



**Hennepin Housing Consortium
HOME Investment Partnerships Program
COMPLIANCE GUIDE**



November 2016

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Background

In 1990 Congress created the ***HOME Investment Partnerships Program (HOME)*** to address the national housing crisis facing low-income households. In 1992 the HOME program was first funded through the U.S. Department of Housing and Urban Development (HUD). The HOME regulations, at ***24 CFR Part 92***, govern the program. A copy of 24 CFR Part 92 is available, by request, from the County or by going to the HUD website page for the HOME program.

HUD allocates HOME funds by formula to States and units of local governments. A State or local grantee, designated by HUD entitled to receive an annual allocation of HOME funds is called a Participating Jurisdiction (PJ). The PJ in Suburban Hennepin County (all of Hennepin County except the city of Minneapolis) is called the ***Hennepin Housing Consortium*** (the Consortium). The Consortium is made up of the following entitlement communities: Urban Hennepin County, Bloomington and Plymouth, Minnetonka and Eden Prairie. Hennepin County (the County) is the lead agency of the Consortium and is responsible for the administration of the HOME Program.

THIS GUIDE IS NOT INTENDED TO REPLACE OR SUPERSEDE THE HOME REGULATIONS OR ANY WRITTEN AGREEMENTS. Please be sure to have copies of and be familiar with the HOME documents (a Loan or Funding Agreement, a Promissory Note, a Mortgage, and a Declaration of Covenants and Restrictions) that the owner has entered into with Consortium.

THE PURPOSE OF THE GUIDE IS TO:

- Summarize the HOME Regulations and how they apply
- Summarize the Consortium's specific requirements
- To assist projects in maintaining compliance for the affordability period.

Hennepin County is responsible for complying with all HUD regulations and changes pertaining to the HOME Program. If the regulation or any changes conflict with this guide, HUD regulations will have precedence.

Overview of the HOME Program

The HOME Program has program wide rules that apply, regardless of the type of the HOME assistance that is provided to all activities.

THE PURPOSE OF THE HOME PROGRAM IS:

- To increase the supply of decent, safe, sanitary, and affordable housing for lower-income households; and
- To strengthen the ability of nonprofits, states and local governments to provide affordable housing; and
- To increase public-private partnerships

A. Consistency with the Consolidated Plan

As a PJ, the Consortium is required to use HOME funds in a manner consistent with the activities identified and that support the housing goals established in the Five-Year **Consolidated Plan** (the Plan). The Consortium must annually review the programs results to verify the housing goals are being met.

B. Eligible Activities

HOME **eligible activities** include: acquisition of property, construction of new housing for permanent or transitional rental and ownership, moderate or substantial rehabilitation of units, site improvements for HOME-assisted projects, other reasonable and necessary expenses related to the development of affordable, non-luxury housing, homeowner purchase assistance or rehabilitation financing, and tenant-based rental assistance.

C. Community Housing Development Organizations

One of the goals of the HOME Program is strengthen the capacity of **Community Housing Development Organizations (CHDOs)**. HUD also requires each Participating Jurisdiction (PJ) to set-aside at least 15% of its annual HOME allocation for housing that is owned, developed or sponsored by a CHDO. This set-aside requirement carries the obligation for the PJ to ensure that the organization meets the criteria out lined in HOME regulations at 24 CFR 92.2, prior to providing HOME funds. Therefore, the consortium requires that CHDOs be re-certified each time they apply for HOME funds.

The three main elements of the CHDO requirements are as follows:

- Legal Status
- Composition of the Board of Directors and Organizational Mission
- Capacity and Experience

CHDOs are subject to the same program compliance monitoring as other partners funded with HOME.

D. Program Targeting and Income Verification

The HOME regulations mandate that **ALL** HOME funded activities benefit low income households. A **low income** household is defined as a household whose gross income (before any deduction) is **at or below 80 percent** of the **area median income (AMI)**, adjusted for household size. There are additional income targeting requirements for rental housing and tenant-based rental assistance to reach very-low income households. A very-low income household is defined as a household whose gross income is at or below 50 percent of the AMI, adjusted for household size.

A PJ also has to designate one of the three definitions of income to use for its program(s), because all households must be determined income eligible prior to assistance or occupancy. A PJ is allowed to use different definitions for different types of activities. The three definitions are: Section 8 definition of annual income; Internal Revenue Service (IRS) adjusted gross income definition from the IRS 1040 form; or Census Bureau Long-Form definition of annual income.

E. Matching Requirements

The HOME regulations require that a non-federal, permanently committed source(s) provide a **25 percent** match for the HOME funds. In order to meet the match requirement, the Consortium reviews and rates a project's ability to leverage from non-federal sources, an amount equal to or greater than 25 percent of the HOME funding request. The Consortium uses HUD's CPD Notice 97-03 "HOME Program Match Guidance" to determine when to count and how to calculate the value of each matching contribution.

F. Property Standards

HOME assisted properties must meet certain building and quality standards, depending upon the activity being undertaken and/or the type of housing. State and local building codes and ordinances apply to any HOME project. The Consortium has written **Construction and Rehabilitation Standards (Appendix A)**.

G. HOME Assisted Units and Per Unit Investment

The HOME regulations state that only units receiving HOME funds are considered HOME assisted units; therefore, minimum and maximum HOME **subsidy limits**, **maximum value limits**, **rent** and **income rules** apply only to HOME assisted units.

HOME assisted units must be comparable to all other affordable units in the project and the amount of assistance provided must be within the HOME limits. The minimum amount of HOME investment per unit is \$1,000 per HOME unit. The maximum per unit subsidy limit varies by area. HUD calculates these maximum limits and provides them to the PJ.

The Consortium makes the final determination of the number of HOME assisted units and details them in the written agreement.

H. Affordability Periods

HOME funded homeownership, rental and transitional housing activities are subject to minimum periods of affordability, during which they must comply with the HOME regulations. These affordability periods are in place regardless if funds have been repaid. The minimum *period of affordability* is based on the type of project and the total amount of the per unit investment of HOME funds and range from *five years to 20 years*.

I. Additional Federal Regulations

Other Federal regulations will be triggered by the use of HOME funds in the project. These include but are not limited to: the Environmental Regulations, Lead Based Paint Regulations, Fair Housing, Section 504, Davis Bacon Regulations, the Uniform Relocation Act, Single Audit, Data Privacy, etc. Details are included in the written agreement for the project.

J. Other Administrative Requirements

The HOME regulations require certain administrative requirements that must be followed and incorporated by the PJ into their program operations. The PJ is responsible for ensuring that all HOME funds are used in accordance with the requirements for Written Agreements, Project tracking and Performance deadlines, Program income, Financial Management, Planning and Administrative Costs and Recordkeeping.

The Consortium will enter into a written agreement with the funded entity. The written agreement will contain all applicable references, as required by 24 CFR Part 92.

RENTAL HOUSING

A. Affordability Periods

HOME funded rental and transitional housing is subject to a minimum period of affordability during which it must comply with the HOME requirements. The minimum affordability period starts at Project Completion.

The HOME regulations define *Project Completion* as:

- All necessary title transfer requirements and construction work have been performed; **and**
- The project complies with the requirements of this part (including the property standards under Sec. 92.251); **and**
- The final drawdown has been disbursed for the project; **and**
- The project completion information has been entered in the disbursement and information system established by HUD. For tenant-based rental assistance, project completion means the final drawdown has been disbursed for the project.

The period of affordability is based on the per unit investment of HOME funds, regardless of repayment and as follows:

| ACTIVITY | HOME Investment Per Unit | Minimum Period of Affordability |
|--|-----------------------------|---------------------------------|
| Acquisition and/or Rehabilitation project | Less than \$15,000 | 5 years |
| | Between \$15,000 - \$40,000 | 10 years |
| | More than \$40,000 | 15 years |
| Refinance of Rehabilitation project | Regardless of the amount | 15 years |
| New construction or acquisition of newly-constructed project | Regardless of the amount | 20 years |

B. HOME Assisted Units

Only units funded with HOME funds are considered HOME assisted units. The HOME units must be comparable to all other affordable units in the project and the amount of assistance provided must be within the HOME limits. Therefore, the Consortium must calculate the minimum number of HOME assisted units. For multi-unit projects, the Consortium uses the guidance in the HUD CPD Notice 98-02

“Allocating Costs and Identifying HOME Assisted Units in Multi-Unit Projects.” This guidance provides a series of calculations that take into account:

- Eligible costs per square foot,
- Unit mix (number and size),
- Income mix (affordable and market),
- Maximum program per unit subsidy limits, and
- Project amenities

HOME regulations require that the PJ’s are to meet the minimum and the maximum per unit HOME limits. The minimum amount of HOME investment is \$1,000 per HOME unit. This minimum does not apply to any other funds, including any matching funds. The maximum per unit limit varies by area. HUD calculates these maximum limits and provides them to the PJs.

The current HOME *Per Unit Subsidy limits* for the Consortium are attached as **(Appendix K)**.

Absent any compelling justification for an alternative distribution of assisted units, the Consortium will assume that the HOME-assisted units will be “comparable and proportional” to the overall project. In particular:

- The total number of HOME-assisted units at a minimum will equal or exceed the percentage of eligible project costs funded by HOME;
- The units will be distributed through all buildings or phases of the project;
- The unit mix of HOME-assisted units will approximate the overall distribution of project units by bedroom size;
- And a floating system will be used to maintain the distribution of units over the compliance period.

In some cases, however, the Consortium may choose to regulate more than the minimum required units when it is in the public interest to do so, and the project is not made infeasible by the additional assisted units. Also, the Consortium may choose to designate a fixed system and/or units that do not reflect the overall distribution when there are particular units that it would be in the Consortium’s interest to designate as HOME assisted unit, such as accessible units, large family units, or units that serve a priority clientele.

The Consortium will utilize a spreadsheet to make the final determination on the number of HOME assisted units and the determination will be detailed in the written agreement.

C. Income Eligibility, Definition and Determination

HOME assisted units and the households that occupy them are subject to income restrictions throughout the period of affordability. HUD publishes the HOME income limits annually. The Consortium will notify projects whenever there is a change. The limits are also available on the HUD webpage.

The HOME **area median income (AMI) limits** for the Consortium area are attached as **(Appendix K)**.

The HOME regulations have a benefit rule. The benefit rule requires at least 90 percent of all households in HOME assisted rental housing to be at or below 60 percent of the AMI. The Consortium has elected to require all HOME assisted units to be rented to households at or below 60 percent of the AMI.

The HOME regulations also have a project rule. The project rule requires projects with **five or more** HOME assisted units to have at least 20 percent of the HOME units occupied by households at or below 50 percent of the AMI.

Sometimes, a project will propose to target the units to households with incomes lower than the HOME limit would require. In those cases, if the Consortium funds the project because of the proposed target, the **proposed targeting** will be incorporated and enforced through the written agreement.

DEFINITION OF INCOME

The Consortium has elected to use the definition of income found at **24 CFR Part 5.609 (Section 8 or Part 5)** for rental projects. The Consortium utilizes the HUD program guide called, "Technical Guide for Determining Income and Allowances for the HOME Program" (the Guide), Third Edition, 2005. The Guide details how to determine annual gross household income. The Consortium has also created certification applications, checklists, recertification and verification forms. Copies of the Guide, and the forms and/or training are available from the Consortium upon request.

Household income refers to anticipated annual gross income from all sources and before taxes and withholding, of all adults that will live in the housing unit.

Anticipated income is presuming that today's situation will continue for the next twelve months. Gross income includes but is not limited to, salary, commissions, bonuses, earnings from part-time employment, interest, dividends, tips, gains on sale of securities, annuities, pension, royalties, veterans administration compensation, net rental income from all sources, alimony, child support, public assistance, sick pay, social security benefits, income from business activity or investments, unemployment, estate or trust income and miscellaneous income.

Household size refers to the total number of all persons that reside in the unit. **Source documentation** or third party verifications come from the employers,

banks, government agencies and other sources. It does not include viewing IRS tax forms. Every household must sign a HOME **Eligibility Release Form (Appendix B)**.

INITIAL INCOME AND EVERY SIXTH YEAR CERTIFICATION

At a minimum, all households prior to **initial** occupancy of a HOME unit must be certified as income eligible using source documentation. Then, every **sixth year** of the affordability period, the project must again use source documentation to certify annual income of households occupying the HOME units.

ANNUAL INCOME RECERTIFICATION

In addition to the initial certification, done prior to occupancy, households occupying HOME assisted units must have their income recertified annually.

The Consortium allows the project to use any one of the following methods to recertify the annual gross income determinations:

- Examine the **source documentation** evidencing annual income like at initial occupancy; **OR**
- Obtain a **Tenant Income Certification***. A written statement, signed by the household, of the amount of the household annual gross income and household size, along with a certification that the information is complete and accurate; **OR**
- Obtain a **Verification of Government Program***. A written statement from the administrator of a government program under which the household receives benefits and which examines each year the annual gross income of the household.

**Forms available from the Consortium*

TIMING OF INCOME CERTIFICATIONS

The Consortium allows projects to recertify household income using one of the following schedules:

- At the time of their lease renewal; **OR**
- The anniversary date of the households income was previously examined; **OR**
- Use a schedule and recertify all households at the same time.

The schedule adopted must be consistently used for each property. The recertification of income should be effective one year from the start of the lease or the last recertification date, so the income certification process should begin 60-90 days prior to that date. The HOME program permits verifications dated no earlier

than Six (6) months prior to eligibility (initial lease-up) or the annual recertification date.

D. Rent Limits, Schedules and Utility Allowances

HOME assisted units and the households that occupy the units are subject to rent restrictions throughout the period of affordability. HUD publishes the HOME rent limits annually. The rent limits can increase, decrease or remain the same. The Consortium will notify projects whenever there is a change. New rent limits take effect thirty days after HUD publishes them. The limits are also available on the HUD webpage.

