring and ranking each proposal.

v. Contracting Requirements

The Snohomish County Council typically approves the housing awards as part of the annual Snohomish County Action Plan in May of each year. Although the federal funds are generally

available July 1st, the federal funds cannot be committed until funding agreements are executed between the County and HUD, which usually happens in late July or August.

The County will develop contract documents, including the mortgage, deed of trust, promissory note, and rental covenant for funded projects when all funds have been secured. Preparation and negotiation of final legal agreements can take from 30 to 60 days depending on the complexity of the project. The documents will be provided in draft form to the fund recipient for review prior to signing.

As a general policy, the County will only execute contract documents if the fund recipient can show evidence that all funds for the project have been committed; that the recipient has complied with any conditions that were part of the Consortium's funding award; and has complied with all statutory and regulatory prerequisites. This process can take anywhere from 3 months to a year after the funds have been awarded by the Council. Projects can incur costs for eligible activities from the time of the Council approval only if prior written approval from Snohomish County OHHCD has been received.

w. Monitoring

Snohomish County has monitoring policies and procedures that will be followed in monitoring all programs/projects.

MONITORING DURING PROJECT DEVELOPMENT

Snohomish County will monitor new construction and rehab projects which are solely administered by Snohomish County. If a project has multiple funding sources, Snohomish County will work with the other funders to determine who will take the lead for construction monitoring.

The monitoring will consist of:

1. A review of any bid documents (negotiated, informal or formal) before they are finalized to determine if application federal, state or local requirements are included;
2. Documentation of labor standards;
3. Review of change orders;
4. Review of payment requests and supporting documentation; and
5. Periodic inspection of the work being done; and 6) final inspection before final invoice is approved.

ON-GOING MONITORING

The HOME Program requires that the County periodically monitor housing projects after completion and rent-up. The County will conduct on-site inspections of HOME housing projects at least every three (3) years. Monitoring will be conducted through the review of annual reports submitted by fund recipients and on-site visits by County staff. The County will monitor projects for compliance with the requirements of the contract documents including rent and occupancy, maintenance of the property, on-going financial feasibility of the project, maintenance and use of reserves, and recordkeeping.

x. Reporting

All funded capital projects will be required to submit a Combined Funders Annual Report for the preceding calendar year by July 31st, unless otherwise negotiated. The Report will cover occupancy information, occupant characteristics, income and taxes, records, etc. The Report will be required each year for the duration of the use restriction covenant. All HOME funded projects will be required to submit a Project Completion Report within 90 days of their last invoice request. The report includes type of housing activity, objective and outcome, all sources of funding, and household characteristics. Other reports may be required depending on the source of funds and scope of the project.

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