The HOME **gross rent limits** for the Consortium area are attached as **Appendix K**.

Since the HOME rent limits include tenant paid utilities, the PJ must establish maximum monthly allowances for utilities and services (excluding telephone and cable). The Consortium, unless the project provides other acceptable utility allowance, uses the Metro Housing and Redevelopment Authority (Metro HRA) utility allowance sheet to calculate the required **Utility Allowance (Appendix C)**. If the project has Project-Based Section 8, the regulatory agency (MHFA, HUD, etc.) approved utility allowance will be used for the project.

Also, the PJ must initially and annually review and approve rents proposed by the owner for the HOME units to ensure that the gross rents do not exceed the applicable (HIGH or LOW) HOME limit. The Consortium defines the **lease rent plus the tenant paid utility allowance** as **gross rent**. The HOME regulations require that the project accept a holder of a Section 8 Voucher or HOME tenant-based rental assistance certificate, if they meet the projects tenant selection criteria. In those cases, **gross rent** would be the tenant payment + the subsidy payment + the tenant paid utility allowance.

EXCEPTION: If a project receives Federal or State project-based rental assistance (not tenant-based) the rent can be the assistance program limit if the following conditions are met:

- It is a LOW HOME unit; **AND**
- The household pays no more than 30 percent of their adjusted income; **AND**
- The household income is below 50 percent of the AMI.

IMPORTANT NOTE: In order for any project that has received **Tenant Based Certificate/Vouchers** that have been "**Project Based**" to use a rent amount greater than the HOME limits must:

- ❖ Be sure the household is at or below 50% of AMI; **AND**
- ❖ keep the gross rent at or below the Payment Standard in order to ensure that the household pays no more than 30 percent of their adjusted income.

RENTS AT INITIAL OCCUPANCY

The Consortium reviews proposed gross rents at the time of application. The rents are reviewed again during the approval and funding process. Final rents are reviewed at the time of project completion.

ON-GOING RENT COMPLIANCE

Annually during the affordability period, projects should request approval from the Consortium of their proposed rents. The Consortium has developed a **Request for Rent Increase** form (**Appendix D**) that projects should use to request review and approval of a rent increase for HOME assisted units.

Rent **increases** must be implemented in compliance with the terms of the lease and provide at least thirty-day written notice to the households of an increase.

If the published HOME rent **decreases**, projects do not have to go lower than the rent that was in effect at the time of Project Completion, which is stated in the HOME Agreement. Also, rents do not need to be adjusted until the lease is renewed. If the project has month-to-month leases, the rent would be decreased after providing the notice required by the terms of the lease and no less than a thirty-day written notice.

E. Summary of Income and Rents of HOME Assisted Units

HOME assisted units must be rented to households with income at or below 50 percent of the AMI at gross rents that do not exceed the LOW HOME rent limit for that unit size are referred to as **LOW HOME** units. HOME assisted units that must be rented to households with incomes at or below 60 percent of the AMI at gross rents that do not exceed the HIGH HOME rent limit for that unit size are referred to as the **HIGH HOME** units.

The following is a summary of how the rent and income limits apply to a HOME assisted project.

| Standard Projects | | |
|--|--|---|
| Number of HOME units | INCOME LIMIT | RENT LIMIT |
| Projects with less than 5 HOME-assisted units | 100 percent of HOME-assisted units must be occupied by households initially earning no more | AND must bear rents not greater than the HIGH HOME rent limit (the lesser of the Fair |

| Standard Projects | | |
|--|---|--|
| | than 60 percent of the area median income adjusted by family size, | Market Rent (FMR) or a rent that does not exceed the area 65 percent rent limit, including tenant paid utilities) |
| Projects with <u>5 or MORE</u> HOME-assisted units, or in the case of an owner of multiple one or two unit projects, with a total of five or more HOME-assisted rental units. | Not less than 20 percent of the HOME-assisted units must be occupied by households whose incomes do not initially exceed 50 percent of the area median income adjusted by household size, | AND must bear rents not greater than the LOW HOME rent limit (the lesser of the FMR or a rent that does not exceed the area 50 percent rent limit, including tenant paid utilities) |
| | The balance of the HOME-assisted units must be occupied by households whose income do not initially exceed 60 percent of the area median income adjusted by household size, | AND must bear rents not greater than the HIGH HOME rent limit (The lesser of the FMR or a rent that does not exceed the area 65 percent rent limit, including tenant paid utilities) |

F. FIXED and FLOATING HOME Units

When a project includes both HOME assisted and non-HOME assisted units, the HOME assisted units must be designated as either **FIXED OR FLOATING**. This determination will be made by the Consortium and included in the written agreement.

| Projects with FIXED HOME ASSISTED UNITS | |
|--|--|
| FIXED HOME ASSISTED UNIT: The designated unit(s) remains as the HOME unit throughout the affordability period. | |
| What happens when at the annual recertification of income a household goes <u>Over Income</u> in a <u>FIXED</u> HOME | <i>If</i> the income of a household residing in a LOW HOME unit rises above 50 percent of the area median income (AMI) but is still below 80 percent of the AMI at recertification, the unit would become a HIGH HOME unit. The household's rent can be increased to the HIGH HOME rent at recertification time, as long as the notice of the increase was given per the terms of the lease or no less than 30 days notice. |

| Projects with FIXED HOME ASSISTED UNITS | |
|---|--|
| assisted unit? | <p><i>If</i> the income of the household in a fixed HOME assisted unit rises above 80 percent of the AMI at recertification, the household may continue to rent the unit and the household must pay monthly rent equal to the lesser of:</p> <ul style="list-style-type: none"> ➤ The rent permitted by state law; <i>or</i> ➤ 30 percent of the family’s adjusted gross monthly income at annual recertification <p>NOTE: If the project was financed with Low Income Housing Tax Credits, the tax credit rules apply. The household would not be considered “over-income” until they reach 140% of the LIHTC program eligibility threshold and their rent is not adjusted.</p> |
| | <p><i>Then</i>, the <i>next available HOME unit</i> of comparable size would be rented to a household with an income level needed to comply with the original number of HIGH and LOW units, at the appropriate rent level.</p> |
| What happens when a <i>FIXED</i> HOME assisted unit is <i>vacated</i> ? | <p>The unit must be rented to a household with an income level needed to comply with the original number of HIGH and LOW units, at the appropriate rent level.</p> |

| Projects with FLOATING HOME ASSISTED UNITS | |
|--|--|
| <p><i>FLOATING</i> HOME ASSISTED UNIT: the HOME units may change, depending upon the income of the residents.</p> | |
| What happens when at the annual recertification of income a | <p><i>If</i> the income of the household in a LOW HOME unit increases above 50 percent of AMI, but does not exceed 80 percent of AMI, the next available comparable unit must be reoccupied by a household with income at or below 50 percent of the AMI.</p> |

| Projects with FLOATING HOME ASSISTED UNITS | |
|---|---|
| <p>household goes <u>Over Income</u> in a <u>FLOATING HOME</u> assisted unit?</p> | <p><i>If</i> the income of a household in a HOME assisted unit rises above 80 percent of AMI at recertification, the household must pay a monthly rent equal to the lesser of:</p> <ul style="list-style-type: none"> ➤ The rent permitted by state law; <i>OR</i> ➤ The market rent for comparable (unassisted) units in the neighborhood; <i>OR</i> ➤ 30 percent of the family's adjusted gross monthly income at annual recertification. ➤ If the project was financed with Low Income Housing Tax Credits, the tax credit rules apply. The household would not be considered "over-income" until they reach 140% of the LIHTC program eligibility threshold and their rent is not adjusted. <p>NOTE: If the project was financed with Low Income Housing Tax Credits, the tax credit rules apply. The household would not be considered "over-income" until they reach 140% of the LIHTC program eligibility threshold and their rent is not adjusted.</p> |
| | <p><i>Then,</i> the <i>next available comparable unit</i> would be designated a LOW or HIGH HOME unit would be rented to a household with an income level needed to comply with the original number of HIGH and LOW units, at the appropriate rent level.</p> |
| <p>What happens when a <u>FLOATING HOME</u> assisted unit is <u>vacated</u>?</p> | <p>The vacated unit must be reoccupied by an eligible household in the appropriate HIGH or LOW income category to satisfy the project's HOME occupancy requirements; <i>OR</i></p> <p>A comparable unit (i.e., non-HOME-assisted) can be occupied by an eligible household of an appropriate HIGH or LOW income to substitute for the vacant HOME assisted unit.</p> <p>Vacated HOME assisted unit that have been properly replaced by new units can then be lease to households at any income.</p> |

G. Group Homes VS. Single Room Occupancy (SRO)

Since, most existing homes of two or more bedrooms can be converted to a group home or, just as easily, to an SRO more detail is being provide on them.

The HOME regulations define and SRO as follows:

- If it is new construction or reconstruction the SRO must contain either food preparation or sanitary facilities (and may contain both).
- If a project involves acquisition or rehabilitation of an existing residential structure or hotel, neither food preparation or sanitary facilities are required to be in the units.

The SRO projects offer greater financial flexibility. While group home designations allow for greater convenience initially, keeping compliant with HOME regulations can be burdensome during operations.

Challenges include:

- Not as much rent can be collected to meet operating costs
- The amount of HOME investment available to a group home is less than what is allowed by SRO. The maximum subsidy is calculated on the basis of the number of HOME-assisted units in the structure(s) multiplied by the allowable per unit subsidy amount.

The following table provides a comparison using the current limits for the Consortium. Actual comparisons will vary depending upon SRO facilities and number of units.

| Comparison Between 4 SRO Units and a 4 Bedroom Group Home Using the LOW HOME Rent and the 50 percent Income Limits | | |
|---|--------------------------|---------------------------------|
| Maximums | 4 SRO units | 4 Bedroom Group Home |
| Rent Limit | \$450 * 4 = \$1,800 | \$1,138 |
| Maximum HOME Investment | \$86,202 * 4 = \$344,808 | \$227,508 |
| Income Limit | \$27,500 per tenant | \$27,500 per tenant |

The designation of the type (SRO or group home) of project will be made by the Consortium and will be included in the written agreement. Once under agreement the designation cannot be changed for the entire affordability period or as designated in the Declaration.

The following table shows a summary of how the rent and income limits apply to a SRO or group home project assisted with HOME funds.

| Single Room Occupancy (SRO) Units | |
|---|---|
| Regardless of the number of units, if the unit has neither food preparation or sanitary facilities, or only one of these amenities: | 100 percent of HOME-assisted units must be occupied by households initially earning no more than 60 percent (HIGH HOME unit) of the AMI adjusted by family size, and must |

| | |
|--|---|
| | bear rents not greater than 75 percent of the LOW HOME rent limit for the Efficiency/zero-bedroom unit. |
| If the unit has both food and sanitary facilities, | Income and rent restrictions for standard projects apply. |
| Group Homes | |
| Units must be occupied by households initially earning no more than 60 percent of AMI adjusted by household size. | Bear rents not greater than the HIGH HOME rent (the lesser of the FMR or does not exceed the area 65 percent rent limit, including tenant paid utilities. Each household pays a proportionate share of the unit rent. |

H. Lease Requirement and Prohibited Provisions

In accordance with HOME regulations, leases used for HOME assisted units are subject to the following requirements and will be reviewed prior to assistance and annually:

- Must be for **at least one year**, **UNLESS** by **MUTUAL AGREEMENT** between the tenant and the owner. The owner must maintain evidence that a 12-month lease was offered but both parties agreed on a lesser term.
- An owner **may not terminate** the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing; or for other good cause. To terminate or refuse to renew tenancy, the owner must serve **written notice** upon the tenant specifying the grounds for the action **at least 30 days** before the termination of tenancy.
- **MUST NOT CONTAIN** any of the following provisions:
 - **Agreement to be sued.** The tenant must not be required to agree to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
 - **Agreement regarding treatment of property.** The tenant must not be required to agree that the owner may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This provision does not apply to disposition of personal property left by a tenant who has vacated a property.
 - **Agreement excusing owner from responsibility.** The tenant must not be required to agree not to hold the owner or owner's agents

legally responsible for any action or failure to act, whether intentional or negligent.

- **Waiver of notice.** The tenant must not be required to agree that the owner may institute a lawsuit without notice to the tenant.
- **Waiver of legal proceedings.** The tenant must not be required to agree that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- **Waiver of a jury trial.** The tenant must not be required to agree to waive any right to a trial by jury.
- **Waiver of right to appeal court decision.** The tenant must not be required to waive their right to appeal, or to otherwise challenge in court, a court decision in connection with the lease.
- **Agreement to pay legal costs, regardless of outcome.** The tenant must not be required to agree to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

The use of the Consortium's **Lease Addendum (Appendix E)** may be necessary to ensure that the Lease is in compliance with the HOME Regulations. **If the Minnesota Multi Housing (MHA) Lease form is being used, HUD has determined that the Lease Addendum must be attached to it.** If there is any doubt, the Lease Addendum should be attached to the lease.

I. Resident/Tenant Selection Plan and Requirements

An owner of HOME-assisted rental housing **must adopt written tenant selection policies and criteria**. The Consortium will review the written policies and criteria prior to assistance and annually **to ensure** that they:

- Are consistent with the purpose of providing housing for low-income families; **AND**
- Reasonably reflect the HOME program eligibility requirements and the owner's ability to perform the obligations of the lease, including but not limited to: Eligible tenants; Tenant application procedures; Transfers; Tenant qualification process; If transitional housing, the maximum length of stay and any program participation requirements; **AND**
- Provide for the selection of tenants from a written waiting list in the chronological order of their application; **AND**
- Give prompt written notification to any rejected applicant of the grounds for any rejection.

The plan should take into consideration the fact that projects ***cannot refuse to lease a HOME assisted unit to a Section 8 Rental Voucher Program*** or to the holder of a comparable document evidencing participation in a HOME tenant-based rental assistance program solely on the basis that the prospective tenant is a holder of such assistance.

J. Affirmative Marketing Plans

The Consortium has adopted an Affirmative Marketing Policy. All projects with five or more HOME-assisted units are required to submit an Affirmative Marketing Plan for approval by the Consortium ***prior to assistance*** and ***annually***. ***The Plan should include the following:***

- Inclusion of the Equal Housing Opportunity (EHO) logo or slogan in marketing material referencing the project; ***AND***
- Marketing vacancies in a newspaper of general circulation; ***AND***
- Notification of the local community groups and fair housing groups of available units in the Premises; ***AND***
- Conspicuous display of the EHO logo and copies of the Fair Housing posters where appropriate; ***AND***
- Notification of the relevant PHA of any vacancies in the property.

The Consortium requires that annually the project submit copies/documentation (flyers, mailing lists, fax lists, etc.) of all advertising and outreach efforts used to notify the public of vacancies at the project.

K. Property Standards and Physical Inspections

All HOME assisted properties must meet the requirements of 24 CFR 92.251 and the Consortium ***Construction and Rehabilitation Standards***. Projects must meet these standards prior to occupancy ***and*** for the compliance period.

The HOME regulations allow for inspection of a sufficient sample of HOME assisted units in a multi-family development, rather than inspection of each and every HOME assisted unit. HUD guidance states that a good rule of thumb is to inspect 15 to 20 percent of the HOME assisted units in a project with a minimum of one unit in every building.

The HOME regulations require physical inspections of the HOME assisted units be completed according to the following schedule:

| Number of Units in Project | Inspections Required |
|----------------------------|----------------------|
| 1-4 | Every 3 years |
| 5-25 | Every 2 years |
| 26 or more | Annually |

The Consortium has set forth the following for *inspections*:

- At initial project completion, if it is new construction or rehabilitation where a “Certificate of Occupancy” will be issued by the local unit of government, this will take the place of the Consortium inspection. If the local unit of government does not issue a Certificate of Occupancy, the Consortium will complete a physical inspection of the HOME assisted units.
- For on-going compliance, when a project is due for a physical inspection, the Consortium will inspect at least 20 percent of the HOME assisted units in the project. While 20 percent will be the minimum, the Consortium will strive to inspect more as follows:
 - annually inspect on one third of the HOME assisted units for projects with annual inspection requirements;
 - inspect half of the HOME assisted units for projects with two or three year inspection requirements.
- Physical inspections will include the interior of the units, as well as the exterior and the common areas. Therefore, if the HOME assisted units are disbursed through out different buildings, to the greatest extent possible, the inspected units will be disbursed throughout the buildings.

L. Using HOME with Low Income Housing Tax Credits

Rental projects that combine HOME with Low Income Housing Tax Credits (LIHTC) must be structured to ensure compliance with the requirements of both programs. HUD has issued a program guide called “Using HOME with Low-Income Housing Tax Credits,” November 1998 that is available HUD’s website. The table on this and the following pages is a summary of the guide.

| RULE | Tax Credit Program Rules | Combining Tax Credits with HOME |
|--|--|---|
| Occupancy Requirements | <p>At least 20 percent of assisted units must be reserved for households with incomes at or below 50 percent of the AMI,</p> <p>OR</p> <p>40 percent of the units must be reserved for households at or below 60 percent of the AMI</p> | <p>If HOME funds are provided at below the market interest rate, at least 40 percent of the units must be reserved at or below 50 percent of the AMI to qualify for the 9 percent credit.</p> <p>Otherwise, at least 20 percent of units must serve households at or below 50 percent of the AMI (to meet the HOME requirements).</p> |
| Rent Requirements | <p>Rents for qualified units must not exceed the rent limit set for the program. These HUD limits are set by bedroom size and are based on the qualifying incomes of an imputed household size.</p> | <p>For units to qualify as both tax credit and HOME assisted units rents cannot exceed either program limit. LOW HOME units are subject the lesser of the LOW HOME rents or the tax credit limits. HIGH HOME units are subject to lesser of the HIGH HOME rents or the tax credit limits.</p> |
| Rental subsidies | <p>If a tenant or units receives a rental assistance program, the rent can exceed the program rent limit, as long as the tenant pays no more than 30 percent of their adjusted gross income for housing costs.</p> | <p>The HOME rules only allow rents to exceed the HOME limits, if the subsidy is “project based” AND the tenant pays no more than 30 percent of their adjusted gross income AND the tenant’s income is less than 50 percent of the AMI.</p> <p>Therefore, In a joint unit the stricter HOME rules would apply.</p> |
| Establishing Tenant Eligibility | <p>Documentation – Tenants must provide acceptable documentation of income. All sources of income are verified</p> <p>Definitions – the tax credit program defines income using the Section 8 (Part 5) definition of annual gross income.</p> <p>Asset Income – Assets \$5,000 or less: tenants can self certify amount and income. Use actual income. If Assets are over \$5,000: verify amount and income. Use the greater of actual or imputed asset income.</p> | <p>Documentation – Initial tenant eligibility documentation for both programs is the same.</p> <p>Definitions – Use the Section 8 (Part 5) definition of income.</p> <p>Asset Income – Follow more stringent HOME rules and verify all asset income. Use the greater of actual or imputed asset income.</p> |

| RULE | Tax Credit Program Rules | Combining Tax Credits with HOME |
|---------------------------------|--|--|
| Reexaminations of Income | Reexaminations are performed annually following the same procedures as at initial certification. However, owners may request a waiver from reexamination requirements if all units are tax credit. | A Tax Credit/HOME projects may request waivers from the credit-allocating agency to permit reexamination similar to HOME. HOME requires source documentation only every sixth year. For the years in between, tenants can self certify income using the Tenant Income Certification OR the Verification of Government Program . Otherwise, the project must follow the more stringent tax credit requirements. |
| Over-Income tenants | Rent for over income tenants is restricted by tax credit rules. | HOME rules defer to tax credit rules where the rent remains restricted. In other words, in no case can the rent exceed limits set by the tax credit program. |
| Monitoring | <p>“Over income” is defined as 140 percent of the project rent limit.</p> <p>Projects are monitored annually throughout the affordability period.</p> | The PJ and the tax credit-allocating agency will each monitor according to their program requirements. |

M. Initial and Annual Compliance Monitoring

INITIAL

Within three months of construction or beginning of lease up, projects should submit completion information for the project. If not already requested, the Consortium will mail a **Final Certification of Development (Appendix F)** to the project. The checklist includes a **Project Budget Certification (Appendix G)**, **Rental Completion Report (Appendix H)** and other items that may still be needed to complete the file. A physical inspection will be completed on the project, if necessary. An on-site review may be completed to review and confirm the information. After all information has been reviewed and approved, the project will be completed in the HUD information and disbursement system to obtain the Project Completion and begin the affordability period.

ANNUAL

At the beginning of each year, the Consortium will confirm contact information and addresses for all HOME assisted projects. The list will be used to send the monitoring notification letter and the *Monitoring Checklist (Appendix I)* to each project. The requested information includes the *Project Compliance Report (Appendix J)*. The letter will provide a deadline for returning the information (typically 30 to 45 days).

In order to verify information submitted on rents, incomes, marketing, leases, tenant selection and other HOME requirements, the Consortium staff will need to conduct on-site reviews. The review will generally include reviewing at least 20 percent of the HOME assisted unit files. On-site reviews may not visit every project, every year. The Consortium will weigh a number of factors to prioritize on-site reviews. The factors include but are not limited to: the type of project it is; when the last on-site review occurred; has the project had staff turnover; are there current compliance issues; have there been previous compliance issues. An additional letter will be sent out informing the project of the on-site and requesting an appointment for the review.

After the monitoring has been completed, the Consortium will review any findings and notify the property by letter if there are issues and/ or concerns, which need to be completed in order to be in compliance with the HOME Program regulations.

PHYSICAL INSPECTIONS

At the beginning of each year a report will be produced to identify the HOME projects that need physical inspections. Inspection requests will be generated following the requirements the Consortium has set in section K, above. The County inspectors will set up the inspections appointments and complete the necessary inspections. Inspection reports, accepted from another agency or completed by the County inspectors must note identified deficiencies. Follow-up will be required to verify that any deficiencies were corrected in a timely manner.

APPENDICES

- APPENDIX A -- Construction and Rehabilitation Standards
- APPENDIX B -- Release of Information
- APPENDIX C -- Utility Allowance Schedule
- APPENDIX D -- Request for Rent Increase
- APPENDIX E -- Lease Addendum
- APPENDIX F -- Final Certification of Development Checklist
- APPENDIX G -- Project Development Certification
- APPENDIX H -- Rental Completion Report - Household Characteristics
- APPENDIX I -- Monitoring Checklist
- APPENDIX J -- Project Compliance Report
- APPENDIX K -- HOME Program Limits

Hennepin Housing Consortium - HOME Program CONSTRUCTION AND REHABILITATION STANDARDS

I. Introduction

The Construction and Rehabilitation Standards adopted by the Hennepin Housing Consortium (HHC) for the HOME Investment Partnerships Program (HOME) shall apply to all housing projects assisted with funding. The Construction and Rehabilitation Standards define a standard and code compliance level for the construction and rehabilitation necessary to correct health, safety and building code violations to achieve decent, safe and sanitary affordable housing and.

All housing constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances and zoning ordinances at the time of project completion, except as provided in paragraph (b) of 24 CFR 92.251. In the absence of a local code for new construction or rehabilitation, HOME assisted new construction or rehabilitation must meet the State of Minnesota adopted, Uniform Building Code (ICBO).

All other HOME funded projects (e.g. acquisition) must meet the State or local housing quality standards and code requirements in absence of a standard or code projects, at a minimum, shall meet the Section 8 Housing Quality Standards (HQS) found in 24 CFR 982.401 at the time of completion. Moreover, other improvement that goes beyond the HQS criteria shall be undertaken when it is necessary to correct other substandard conditions or deficiencies. These improvements may pertain to, but shall not be limited to, work for structural integrity, functional performance of the systems (electric, plumbing and HVAC), and protection from weather exposure, energy efficiency, accessibility and hazardous material abatement.

As stated in paragraph (b) of Section 92.251, if rehabilitation will occur after the transfer of ownership interest, then before the transfer of the homeownership interest, HHC must:

- Inspect the housing for any defects that pose a danger to health; and
- Notify the prospective purchaser of the work needed to cure the defects and the time by which defects must be cured an applicable property standards met.

Then, the housing must be free from all noted health and safety defects before occupancy and not later than six (6) months after the transfer. And, the housing must meet the standards in the third paragraph above not later than two (2) years after the transfer of the ownership interest.

All referenced codes, standards and regulations shall refer to the latest publication. Applicable codes, standards and regulations are not restricted to those listed in this document.

II. Model Codes, Ordinances and Construction Regulations

The Section 8 Housing Quality Standards shall regulate the minimum standards required for all the rehabilitation projects that will be funded by HHC. The minimum standards may be varied to reflect climatic and geological conditions, security measures, building and fire code compliance, energy conservation and other pertinent housing issues, which may directly affect the living conditions of the household.

Housing Quality Standards:

- ❑ Sanitation – A flush toilet in a separate and private room, a fixed basin with hot and cold running water, and a shower or tub with hot and cold running water shall be present in each dwelling unit and be in working order.
- ❑ Food Preparation and Refuse Disposal – A cooking stove or range, refrigerator with freezer compartment and sink with hot and cold running water shall be present in each dwelling unit and be in working order. Space shall contain adequate area to store, prepare and serve foods in a sanitary manner.
- ❑ Space and Security – Living room, kitchen, bathroom and one sleeping room or living sleeping room be present. Exterior doors and windows accessible from outside of unit shall be lockable.
- ❑ Thermal Environment – Each dwelling unit shall have a heating system that adequately supplies safe heat to all habitable areas and that will be capable of maintaining a thermal environment healthy for the human body.
- ❑ Illumination and Electricity – Living and sleeping rooms each shall be with a minimum of one window. Bathroom and living area shall be with a ceiling or wall type light fixture in working order. A minimum of two electric outlets, one of which may be an overhead light, shall be present and operable in living, kitchen and bathroom areas.
- ❑ Structure and Materials – Ceilings, walls and floors shall not have any serious defects such as severe bulging or leaning, large holes, loose materials, severe buckling or noticeable movement under walking stress, missing parts or other serious damage. Roof structure shall be firm and weather tight. Exterior wall structure and surface shall not have any serious defects such as serious leaning, buckling, sagging, cracks or holes, loose siding, or other serious damage. Interior and exterior stairways, halls, porches, walkways, etc., shall not present a danger of tripping or falling.
- ❑ Interior Air Quality – Dwelling unit shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust, and other harmful air pollutants. Bathroom shall have at least one operable window or other adequate exhaust ventilation.

- ❑ Water Supply – Water supply shall be free from contamination.
- ❑ Lead-Based Paint – Dwelling unit shall be in compliance with HUD Lead Based Paint regulations.
- ❑ Access – Proper means of egress shall be provided. The dwelling unit shall be usable capable of being maintained with unauthorized use of other private properties.
- ❑ Site and Neighborhood – Site and neighborhood shall be reasonably free from disturbing noises and reverberation and other hazards to the health, safety and general welfare of the occupants.
- ❑ Sanitary Condition – The dwelling unit and its equipment shall be free of vermin and rodent infestation.

Inspections and compliance are required both as a condition of application and upon project completion for release of HHC funds or to start the required affordability period.

The local building official shall regulate all permits required by code or ordinance requirements and shall issue the certificate of occupancy after the construction/rehabilitation have been completed. Applicants should arrange with the local building official or HHC staff for a code review or site inspection early in the project planning and budgeting phases, so as to assure that all code deficiencies are identified, budgeted and correctly resolved.

In those instances where various codes and regulations govern a given condition, the terms of the highest or most restrictive standard shall apply. When work is performed on a component of an existing system, the entire system shall be required to meet minimum standards and local code requirements. New construction shall be in accordance with local building code requirements.

Final disbursement of HHC funds may be withheld until all code related improvements have been approved by the local building official and/or all other identified deficiencies have been corrected and inspected by HHC.

References:

- ❑ 2000 International Building Code.
- ❑ MN State Building Code, Chapter 1300-1370, 2003.
- ❑ MN Statute Chapter 326 (Licensing of building and remodeling contractors)
- ❑ HUD Housing Quality Standards, 24 CFR, Chapter 8, Article 882.109
- ❑ MN Plumbing Code, Chapter 4715, 2003
- ❑ Uniform Mechanical Code, 1991.
- ❑ MN Amendments Uniform Mechanical Code.
- ❑ National Electrical Code, 2002

- ❑ Any applicable local, municipal, county state codes, ordinances, zoning regulations, or housing maintenance standards.

III. Energy Codes and Standards

Energy-efficiency features that are considered as cost effective, given consideration to local climatic conditions and fuel prices, shall be required with the funding of HHC projects.

New construction shall be governed by the energy codes and standards of the State of Minnesota.

Energy improvements proposed as part of the rehabilitation may be restricted in structures that do not permit accessibility or become exposed during the rehabilitation and which are not practical when considering economic feasibility, program needs and the material and type of construction involved.

For existing multi-family structures, three or more dwelling units, HHC may require that the owner/applicant contract with an energy auditor who is certified by the State of Minnesota or licensed as a mechanical engineer to perform an energy audit on the structure and to identify energy saving measures and costs.

The following building components shall be evaluated for energy and cost savings (with the exception of those that are not appropriate for the building type or equipment):

- ❑ Quantities and costs of current energy consumption, by fuel type
- ❑ Attic, walls, crawl space and foundation insulation
- ❑ Heat loss through windows and doors
- ❑ Caulking and weather-stripping
- ❑ Vapor barriers, vapor transmission and venting, and moisture condensation
- ❑ Hot water and forced-air heating systems and equipment
- ❑ Domestic water systems and fixtures
- ❑ Heating/venting/air conditioning systems, equipment, motors, controls and metering
- ❑ Electrical service and metering
- ❑ Interior and exterior common area lighting

Where the energy audit identifies excessive energy consumption or alternatives for energy conservation, the applicant/owner shall perform all those conservation measures that will provide seven years or better payback. Other conservation measures with a seven-to-ten payback shall be eligible and considered viable for HHC funding.

References:

- ❑ MN Energy Code, Chapters 7670, 7672, 7674
- ❑ International Energy Conservation Code (IECC 2000)

- HUD Regulations 24 CFR part 39: “Cost-Effective Energy Efficiency (Conservation) Standards for Rehabilitation of Residential Properties”

HHC also encourages funded project to include the following design features to help reduce energy expenditures, enhance the health, well-being and productivity of the building occupants in funded projects:

- ❖ **Minnesota Housing Overlay to the MN Green Communities Criteria.** www.mnhousing.gov
- ❖ **Sustainable Design.** www.sustainabledesignguide.umn.edu
- ❖ **Energy Star products, standards and building certification.** www.energystar.gov
- ❖ **The Principals of Universal Design.** “The design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design.” More information can be found at The Center for Universal Design. www.design.ncsu.edu/cud/

IV. Fair Housing and Handicapped Accessibility Regulations and Statutes

Projects may require certain design provisions and/or construction features to accommodate accessibility and occupancy by mentally or physically disabled persons.

Federal Regulations 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973, stipulates for other rehabilitation projects “...alterations to dwelling units in a multi-family housing project (including public housing) shall, to the maximum extent feasible, be made to be readily accessible to and usable by individuals with handicaps. If alterations of single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, the entire dwelling unit shall be made accessible. Once **five percent** of the dwelling units in a project are readily accessible to and usable by individuals with mobility impairments then, no additional elements of dwelling units, or entire dwelling units, are required to be accessible under this paragraph. Alterations to common areas or parts of facilities that affect accessibility of existing housing facilities shall, to the maximum extent feasible, be made to be accessible to and usable by individuals with handicaps. For purposes of this paragraph, the phrase “to the maximum extent feasible” shall not be interpreted as requiring that the recipient (including a PHA) make a dwelling unit, common area, facility or element thereof accessible if doing so would impose undue financial and administrative burdens on the operation of the multifamily housing project.”

When the anticipated cost of a rehabilitation project consisting of 15 units or more is at least 75 percent of the project replacement cost (excluding land), the accessibility and adaptability requirements are the same as new construction.

New construction projects must be designed to meet the UFAS standards. The also must be constructed with **five percent** of the dwelling units (a minimum of one

unit) shall be accessible and adaptable to persons with physical mobility impairments **and two percent** (a minimum of one unit) shall be accessible to hearing **or** vision-impaired persons. These units cannot be the same units.

References:

- ❑ Fed. Reg., 29 U.S.C. 794: "Section 504 of the Rehabilitation Act of 1973"
- ❑ Fed. Reg., 42 U.S.C. 3601: "Fair Housing Act, Title VIII of the Civil Rights Act of 1968"
- ❑ Fed Reg., 24 CFR Part 8: "Non-discrimination Based on Handicap in Federally Assisted Programs and Activities; Final Rule; June 2, 1968"
- ❑ Uniform Federal Accessibility Standards (Fed. Std. 795, April 1, 1988)
- ❑ American National Standard Specifications for Making Buildings and Facilities Accessible to and Usable by Physically Handicapped People (ANSI 117.1, 1980)
- ❑ MN State Building Code, Chapter 1340: "Facilities for the Handicapped"
- ❑ Fair Housing Amendments Act of 1988
- ❑ Americans with Disabilities Act, July 26, 1990

V. Additional Construction and Rehabilitation Standards Required

The HHC reserves the right, where deemed appropriate, to require a standard of quality and performance that may exceed the minimum standards of applicable codes, ordinances or regulations.

A work write-up that identifies the improvements and specifies the type of work needed to meet the Construction and Rehabilitation Standards shall be required for all HOME projects.

The HHC has adopted the minimum design construction and material standards included in the MHFA Multi-family Technical Handbook. This handbook is available on request by contacting the MHFA Multi-Family Technical Department.

All projects require an inspection of the subject property and evaluation of the current physical condition of the site, building (s) and other real estate features, in conjunction with the applicant's proposed rehabilitation scope of work. Based on a comparison of the applicant's proposed work scope and the actual physical condition of the property, the HHC may elect to require the applicant to increase or otherwise modify their proposed scope of work to include repair, replacement or reconstruction of physical elements that have failed or are in danger of failing.

In lieu of immediate repair or replacement, the HHC may elect to require the applicant to escrow; at loan closing, sufficient funds to cover anticipated future repair or replacement costs.

Depending on the scale of the project, the HHC may require two or three acceptable competitive bids for the proposed work. Projects involving 12 or more units shall abide by the provisions of the Davis-Bacon Act, the Contract Work Hours and Safety Standards Act and the other Federal laws and regulations that pertain to labor

standards and HUD Handbook 1344.1 (Federal Law Standard Compliance in Housing and Community Development Programs), as applicable. Bids for projects of 12 or more units must be secured from General Contractors and not from individual trades. HHC reserves the right to extend this requirement to any project.

Each existing development shall be evaluated and underwritten on an individual, case-by-case basis to achieve these two equally fundamental goals after rehabilitation.

1. The property shall provide affordable safe, secure, sanitary and functional housing, where its residents can reasonably expect to peacefully reside with dignity and pride.
2. The property shall have a high likelihood of remaining safe, viable and affordable housing by employing prudent management of the property and its resources for the full term of the Agency's loan.

Property owners are encouraged to secure advice and assistance on issues pertaining to codes, regulations and standards from the HHC, local building officials, architects, engineers, contractors or other qualified parties or individuals.

VI. Material Standards and Installation

For homeownership and homeowner rehabilitation projects, all installed materials shall be new and of medium grade and quality. Colors, patterns, fixtures or as specified in the work write-up shall be furnished by the contractor from the supplier's available selection. The applicant shall be responsible for costs that exceed a specified cost allowance. The quality of installation shall be in compliance with manufacturer's specifications and trade standards. All operational manuals for newly installed equipment shall be given to the applicant/owner.

All surplus materials delivered to the job site and all materials, fixtures and equipment removed and not reused shall remain or become the property of the contractor and its subcontractors and shall be removed from the job site promptly after completion as well as all rubbish and debris resulting from the contractor's operations. The premises shall be left in broom-clean condition.

For rental projects, HHC has adopted the minimum design construction and material standards included in the Minnesota Housing Finance Agency (MHFA) Multi-family Technical Handbook. This handbook is available on-line or by request from the MHFA.

VII. Asbestos, Radon and Other Environmental Hazards

Asbestos is a mineral fiber that separates into strong, very fine fibers. Until 1970, asbestos was found in a variety of products. The asbestos fibers were added to

strengthen and provide heat insulation and fire fibers were added to strengthen and provide heat insulation and fire resistance to materials. The asbestos material, when disturbed (can be crushed by hand pressure or the surface if not sealed), may release fibers, which can be inhaled into the lungs and may create a health hazard. The risk of lung cancer, asbestosis, and mesothelioma increases with the number of fibers inhaled.

Common products that might have contained asbestos and could release fibers include:

- ❑ Steam pipes, boilers and furnace ducts insulated with an asbestos blanket or paper tape.
- ❑ Resilient floor tiles (vinyl asbestos, asphalt, and rubber), the backing on vinyl sheet flooring, and adhesives used for installing floor tile.
- ❑ Cement sheet, millboard and paper used as insulation around furnaces and wood burning stoves.
- ❑ Door gaskets in furnaces, wood stoves and coal stoves.
- ❑ Soundproofing or decorative material sprayed on walls and ceilings.
- ❑ Patching and joint compounds for walls and ceilings, and textured paints.
- ❑ Asbestos cement roofing, shingles, and siding.
- ❑ Artificial ashes and embers sold for use in gas-fired fireplaces.

When asbestos is positively identified by testing and is endangering the occupant, the asbestos shall be repaired, encapsulated or removed as determined by a qualified and licensed asbestos abatement professional.

Radon is an invisible, odorless, radioactive gas produced by the decay of uranium in rock and soil. Radon decays into radioactive particles, which inhaled, may cause damage to lung tissues and increase the risk of lung cancer.

If the results of the testing, made under closed-house conditions in the lowest livable area are greater than 4 pCi/L then mitigation should be made. The two most common radon measurements devised are the charcoal canister and the alpha track detector.

In detached houses and existing structures, the following approaches can be used for mitigation: (per EPA recommendations)

- ❑ Sealing off entry routes – can include covering exposed earth with concrete or gas-proof liners, sealing cracks and voids in concrete walls and floors, covering sumps and placing removable plugs in untrapped floor drains.
- ❑ House ventilation – involves increasing a house's air exchange rate (the rate at which incoming fresh air replaces existing indoor air) either naturally by opening windows or vents, or mechanically through use of fans or heat recovery ventilators.
- ❑ Soil Ventilation – prevents radon from entering a house by drawing the gas away from the foundation before it can enter. Active ventilation techniques include hollow block wall ventilation and sub-slab ventilation.

For funding an **environmentally hazardous condition** that constitutes a danger or threatens the health and safety of the occupants or neighboring area the condition shall be properly identified and documented for the type of hazard, the degree of health or environmental risk involved and the process for remedial action with a detailed plan. All work shall comply with governing regulations and codes. The HHC reserves the right to determine the scope of work and to deny funding should the corrective/abatement costs exceed the HOME funds available after the rehabilitation work.

References:

- ❑ U.S. Environmental Protection Agency, June 1988: "Asbestos in the Home: A Homeowner's Guide"
- ❑ MN Department of Health, February 1992: "Guidelines for Developing an Effective Asbestos Control Plan"
- ❑ U.S. Environmental Protection Agency, June 1986; "Radon Reduction Techniques for Detached Houses" (Technical Guidance)
- ❑ U.S. Environmental Protection Agency, September 1987: "Radon Reduction Methods: A Homeowner's Guide"
- ❑ MN Indoor Air Quality Task Force, May 1987: "MN Homeowner's Guide to Radon"

VIII. Lead Hazard Evaluation and Reduction

This section of the manual provides a detailed description of the lead hazard evaluation and lead hazard reduction requirements for rehabilitation using HOME funding. This section does not describe requirements for Lead Hazard Evaluation and Reduction if a "lead order" has been issued by an assessing agency or if work is considered "regulated lead work", as defined by the Minnesota Department of Health. While this description is comprehensive, project owners should consult the regulation itself for the exact requirements.

In 1978, the Federal government banned the use of lead in paint. Paint produced before 1950 typically had the highest lead content. It is, therefore, a reasonable assumption that housing constructed prior to 1978 has a high probability of having lead-based paint. Housing built prior to 1978 may contain lead-based paint. Deteriorated lead based paint (chalking, flaking, peeling, cracked or loose) poses the greatest hazard, as lead particles and dust can be released to the surrounding environment, and thus may be inhaled or eaten by a building's occupants. Intact lead-based paint on chewable surfaces (window sills, doors, handrails, etc.) also poses a health risk, as young children and infants may ingest lead by chewing on these surfaces.

On September 15, 1999, the U.S. Department of Housing and Urban Development (HUD) issued a new regulation to protect young children from lead-based paint hazards in housing that is financially assisted by the Federal government or being sold by the government. It went into effect on September 15, 2000. The regulation, "Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance,"

appears within title 24 of the Code of Federal Regulations (CFR) as part 35 (24 CFR 35). It contains lead hazard evaluation and reduction requirements for properties receiving HUD funding.

Since the HOME Program is a federally funded program provided by HUD, the HUD lead-based paint regulation shall apply to housing developments receiving HOME funds. However, not all housing developments are covered by the HUD lead-based paint regulation.

Types of Housing Covered by the new HUD Lead-Based Paint Regulation

- Federally owned housing being sold
- Housing receiving a Federal subsidy that is associated with the property, rather than with the occupants (project-based assistance)
- Public housing
- Housing occupied by a family (with a young child) receiving a tenant-based subsidy (such as a voucher or certificate)
- Multifamily housing for which mortgage insurance is being sought
- Housing receiving Federal assistance for rehabilitation, reducing homelessness, and other special needs (e.g.: HOME Program)**

Types of Housing Not Covered by HUD Lead-Based Paint Regulation

- Housing built since January 1, 1978, when lead paint was banned for residential use
- Housing exclusively for the elderly or people with disabilities, unless a child under age 6 is expected to reside there
- Zero-bedroom dwellings, including efficiency apartments, single room occupancy housing, dormitories, or military barracks
- Property that has been found to be free of lead-based paint by a certified lead-based paint inspector
- Property where all lead-based paint has been removed
- Unoccupied housing that will remain vacant until it is demolished
- Non-residential property
- Any rehabilitation or housing improvement that does not disturb a painted surface.

Other Federal Lead Regulations

In addition to the HUD lead regulations there are other Federal regulations that deal with lead based paint safety. They are:

- OSHA's Lead Regulations.** (29 CFR 1926.62 and 29 CFR 1910.1025)

These regulations cover Federal worker protection requirements for workers in industry, construction, remodeling, and renovation.

- EPA's Lead Regulations** (40 CFR 745 and 40 CFR 745.80)

These regulations cover Federal regulations for disposal of lead waste and contractor notification requirements.

Minnesota Department of Health (MDH)

The State of Minnesota also has requirements for lead-based paint hazard surveillance, prevention, evaluation, and reduction. The Minnesota Department of Health (MDH) is in charge of licensing and certification of the lead worker, lead supervisor, lead inspector, lead risk assessor, lead project designer, and lead firm. If an assessing agency has issued a “lead order” or if work is considered “regulated lead work” the requirements for lead hazard evaluation and lead hazard reduction shall comply with Minnesota Statutes 144.9501 to 144.9509.

Visual Assessment

Every HOME assisted housing unit shall have a Visual Assessment conducted by a person trained to identify deteriorated paint (e.g., HQS inspector, rehab specialist). The visual assessment is a surface-by-surface inspection for deteriorated paint consisting of a visual search for cracking, scaling, chalking, peeling, or chipping paint. HUD also recommends that the visual assessment should also include a search for dust and debris, including paint chips. Any deteriorated paint shall be documented using HOME Form 3. The person(s) conducting the visual assessment for deteriorated paint must be trained using the Visual Assessment Training Module that is available at the HUD website. This visual assessment is normally conducted at time of initial inspection and on an annual basis as part of the post rehabilitation activities and ongoing maintenance.

Rehabilitation Assistance

Lead-based paint requirements for rehabilitation developments using HOME funds fall into three categories, which are dependent on the average per unit amount of Federal rehabilitation assistance provided. The three categories are:

- Assistance of up to and including \$5,000 per unit
- Assistance of more that \$5,000 per unit up to and including \$25,000 per unit
- Assistance of more than \$25,000 per unit

Calculating Rehabilitation Assistance

HUD has established a “dual threshold” method of calculating the level of rehabilitation assistance that applies to a rehabilitation development. The level of rehabilitation assistance is determined by taking the lower of:

Per unit rehabilitation hard costs

- Rehabilitation hard costs are the actual costs, regardless of funding source, associated with the physical development of a unit. It excludes: Soft costs, acquisition of property, program administration, relocation, lead-based paint hazard evaluation costs, and lead based paint hazard reduction costs.
- If all the units in a multi-unit development are Federally assisted, the average rehabilitation is calculated by dividing the total rehab hard costs for the development by the total number of units.
- If there are both Federally assisted units and non-assisted units in a multi-unit development use the following formula:

| |
|-------------|
| $a/c + b/d$ |
|-------------|

Where:

- a**=Rehabilitation hard costs, as defined above, for all assisted dwelling units (not including common areas and exterior surfaces);
- b**=Rehabilitation hard costs, as defined above, for common areas and exterior surfaces;
- c**=Number of Federally assisted dwelling units in the development;
- d**=Total number of dwelling units in the development.

| |
|-------------|
| -OR- |
|-------------|

Per unit Federal assistance

- Includes: All Federal funds provided to the development including funds from program income, typically HOME and CDBG.
- Excludes: Funding such as Low Income Housing Tax Credits and funds provided under the US Department of Energy's Weatherization Program.

The per unit Federal assistance is the total Federal assistance divided by the total number of Federally assisted dwelling units in the development.

Example: A 10-unit property is receiving \$140,000 in HOME Rental Rehab funds for rehabilitation. All units (10) are HOME-assisted. The total applicable rehabilitation hard costs for the development are \$300,000. What category of rehabilitation assistance would apply?

The per unit rehabilitation hard cost is: $\$300,000/10 \text{ units} = \$30,000$

The per unit Federal assistance is: $\$140,000/10 \text{ units} = \$14,000$

The lesser of the two. The category into which a rehabilitation job falls is determined by the lesser of the two threshold numbers. In this example per unit Federal assistance (\$14,000) is the lesser number, so the applicable requirements would be those for the \$5,001 - \$25,000 category.

Major Rehabilitation Requirements of the HUD Lead-Based Paint Regulation

The new HUD regulations will require Projects to make moderate adjustments to their rehabilitation procedures. These adjustments will include providing notice to occupants, obtaining a risk assessment or presuming the presence of lead, focusing on lead-safe work practices and repairing paint deterioration, conducting interim controls or standard treatments, and obtaining a clearance examination.

Projects involved in HOME rehabilitation activities must meet the requirements in the following areas:

- Notification
- Lead Hazard Evaluation
- Lead Hazard Reduction
- On-going Maintenance
- Record Keeping

Notification

Projects must meet three notification requirements:

1. Distribution of Lead Hazard Information Pamphlet (24 CFR 35.130).
2. Notice of Lead Hazard Evaluation or Presumption (24 CFR 35.125).
3. Notice of Lead-Based Paint Hazard Reduction Activity (24 CFR 35.125)

Evaluation and Lead Hazard Reduction

There are three approaches to implementing lead hazard evaluation and reduction for rehabilitation developments. They are as follows: (See Summary of Four Basic Strategies for Lead Hazard Evaluation and Control, Exhibit "A").

- Strategy 1. Do no harm
- Strategy 3. Assess and control lead-based paint hazards
- Strategy 4. Assess and abate lead-based paint hazards

NOTE: Not listed above is Strategy 2. "Identify and Stabilize Deteriorated Paint", because it does not apply to rehabilitation.

The amount of Federal rehabilitation assistance provided dictates which strategy is to be used and the appropriate method of lead hazard evaluation and lead hazard reduction.

Lead Hazard Evaluation Methods

1. **Paint Testing.** Paint testing entails testing selected painted surfaces (usually those surfaces with paint deterioration and surfaces that will be disturbed during rehab) to determine if they contain lead-based paint, using methods

such as portable XRF (X-ray fluorescence) lead-in-paint analyzer or laboratory analysis of paint chip samples. A certified lead inspector or Risk Assessor must complete paint testing.

Option: The borrower may **presume that lead-based paint is present or that lead based paint hazards exist** or both. In such cases, evaluation is not required.

2. **Risk Assessment (24 CFR 35.120-b).** Risk Assessment involves the process of determining and then reporting the existence, nature, severity, and location of lead-based paint hazards in housing through an on-site investigation and the possible means of correcting any hazards identified. Risk Assessments must be completed by a certified Risk Assessor.

Option: The borrower is permitted to conduct a **Lead Hazard Screen (24 CFR 35.120-b and 35.1320-c)** instead of a risk assessment. The lead hazard screen has more stringent requirements for dust lead and soil lead and is only advisable in units that are in good condition and built after 1970. If the lead hazard screen indicates that there is no lead contamination, no risk assessment or lead hazard reduction is required. If the lead hazard screen fails, the Projects must then conduct a full risk assessment.

Lead Hazard Reduction Methods (24 CFR 35.1325 and 35.1330)

Lead hazard reduction methods refer to specific types of treatments to control lead-based paint hazards. As described previously, the level of Federal assistance dictates what method(s) can be used for lead hazard reduction. They are as follows:

1. **Paint Stabilization.** (24 CFR 35.1330-b) This lead hazard reduction method reduces exposure to lead-based paint by repairing any physical defect in the substrate of a painted surface that is causing paint deterioration, removing loose paint and other material from the surface to be treated, and applying a new protective coating or paint.
2. **Interim Controls.** (24 CFR 35.1330) Interim controls temporarily reduce exposure to lead-based paint hazards through repairs, painting, maintenance, special cleaning, occupant protection measures, clearance, and education programs. With continued maintenance, interim controls may last for many years.
3. **Standard Treatments.** (24 CFR 35.120-a and 35.1335) In some cases standard treatments may be conducted in lieu of interim controls on all applicable surfaces, including soil, to control lead-based paint hazards that may be present. All standard treatment methods must follow the same safe work practices and clearance requirements that apply to interim control activities.
4. **Abatement.** (24 CFR 35.1325) Abatement permanently eliminates lead-based paint and/or lead based paint hazards by removing lead-based paint or permanently encapsulating or enclosing the lead-based paint, replacing components with lead based paint, removing lead-contaminated dust and removing or permanently covering lead-contaminated soil. Encapsulation and enclosure require ongoing maintenance to check their effectiveness.

Qualifications to Perform Lead Hazard Reduction

Workers performing **paint stabilization, standard treatment or interim controls** must be trained in accordance with the OSHA requirements (29 CFR 1926.59) and either:

1. Be supervised by an individual certified as a lead-based paint abatement supervisor (40 CFR 745.225), or
2. Have successfully completed one of the following courses:
 - A lead-based paint abatement worker course accredited in accordance with 40 CFR 745.225;
 - The Lead-Based Paint Maintenance Training Program-Work Smart, Work Wet, and Work Clean to Work Lead Safe, prepared by the National Environmental Training Association for EPA and HUD;
 - The HUD/NARI Lead Remodeler's Training Program, developed by HUD and the National Association of the Remodeling Industry; or
 - An equivalent course approved by HUD.

Workers performing **abatement** must have completed a Lead-Based Paint Abatement Worker course accredited by EPA. A lead-based paint abatement supervisor certified under a state program authorized by EPA or by EPA itself, must supervise these workers.

Safe Work Practices (24 CFR 35.1350)

Regardless of what method of lead hazard reduction is used, safe work practices shall be followed. Safe work practices include occupant protection, worksite preparation, avoidance of prohibited practices and worksite clean up.

Exception: Safe work practices are not required when maintenance or hazard reduction is less than the following "De Minimus Levels":

- 20 s.f. on exterior surfaces
- 2 s.f. in any one interior room or space
- 10% of the total surface area on an interior or exterior component with small surface area. (e.g. windowsill, trim, baseboards, etc.)

Relocation and Occupant Protection (24 CFR 35.1345)

Appropriate actions must be taken to protect occupants from lead-based paint hazards associated with lead hazard reduction activities. Occupants may not enter the worksite during lead hazard reduction activities. Occupants may not enter the worksite during lead hazard reduction activities. Reentry is permitted only after lead hazard reduction activities are completed and the dwelling has passed a clearance examination.

Occupants of the unit must be temporarily relocated to a suitable unit that is decent, safe, sanitary, and free of lead-based paint hazards during lead hazard reduction activities. Relocation must be done before lead hazard reduction activities begin. Borrower must protect occupants’ belongings from lead contamination during lead hazard reduction activities by relocating or covering and sealing them and ensure that the worksite is secured against entry during nonworking hours until the unit passes a clearance examination.

Circumstances when Occupant Relocation is Not Required

Renovation and intervention will not disturb lead-based paint or lead contaminated dust. Hazard reduction activities inside will be completed within one period in eight daytime hours, the site will be contained and the work will not create other safety, health or environmental hazards.

Exterior-only treatment where the windows, doors, ventilation intakes and other openings near the worksite are sealed during hazard reduction activities and cleaned afterward, and a lead-free entry is maintained.

Hazard reduction activities will be completed within five calendar days; the work area is sealed; at the end of each day, the area within 10 feet of the containment area is cleared of debris; occupants have safe access to sleeping areas, bathroom and kitchen facilities; and treatment does not create other safety, health or environmental hazards. At no time can occupants be permitted into the worksites, unless they are employed in the work, until after the work is complete and clearance, if required, has been achieved.

HUD has advised that relocation of elderly occupants is not typically required, so long as complete disclosure of the nature of the work is provided and informed consent of the elderly occupant(s) is obtained before commencement of the work. (See “Interpretive Guidance—The HUD Regulation on Controlling Lead-Based Paint Hazards in Housing Receiving Federal Assistance and Federally Owned Housing Being Sold,” 6/22/00 edition.)

Clearance (24 CFR 35.1340)

A clearance examination involves a visual assessment and dust testing to determine if the unit is safe for re-occupancy following a lead hazard reduction activity. Clearance following abatement shall be performed by persons certified to perform risk assessments or lead-based paint inspections. A certified clearance technician may perform clearance following activities, other than abatement. If the test results equal or exceed the designated standards (24 CFR 35.1320-b2), the dwelling unit, worksite, or common area fails the clearance examination. Below are the thresholds for clearance:

| | Floors (µg/ft <input type="checkbox"/>) | Interior Window Sills (µg/ft <input type="checkbox"/>) | Window Troughs (µg/ft <input type="checkbox"/>) |
|---|--|---|--|
| Lead in Dust (as measured by a dust wipe sample) | 40 | 250 | 800 |

Ongoing Maintenance (24 CFR 35.1355)

All borrowers must institute ongoing maintenance of painted surfaces and safe work practices as part of regular building operations. This includes: A visual inspection of lead-based paint annually and at unit turn-over; repair of all unstable paint; and repair of encapsulated or enclosed areas that are damaged.

- Ongoing Maintenance Records—Borrowers must keep ongoing maintenance records and records of relevant building operations for use during reevaluations.
- Borrowers and their maintenance personnel must be trained in ongoing lead based paint maintenance.

Documentation and records (24 CFR 35.175)

There are numerous records that Projects must keep to verify that they conducted the required lead hazard response activities. These records must be kept for at least three years after the five-year compliance period has elapsed. Projects are required to provide a copy of any of the following records to MHFA and HUD upon request:

- **Lead Hazard Information Pamphlet**—A record of the distribution of the lead hazard information pamphlet.
- **Notification of Lead Hazard Evaluation and Reduction**—The Projects must keep a copy of each notification of lead hazard evaluation report and lead hazard reduction.
- **Lead Hazard Evaluation Reports**—A copy must be kept of each report of risk assessment, paint testing or lead-based inspection.
- **Clearance and Abatement Reports.**
- **Lead-Based Pain Summary Sheet and Checklist (LBP-1)**

**Requirements for Federal Assistance of \$5,000 Per Unit or Less
“Do No Harm”**

Lead Hazard Evaluation—Paint testing must be conducted to identify lead-based paint on painted surfaces that will be disturbed or replaced, **or** Projects may presume that these surfaces contain lead-based paint. If paint testing is conducted and no lead-based paint is found, no further requirements apply.

Lead Hazard Reduction—Projects must repair all paint that is disturbed during rehabilitation if such paint is found or presumed to be lead-based paint.

If lead paint is detected or presumed, safe work practices must be used during rehabilitation unless no more than 2 square feet of paint is disturbed in any interior room, no more than 20 square feet of paint on exterior surfaces is disturbed, and/or 10% of a building component with a small surface area (such as a painted window frame) is disturbed.

Clearance is required only for the worksite. Clearance is not required if it is known that no lead based paint has been disturbed or if no more than 2 square feet of paint is disturbed in any interior room, no more than 20 square feet of paint on exterior surfaces is disturbed, and/or 10% of a building component with a small surface area (such as a painted window frame) is disturbed.

Requirements for Federal Assistance of \$5,001 to \$25,000 Per Unit "Assess and Control Lead Hazards" Lead Hazard Evaluation

There are two requirements, as follows:

- Paint testing must be conducted to identify lead-based paint on painted surfaces that will be disturbed or replaced, or Projects may presume that these surfaces contain lead-based paint.
- A risk assessment must be conducted prior to rehabilitation to find lead-based paint hazards throughout assisted units, in common areas that service those units, and on exterior surfaces, or Projects may presume that lead-based paint hazards exist and use Standard Treatments option.

Lead Hazard Reduction—If lead-based paint or lead-based paint hazards are detected during the evaluation on interior surfaces in the dwelling units, common areas that service these units, or exterior surfaces, **interim controls** must be implemented to control lead-based paint hazards.

If lead based paint is detected or presumed, **safe work practices** must be used during lead hazard reduction.

Clearance conducted by a certified lead-based paint inspector, risk assessor or clearance/sampling technician is required after lead hazard reduction activities are completed in a unit, common areas serving the unit, and exterior areas where hazard reduction took place. A licensed lead risk assessor must sign Clearance/sampling technician reports.

Options:

- Standard Treatments in lieu of Evaluation
- Lead Hazard Screen versus Risk Assessment (Recommended only on units that are in good condition.)
- Abatement in lieu of interim control

Requirements for Federal Assistance Over \$25,000 Per Unit "Assess and Abate Lead Hazards" Lead Hazard Evaluation

The two requirements are as follows:

- Paint testing must be conducted to identify lead-based paint on painted surfaces that will be disturbed or replaced, or Projects may presume that these surfaces contain lead-based paint.

- A risk assessment must be conducted prior to rehabilitation to find lead-based paint hazards throughout assisted units, in common areas that service those units, and on exterior surfaces, or Projects may presume that lead-based paint hazards are present and abate all paint that is disturbed and all presumed lead-based paint hazards, including bare soil.

Lead Hazard Reduction—If lead-based paint or lead-based paint hazards are detected during the evaluation on interior surfaces in the dwelling units, common areas that service these units, or exterior surfaces, **abatement** must be implemented to control lead-based paint hazards.

Exception: If lead-based paint hazards are identified on exterior surfaces that are not to be disturbed by rehabilitation, interim controls may be completed instead on these exterior hazards.

Safe work practices must be used during lead hazard reduction.

Clearance conducted by a certified lead-based paint inspector or risk assessor is required after lead hazard reduction activities are completed in a unit, common areas serving the unit, and exterior areas where hazard reduction took place.

Options:

- Presume Lead in lieu of Evaluation
- Lead Hazard Screen versus Risk Assessment.

EXHIBIT A
FOUR APPROACHES TO IMPLEMENTING
LEAD HAZARD EVALUATION AND REDUCTION

| APPROACH 1. DO NO HARM | | |
|--|--|---|
| Lead Hazard EVALUATION | Lead Hazard REDUCTION | OPTIONS |
| <p>Paint testing performed on surfaces to be disturbed.</p> | <p>Repair paint surfaces disturbed during work.</p> <p>Safe work practices used when working on areas identified as lead based paint.</p> <p>Clearance performed.</p> | <p>Forego paint testing and presume lead based paint is present and use safe work practices on all surfaces being disturbed.</p> |
| APPROACH 2. IDENTIFY AND STABILIZE DETERIORATED PAINT | | |
| Lead Hazard EVALUATION | Lead Hazard REDUCTION | OPTIONS |
| <p>Visual assessment performed to identify deteriorated paint.</p> | <p>Paint stabilization of identified deteriorated paint.</p> <p>Safe work practices used.</p> <p>Clearance performed.</p> | <p>Perform paint testing on deteriorated paint. Paint stabilization, safe work practices requirements, and clearance only apply if paint is lead based paint.</p> |
| APPROACH 3. IDENTIFY AND CONTROL LEAD HAZARDS | | |
| Lead Hazard EVALUATION | Lead Hazard REDUCTION | OPTIONS |
| <p>Paint testing performed on surfaces to be disturbed.</p> | <p>Interim controls performed on identified hazards.</p> <p>Safe work practices used.</p> <p>Clearance performed.</p> | <p>Forego risk assessment and presume lead based paint and/or lead based paint hazards are present and perform standard treatments.</p> |
| APPROACH 4. IDENTIFY AND ABATE LEAD HAZARDS | | |
| Lead Hazard EVALUATION | Lead Hazard REDUCTION | OPTIONS |
| <p>Paint testing performed on surfaces to be disturbed.</p> <p>Risk assessment performed on entire dwelling.</p> | <p>Abatement performed on identified hazards.</p> <p>Interim controls performed on identified hazards on the exterior that are not disturbed by rehabilitation.</p> <p>Safe work practices used.</p> <p>Clearance performed.</p> | <p>Forego paint testing and risk assessment presume lead based paint and/or lead based paint hazards are present and perform abatement on all applicable surfaces – deteriorated, impact, friction, chewable and surfaces to be disturbed.</p> |

EXHIBIT B

SUMMARY OF LEAD BASED PAINT REQUIREMENTS BY ACTIVITY

| | Rehabilitation (Subpart J) | | | TBRA (Subpart M) | A, L, SS, O (Subpart K) |
|---|---|--|---|--|--|
| | ≤\$5,000 | \$5001- 25,000 | >\$25,000 | | Homebuyer and Special Needs* |
| Approach to Lead Hazard Evaluation and Reduction | 1. Do No Harm | 3. Identify and control lead hazards | 4. Identify and abate lead hazards | 2. Identify and stabilize deteriorated paint | 2. Identify and stabilize deteriorated paint |
| Notification | Yes | Yes | Yes | Yes | Yes |
| Lead Hazard Evaluation | Paint Testing | Paint Testing and Risk Assessment | Paint Testing and Risk Assessment | Visual Assessment | Visual Assessment |
| Lead Hazard Reduction | Repair surfaces disturbed during rehab | Interim Controls | Abatement (Interim Controls on exterior surfaces not disturbed by rehab) | Paint Stabilization | Paint Stabilization |
| | Safe work practices Clearance | Safe work practices Clearance | Safe work practices Clearance | Safe work practices Clearance (only if lead) | Safe work practices Clearance (only if lead) |
| Ongoing Maintenance | HOME rental only | HOME rental only | HOME rental only | Yes | Yes (if ongoing relationship) |
| EIBLL Requirements | No | No | No | Yes | No |
| Options | Presume lead based paint Use safe work practices | Presume lead based paint and/or hazards Perform standard treatments | Presume lead based paint and/or hazards Abatement on all applicable surfaces | Paint testing on deteriorated paint. Paint stabilization Use safe work practices | Paint testing on deteriorated paint. Paint stabilization Use safe work practices |
| *Special Needs Housing may be subject to the requirements of Subpart J, M, or K depending on the nature of the assistance provided. However, since most special needs housing involves acquisition, leasing, support services, and operations, for the purposes of this table, it has been placed in this column. | | | | | |

**Hennepin Housing Consortium -- HOME Program
RELEASE OF INFORMATION AND
DATA PRIVACY STATEMENT**

| |
|-------------------------------|
| RELEASE OF INFORMATION |
|-------------------------------|

I authorize and direct any Federal, State or local agency, organization, business, or individual to release to Hennepin County staff any information or material needed to complete and verify my application for benefits under one or more of the programs administered by Hennepin County, including but not limited to; HOME Investment Partnerships (HOME) Program, Community Development Block Grant (CDBG), Affordable Housing Incentive Fund (AHIF) or the Lead Hazard Control Program, hereinafter referred to as "the Programs."

I understand and agree that such information and material may be given to and used by Hennepin County in administering and enforcing the Programs rules and regulations. I understand that this authorization cannot be used to obtain any information about me that is not pertinent to my eligibility for and participation in the Programs.

The groups or individuals that may be asked to release the above information (depending on program requirements) includes, but is not limited to:

| | | |
|----------------------------|--------------------------------|----------------------------------|
| Mortgage Companies | Past and Present Employers | Veterans Administration |
| Income Assistance Agencies | Retirement Services | Banks and Financial Institutions |
| Courts and Post Offices | Credit Bureau | State Unemployment Agencies |
| Schools and Colleges | Social Security Administration | Previous Landlords |
| Enforcement Agencies | Utility Companies | Child Care Providers |
| Medical Providers | Support and Alimony Providers | |

I acknowledge and agree that:

- A photocopy of this authorization is as valid as the original and may be used for the purposes stated above; and
- I have the right to review the file and the information received using this form (with a person of my choosing to accompany me); and
- I have the right to copy information from the file and to request correction of information I believe inaccurate; and
- This authorization will stay in effect until the Programs have been completed or terminated; and

| |
|--------------------------|
| TENNESSEN WARNING |
|--------------------------|

As an applicant for benefits under one or more of the housing programs administered by Hennepin County, including but not limited to; the HOME Investment Partnerships (HOME) Program, Community Development Block Grant (CDBG) Program, Affordable Housing Incentive Fund (AHIF) Program or the Lead Hazard Control Program, hereinafter referred to as ("the Programs") you will be asked to provide information that may be considered private under the Minnesota Government Data Practices Act (the "Act"). The Act requires that you be provided with the following information.

The data that you will be asked to provide to Hennepin County for the Programs includes, but is not limited to the following data about members of your household:

APPENDIX B

- Income
- Social security numbers
- Identity of household members
- Income verification
- Social security cards

The foregoing information is needed in order to determine your eligibility for the Programs. You may refuse to provide the requested information, but this may result in delay in processing or rejection of your application.

This information may be shared with County and applicable city staff, the U. S. Department of Housing and Urban Development (HUD), the Minnesota Housing Finance Agency (MN Housing), contracted monitoring agencies, contracted community partnership organizations, and internal and independent auditors. It may also be released to appropriate Federal, State, and local agencies when relevant, to civil, criminal, or regulatory investigations.

| |
|---------------------------|
| PRIVACY ACT NOTICE |
|---------------------------|

As an applicant for the Programs unit, you may be asked to provide your social security number. If it is requested, the federal Privacy Act of 1974 requires that you be provided with the following information:

- Furnishing your social security number is mandatory in order for the Program to determine your eligibility for the Programs.
- The statutory authority for the Program to request disclosure of your social security number is Title 42, Chapter 7, Subchapter II 405(c)(2)(C)(i).

All adult household members, 18 years or older, will sign this form and cooperate with the eligibility process.

I declare that I have read and understood the information given above regarding the Release of Information, the Minnesota Government Data Practices Act, and the Privacy Act of 1974.

Applicant(s):

| | | |
|-----------|--------------|------|
| Signature | Printed Name | Date |
|-----------|--------------|------|

| | | |
|-----------|--------------|------|
| Signature | Printed Name | Date |
|-----------|--------------|------|

| | | |
|-----------|--------------|------|
| Signature | Printed Name | Date |
|-----------|--------------|------|

| | | |
|-----------|--------------|------|
| Signature | Printed Name | Date |
|-----------|--------------|------|

Hennepin Housing Consortium -- HOME Program UTILITY ALLOWANCE SCHEDULE

METRO HRA

Allowances for Tenant –Paid Utilities and Appliances

Effective 11/1/16

Implemented December 1, 2016 New and Port; March 1, 2017 Recertifications

Tenant Name _____ Address _____

To calculate the utility allowance, circle the amount of the allowance listed for all utilities you must pay. Be sure to use the proper column for the bedroom size (BR) and circle the amount for the proper unit type. The “Range and Refrigerator” column is only for tenants who own those appliances. DO NOT circle them if provided by the owner.

UNIT TYPE: A = Apartment/Multiple Dwelling T/D = Townhouse/Duplex H = Single Family Home
 (3 or more units attached) (2 units attached) (1 unit)

| | UNIT SIZE AND TYPE | | | | | | | | | | | | | | | | | |
|-------------------------|--------------------|----|----|----|----|----|----|----|----|----|----|-----|----|-----|-----|----|-----|-----|
| | 0 | | | 1 | | | 2 | | | 3 | | | 4 | | | 5 | | |
| | A | TH | SF | A | TH | SF | A | TH | SF | A | TH | SF | A | TH | SF | A | TH | SF |
| Heating | | | | | | | | | | | | | | | | | | |
| Natural Gas | 30 | 37 | 39 | 34 | 40 | 45 | 38 | 51 | 54 | 43 | 62 | 66 | 47 | 74 | 77 | 51 | 85 | 89 |
| Electric | 27 | 39 | 65 | 32 | 46 | 76 | 43 | 60 | 89 | 55 | 75 | 103 | 67 | 89 | 116 | 79 | 104 | 129 |
| Bottle Gas | 44 | 55 | 62 | 51 | 64 | 73 | 60 | 75 | 86 | 69 | 86 | 99 | 78 | 97 | 112 | 87 | 107 | 125 |
| Oil | 48 | 60 | 68 | 56 | 70 | 80 | 66 | 82 | 94 | 76 | 94 | 108 | 85 | 105 | 122 | 95 | 117 | 136 |
| Cooking | | | | | | | | | | | | | | | | | | |
| Natural Gas | 3 | | | 4 | | | 5 | | | 6 | | | 7 | | | 8 | | |
| Electric | 5 | | | 7 | | | 10 | | | 13 | | | 16 | | | 18 | | |
| Bottle Gas | 4 | | | 5 | | | 7 | | | 9 | | | 11 | | | 13 | | |
| Oil | NA | | | NA | | | NA | | | NA | | | NA | | | NA | | |
| Water Heating | | | | | | | | | | | | | | | | | | |
| Natural Gas | 7 | | | 8 | | | 11 | | | 14 | | | 17 | | | 21 | | |
| Electric | 19 | | | 22 | | | 28 | | | 35 | | | 41 | | | 47 | | |
| Bottle Gas | 10 | | | 12 | | | 18 | | | 23 | | | 29 | | | 34 | | |
| Oil | 11 | | | 13 | | | 19 | | | 25 | | | 31 | | | 37 | | |
| Other Electric | 34 | 40 | 43 | 37 | 45 | 48 | 47 | 57 | 62 | 57 | 70 | 77 | 67 | 82 | 91 | 77 | 95 | 105 |
| Water | 9 | | | 13 | | | 16 | | | 20 | | | 25 | | | 29 | | |
| Sewer | 12 | | | 17 | | | 22 | | | 27 | | | 35 | | | 39 | | |
| Trash | 24 | | | 24 | | | 27 | | | 28 | | | 28 | | | 28 | | |
| Range | 4 | | | 4 | | | 4 | | | 4 | | | 4 | | | 4 | | |
| Refrigerator | 4 | | | 4 | | | 4 | | | 4 | | | 4 | | | 4 | | |
| Total Utility Allowance | | | | | | | | | | | | | | | | | | |
| + Rent | | | | | | | | | | | | | | | | | | |
| = Gross Rent | | | | | | | | | | | | | | | | | | |



**Hennepin Housing Consortium -- HOME Program
REQUEST FOR RENT INCREASE**

| | | | |
|--------------------------|-------------|----------------------|-------------|
| Project: | | Owner: | |
| Address: | | Address: | |
| City: | Zip: | City: | Zip: |
| Property Contact: | | Phone Number: | |

List only the HOME assisted units.

| Unit Size | # of Units of this size | Unit #(s) | CURRENT Rent |
|------------------------|-------------------------|-----------|--------------|
| Efficiency | | | |
| 1 Bedroom | | | |
| 2 Bedroom | | | |
| 3 Bedroom | | | |
| Other (_____ Bedroom) | | | |

REQUESTED date of increase: _____

| Unit Size | # of Units of this size | Unit #(s) | NEW Rent REQUESTED |
|------------------------|-------------------------|-----------|--------------------|
| Efficiency | | | |
| 1 Bedroom | | | |
| 2 Bedroom | | | |
| 3 Bedroom | | | |
| Other (_____ Bedroom) | | | |

Utilities and Appliances*

Owner provided Tenant provided

| | | |
|------------------------------|--------------------------|--------------------------|
| Heating (fuel type: _____) | <input type="checkbox"/> | <input type="checkbox"/> |
| Cooking (fuel type: _____) | <input type="checkbox"/> | <input type="checkbox"/> |
| Other Electric | <input type="checkbox"/> | <input type="checkbox"/> |
| Hot Water (fuel type: _____) | <input type="checkbox"/> | <input type="checkbox"/> |
| Water/Sewer | <input type="checkbox"/> | <input type="checkbox"/> |
| Trash Collection | <input type="checkbox"/> | <input type="checkbox"/> |
| Refrigerator (owned by) | <input type="checkbox"/> | <input type="checkbox"/> |
| Range (owned by) | <input type="checkbox"/> | <input type="checkbox"/> |

| | |
|--|--|
| Return form to: Hennepin County Housing, Community Works & Transit Attn: Tonja West-Hafner PH: (612) 348-2599 FAX: (612) 348-2920 417 North Fifth Street, Suite 320 Minneapolis, MN 55401-1362 | County use only: Approved <input type="checkbox"/> Initials: _____ Date: _____ |
|--|--|

NOTE: Please remember to allow time to process your request at County and allow time to give the tenant the required notice per the terms of the lease. Also, that the maximum contract rent plus utilities cannot exceed the HOME rent limits. *For review purposes the County will use Metro Council's most recent Section 8 utility allowance schedule to determine the utility allowance (Unless other acceptable information is provided by the management).

Hennepin Housing Consortium -- HOME Program LEASE ADDENDUM

This lease addendum adds the following paragraphs to the lease between a tenant and an owner of rental housing assisted with HOME Investment Partnerships Program (HOME) funds, as specified under HOME Federal HUD Regulations 24 CFR 92.

Conflict with Other Provisions of the Lease. **In case of any conflict between the provisions of this Addendum and other sections of the Lease, the provisions of this Addendum shall prevail.**

Hennepin Housing Consortium Rehabilitation Standards. The owner shall maintain the dwelling unit, common areas, equipment, facilities and appliances in decent, safe, and sanitary condition in accordance with the Consortium's Construction and Rehabilitation Standards.

Lead Paint Disclosure. For property built prior to January 1, 1978, owner shall provide tenant with an EPA approved lead hazard information booklet and execute the Lead Based Paint Acknowledgement Disclosure form.

- A. **Lease.** The lease between a tenant and an owner of rental housing assisted with HOME funds must be for not less than one year, unless by mutual agreement between the tenant and the owner.
- B. **Prohibited Lease Terms.** The lease may **NOT** contain any of the following provisions:
 - (1) *Agreement to be sued.* Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;
 - (2) *Treatment of property.* Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law;
 - (3) *Excusing owner from responsibility.* Agreement by the tenant not to hold the owner or the owners agents legally responsible for any action or failure to act, whether intentional or negligent;
 - (4) *Waiver of notice.* Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;
 - (5) *Waiver of legal proceedings.* Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
 - (6) *Waiver of a jury trial.* Agreement by the tenant to waive any right to a trial by jury;
 - (7) *Waiver of right to appeal court decision.* Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
 - (8) *Tenant chargeable with cost of legal action regardless of outcome.* Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- C. **Termination of Tenancy.** An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing; or for other good cause. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.
- D. **Annual Income Review.** During the duration of lease the tenant agrees to cooperate with the required recertification of annual household income determination process and sign a release of information form. Owner may terminate the lease or refuse to renew the lease for failure to cooperate, if the tenant does not respond within thirty days of the initial notification to recertify.

Owner or authorized representative and tenant(s) have reviewed the above information and agree to the terms of this Lease Addendum and hereby acknowledge the receipt of a signed and dated copy hereof.

| | | | |
|---------------|------|----------|------|
| (Owner/Agent) | Date | (Tenant) | Date |
| (Owner/Agent) | Date | (Tenant) | Date |
| | | (Tenant) | Date |

**Hennepin Housing Consortium – HOME Program
FINAL CERTIFICATION OF DEVELOPMENT CHECKLIST**

The following items are required for final certification of development and shall be completed and submitted to the County **as soon as possible and no later than three months** from the date of the initial occupancy of the units or the date of completion of the work. The HOME affordability period starts when all of the information is received and entered into HUD's database.

1. Final Cost Certification

- Provide a Final Certification. *For projects funded with tax credits* - Submit a copy of the MHFA Final Cost Certification, certified by an auditor; **OR** *For projects that are not funded with tax credits* - Complete and submit the enclosed **Project Development Certification**.
- Provide a copy of the final draw request from Title.

2. Certificate of Occupancy / Inspection

- Provide a copy of the Certificate of Occupancy (this will provide the date when occupancy was issued by the city). NOTE: A Certificate of Occupancy may not be issued for rehabilitation projects. If this is the case, call Tonja West-Hafner at (612) 348-2599 to schedule an inspection or re-inspection to ensure that the project meets the Consortium's New Construction/Rehabilitation Standards.

3. Management Agreement

- Provide a copy of the current management agreement and the contact at the management company. Please include name of management company, contact name, phone #, title, and e-mail address.

4. Insurance Binder

- Provide a copy of the building insurance binder listing Hennepin County as a mortgagee.

5. Initial Compliance Report

- Complete the enclosed **Rental Completion Report – Household Characteristics** form listing the units that are the initial HOME units in the project.
- Provide Utility Allowance information for the project. Complete and submit the enclosed **Allowances for Tenant Furnished Utilities and Appliances** form **OR** submit a completed copy of the local HRA/PHA utility allowance form.

6. OTHER Required Information

**Hennepin Housing Consortium – HOME Program
PROJECT DEVELOPMENT CERTIFICATION**

Development Name _____
Address _____
Contact _____ **Phone #** _____
Date of Initial Occupancy _____

| <u>Source of Funding</u> | <u>Term</u> | <u>Rate</u> | <u>Amount</u> |
|------------------------------|-------------|-------------|---------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| Total Revenue Sources | | | ===== |

List On-Site Supportive Services, if applicable _____

List Other Supportive Services _____

Management Company _____
Address _____
Contact _____ **Phone #** _____

| <u>Project Costs:</u> | <u>Amount</u> |
|--------------------------------------|----------------------|
| Land and Buildings | _____ |
| Land | _____ |
| Existing Structures | _____ |
| Demolition | _____ |
| Other* | _____ |
| Subtotal | ===== |
| Site Work | _____ |
| Site Work | _____ |
| Site Improvements | _____ |
| Environmental | _____ |
| Other* | _____ |
| Subtotal | ===== |
| Rehabilitation and New Construction | _____ |
| New Structures | _____ |
| Rehabilitation | _____ |
| Accessory Structures (garages, etc.) | _____ |
| General Requirements | _____ |
| Contractor Overhead | _____ |
| Contractor Profit | _____ |
| Construction Contingency | _____ |
| Furnishings and Equipment | _____ |
| Other* (identify nonbasis items) | _____ |
| Subtotal | ===== |
| Professional Fees | _____ |
| Architect, Design | _____ |
| Architect, Supervision | _____ |
| Attorney, Real Estate | _____ |
| Consultant/Agent | _____ |
| Engineer/Surveyor | _____ |
| Other* | _____ |
| Subtotal | ===== |

* All amounts in "Other" line must be identified

| | |
|--------------------------------|-----------------------|
| Construction Interim Costs | |
| Hazard and Liability Insurance | _____ |
| Payment Bond | _____ |
| Performance Bond | _____ |
| Credit Report | _____ |
| Construction Interest | _____ |
| Origination Points | _____ |
| Discount Points | _____ |
| Credit Enhancement | _____ |
| COI Underwriters Discount | _____ |
| Inspection Fees | _____ |
| Title and Recording | _____ |
| Legal Fees | _____ |
| Taxes | _____ |
| Other* | _____ |
| | Subtotal _____ |

| | |
|---------------------------|-----------------------|
| Permanent Financing Costs | |
| Bond Premium | _____ |
| Credit Report | _____ |
| Discount Points | _____ |
| Origination Fees | _____ |
| Credit Enhancement | _____ |
| Title and Recording | _____ |
| Legal Fees | _____ |
| Prepaid MIP | _____ |
| Other* | _____ |
| | Subtotal _____ |

| | |
|---------------------|-----------------------|
| Soft Costs | |
| Feasibility Study | _____ |
| Market Study | _____ |
| Environmental Study | _____ |
| Tax Credit Fees | _____ |
| Compliance Fees | _____ |
| Rent-up | _____ |
| Appraisal | _____ |
| Cost Certification | _____ |
| Other | _____ |
| | Subtotal _____ |

Syndication Costs
Organizational _____
Bridge Loan _____
Tax Opinion _____
Other* _____
Subtotal _____

Developer Fees
Developer Overhead _____
Developer Profit _____
Consultant Fee _____
Tax Opinion _____
Other* _____
Subtotal _____

Project Reserves
Rent-Up Reserve _____
Operating Reserve _____
Replacement Reserve _____
Escrows _____
Other* _____
Subtotal _____

TOTAL DEVELOPMENT COSTS _____

I, _____, hereby certify that the information contained herein the Project Development Certification represents the project and final budget and that all information and costs are true and accurate. I further understand that the referenced costs are subject to audit.

Signed: _____

Title: _____

Dated: _____

**HENNEPIN HOUSING CONSORTIUM – HOME Program
RENTAL COMPLETION REPORT -- HOUSEHOLD CHARACTERISTICS**

| Bldg. & Unit No. (1) | Unit Size (2) | Tenant Name (3) | Lease Date (4) | Tenant Rent (5) | Subsidy Amount (if any) (6) | Utility Allowance (7) | Gross Rent (5+6+7) (8) | Gross Annual Income (9) | Race of HH (10) | Hispanic Latino (yes or no) (11) | Type of HH (12) | Size of HH (13) |
|------------------------------------|-------------------------|---------------------------|--------------------------|---------------------------|---------------------------------------|---------------------------------|----------------------------------|-----------------------------------|---------------------------|--|---------------------------|---------------------------|
| <i>Example 7601-1</i> | <i>High 2 BR</i> | <i>T. Jones</i> | <i>6/1/03</i> | <i>100</i> | <i>500</i> | <i>25</i> | <i>625</i> | <i>6,200</i> | <i>3</i> | <i>N</i> | <i>3</i> | <i>3</i> |
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|--|---|--|---|--|---|-----------|
| (1) Building and Unit number | | | | | | |
| If more than one building in the project, list the building number and then the number of the unit that is to be the HOME assisted unit. If there is only one building, only the unit number needs to be listed. | | | | | | |
| (2) Unit Size | | | | | | |
| List the HOME rent limit designation – Low HOME or High HOME. Also, list number of bedrooms of unit that is the HOME assisted unit (SRO, efficiency, 1 BR, 2, BR, etc.). | | | | | | |
| (3) Tenant Name | | | | | | |
| List at least the last name of the household occupying the HOME assisted unit. | | | | | | |
| (4) Lease Date | | | | | | |
| List start date of the lease with the household. | | | | | | |
| (5) Tenant Rent | | | | | | |
| Amount of rent paid by the tenant household. If they do not have a rental subsidy this will be the same as the lease/contract rent. | | | | | | |
| (6) Subsidy Amount | | | | | | |
| Amount of rent paid on behalf of the household by a housing authority/agency (Section 8, S+C, Bridges, etc.). If the household is not receiving a subsidy then leave this blank. | | | | | | |
| Note: Tenant paid rent plus any subsidy amount should be equal to the amount of the lease/contract rent listed on the signed lease with the household. | | | | | | |
| (7) Utility Allowance | | | | | | |
| List the Utility Allowance for the unit size. Attach copy of the Utility Allowance used to show the breakdown of tenant paid utilities. | | | | | | |
| (8) Gross Rent | | | | | | |
| (5) Tenant Rent + (6) Subsidy + (7) Utility Allowance = Gross Rent Note: Gross Rent cannot be more than the (HIGH or LOW) HOME limit for the unit. | | | | | | |
| (9) Gross Annual Income of the Household | | | | | | |
| This is the gross annual income of the household in the unit. Gross income is all anticipated income before any deductions. | | | | | | |
| (10) Race of Head of Household | | (11) Ethnicity of Head of Household Hispanic/Latino | | (12) Type of Household | | |
| | | Yes or No | | | | |
| 1 | White | | 1 | Single / NON-Elderly One-person household in which the person is not elderly. | 1 | 1 person |
| 2 | Black or African American | | 2 | Elderly One or two person household at least 62 years of age. | 2 | 2 person |
| 3 | American Indian or Alaska Native | | 3 | Related / Single Parent A single parent household with a dependent child or children (18 years old or younger). | 3 | 3 person |
| 4 | Asian | | 4 | Related / Two Parent A two parent household with a dependent child or children (18 years old or younger). | 4 | 4 person |
| 5 | Native Hawaiian or Other Pacific Islander | | 5 | Other Any household not included in the above definition or two or more unrelated individuals. | 5 | 5 person |
| 6 | Black or African American AND White | | 6 | | 6 | 6 person |
| 7 | American Indian or Alaska Native AND White | | 7 | | 7 | 7 person |
| 8 | Asian AND White | | 8 | | 8 | 8+ person |
| 9 | American Indian or Alaska Native AND Black or African American | | 9 | | 9 | VACANT |
| 10 | Other | | | | | |

**Hennepin Housing Consortium -- HOME Program
MONITORING CHECKLIST**

| A. INSURANCE/LICENSE | | |
|-----------------------------|---|---|
| | 1 | <i>If not already provided</i> , a copy the require Property and General Liability Insurance policy certificates listing Hennepin County as an additional insured/mortgagee. If your insurance carrier automatically sends these to us, please include a statement to that effect noting the date it was sent. |
| | 2 | Copy of Rental License valid in the year for each HOME funded property, <i>if applicable</i> . If not applicable, please include a statement to that effect. |
| B. LEASING/MARKETING | | |
| | 1 | Copy of the Resident/Tenant Selection Plan used during the year. |
| | 2 | Copy of the Affirmative Marketing Plan followed during the year. |
| | 3 | Copy of the Waiting List of persons responding to marketing efforts, <i>if applicable</i> . If not applicable, please include a statement to that effect. |
| | 4 | Copy of Marketing and/or Advertisements for vacancies during the year. |
| | 5 | List of Agencies that received the advertisements of vacancies during the year. |
| | 6 | Copy of the Grievance & Termination Policies and Procedures followed during the year. |
| | 7 | Copy of the Lease used for the property used in the year. <i>Reminder:</i> If the property is using the Minnesota Multi Housing Association (MHA) Lease (or a version of it) the HOME Lease Addendum must be attached to it. |
| C. TENANT DATA/RENTS | | |
| | 1 | Completed PROJECT COMPLIANCE REPORT for the calendar year. The report should only include households occupying the HOME units in the calendar year. The current version of this report <u>MUST</u> be used to capture all of the required information. If a different version is submitted it will be returned for resubmission. Contact Hennepin County for the current version. |
| | 2 | Copy of a completed UTILITY ALLOWANCE(S) , applicable for the year that was used to complete the Project Compliance Report. |
| D. ASSET MANAGEMENT | | |
| | 1 | Copy of Rent Rolls showing rent paid for each unit for each month during the year. |
| NON-PROFITS | | |
| | 2 | <i>If not already provided</i> , a copy of the Audited Financial Statement/Report for the property for the year. If your auditor automatically sends these, please include a statement to that effect noting the date it was sent OR will be sent. |
| | 3 | Copy of the Single Audit , <i>if applicable</i> for the year. If not applicable, please include a statement to that effect. |
| FOR-PROFITS | | |
| | 2 | Copy of Audited Financial Statement/Report for the property for the year, <i>if not already provided</i> . If your auditor automatically sends these, please include a statement to that effect noting the date it was sent OR will be sent. |
| E. INSPECTIONS | | |
| | 1 | Copy of any Inspection(s) of the HOME units completed during the year. |

APPENDIX J

I/We, being authorized representative of the owner, hereby certify that this report is presented in good faith and that the information is true, accurate and completed to the best of my/our knowledge.

Signed: _____

Printed Name: _____

Title: _____

Date: _____

| |
|--|
| PROJECT COMPLIANCE REPORT: RENTAL HOUSING form instructions. |
| Please list all households that occupied a HOME unit during the Calendar Year (Monitoring Year/Compliance Period) on a separate line as shown in the example. The example shows the Jones household lived in the HOME unit from October 1, 2008 to say March 30, 2010. Then, the Smith household moved into the HOME unit on May 1, 2010. By listing them on separate lines we are able to see who lived in the HOME unit during that year. |
| (1) Bldg & Unit No. |
| If more than one building in the project, list the building number and then the number of the unit that is to be the HOME assisted unit. If there is only one building, only the unit number needs to be listed. |
| (2) No. of BR's |
| List unit size by listing the number of bedrooms of unit the HOME assisted unit (SRO, efficiency, 1 BR, 2, BR, etc.). |
| (3) LOW or HIGH |
| List if the HOME unit is designated as a LOW HOME unit or a HIGH HOME unit. |
| (4) HOME Rent Limit |
| List the HOME limit in effect at the beginning of calendar year (Monitoring Year/Compliance Period) |
| (5) Tenant Name |
| List the initial of the first name and last name of the head of the household. (J. Jones) |
| (6) No. of HH Members |
| List the size of the household at the last certification. |
| (7) Move-in Date |
| List the date the household moved into the HOME unit. |
| (8) Date of Last Income Certification |
| List the effective date of the households last income certification (either by third party or the Tenant Income Certification) |
| (9) HH's Annual Gross Income |
| List the gross annual income of the household at the time of initial occupancy or their last recertification. Gross income is all anticipated income before any deductions. |
| (10) Monthly Contract/Lease Rent |
| Amount of rent paid by the household. If they do not have a rental subsidy this will be the same as the lease/contract rent listed on the Lease. |
| (11) Subsidy Amount (if any) |
| Amount of rent paid on behalf of the household by a housing authority/agency (Section 8, S+C, Bridges, etc.). If the household is not receiving a subsidy then put in a zero. |
| Note: Tenant paid rent plus any subsidy amount should be equal to the amount of the lease/contract rent listed on the signed lease with the household. |
| (12) Utility Allowance |
| List the Utility Allowance for the unit size. Attach copy of the Utility Allowance used to show the breakdown of tenant paid utilities. |
| (13) Gross Rent |
| (10) Tenant Rent + (11) Subsidy + (12) Utility Allowance = Gross Rent |
| Note: Gross Rent cannot be more than the (HIGH or LOW) HOME limit for the unit. |

INCOME LIMITS
(Effective June 6, 2016)

| | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person | 6 Person | 7 Person | 8 Person |
|------------|----------|----------|----------|----------|----------|----------|----------|----------|
| 30% | 18,050 | 20,600 | 23,200 | 25,750 | 27,850 | 29,900 | 31,950 | 34,000 |
| 50% | 30,050 | 34,350 | 38,650 | 42,900 | 46,350 | 49,800 | 53,200 | 56,650 |
| 60% | 36,060 | 41,220 | 46,380 | 51,480 | 55,620 | 59,760 | 63,840 | 67,980 |
| 80% | 46,000 | 52,600 | 59,150 | 65,700 | 71,000 | 76,250 | 81,500 | 86,750 |

MSA: Mpls/St. Paul Median Household Income decreased: \$85,800.

GROSS RENT LIMITS
(Effective June 6, 2016)

| | SRO | EFF/0 BR | 1BR | 2 BR | 3 BR | 4 BR | 5 BR | 6 BR |
|------------------|-----|----------|-----|-------|-------|-------|-------|-------|
| LOW HOME | 492 | 656 | 812 | 975 | 1,126 | 1,256 | 1,386 | 1,515 |
| HIGH HOME | 492 | 656 | 813 | 1,027 | 1,444 | 1,681 | 1,837 | 1,992 |

- **LOW HOME** rents are the **lesser** of the Fair Market Rent or the 50% rent limit. Units must be occupied by households with gross annual incomes that do not exceed 50% of area median income.
- **HIGH HOME** rents are the **lesser** of the Fair Market Rent or the 65% rent limit. Units must be occupied by households with gross annual incomes that do not exceed 60% of area median income.
- Limit for Single Room Occupancy (SRO) units -- most will be 75% of the FMR Efficiency limit (Efficiency/0 BR) \$656 x 75% = \$492
- Limits in **RED** have decreased, limits in **BLUE** have increased and limits in **BLACK** stayed the same

FOR INFORMATION ONLY:

| | Efficiency | 1 Bedroom | 2 Bedroom | 3 Bedroom | 4 Bedroom | 5 Bedroom | 6 Bedroom |
|------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Fair Market Rent (FMR) | 656 | 813 | 1,027 | 1,444 | 1,693 | 1,947 | 2,201 |
| 50% Rent Limit | 758 | 812 | 975 | 1,126 | 1,256 | 1,386 | 1,515 |
| 65% Rent Limit | 1,030 | 1,105 | 1,328 | 1,525 | 1,681 | 1,937 | 1,992 |

MAXIMUM PER UNIT SUBSIDY LIMIT
(Effective December, 2015)

| SRO | Efficiency | 1 Bedroom | 2 Bedroom | 3 Bedroom | 4 Bedroom |
|---------|------------|-----------|-----------|-----------|-----------|
| 105,080 | 140,107 | 160,615 | 195,304 | 252,662 | 277,344 |

MAXIMUM VALUE LIMITS FOR HOMEOWNERSHIP ACTIVITIES
(Effective April 1, 2016)

| | 1-Family and Condominium Units | 2-Family | 3-Family | 4-Family |
|------------------|--------------------------------|-----------|-----------|-----------|
| NEW construction | \$228,000 | \$292,000 | \$353,000 | \$438,000 |
| Existing | \$221,000 | \$283,000 | \$342,000 | \$424,000 |



**Hennepin Housing Consortium
HOME Investment Partnership Program
COMPLIANCE GUIDE**