

---

## SONOMA COUNTY COMMUNITY DEVELOPMENT COMMISSION

### HOME INVESTMENT PARTNERSHIPS PROGRAM POLICIES

---

The Cranston-Gonzalez National Affordable Housing Act created the HOME Investment Partnership (HOME) Program in 1990. The HOME Program provides funding to local jurisdictions for the purpose of increasing the stock of housing affordable to very low- and low-income households. In 1991, the United States Department of Housing and Urban Development (HUD) designated Sonoma County a Participating Jurisdiction under the HOME Program. The County's Community Development Commission is the designated local administrative body for the Program.

#### **A. LOCAL HOME PRIORITIES**

Consistent with the goals and objectives of the County's Consolidated Plan, the Commission seeks to address the disparity between market rents and incomes through the prioritized use of HOME Program funds to provide rental assistance to occupants of existing units and to develop new rental housing units which will have below-market rate rents affordable to the County's low and very low-income residents. Another priority use is to preserve and maintain existing affordable rental housing stock through extending the term of affordability or rehabilitating rental housing complexes in sub-standard condition.

The American Dream Downpayment Initiative (ADDI) is a new federal program administered by HUD and signed into law on December 16, 2003. The program was created to assist low-income first-time homebuyers in purchasing single-family homes by providing funds for downpayment, closing costs, and rehabilitation carried out in conjunction with the assisted home purchase. The new ADDI program was funded by "carving-out" a portion of HOME funds for this purpose. While the ADDI program is therefore related to HOME funds, it is a separate program and not subject to these policies.

#### **B. PROJECT ELIGIBILITY**

The County will use HOME Program funds to assist the following types of projects:

##### **1. Tenant-Based Rental Assistance (TBA):**

HOME funds will be used by the Sonoma County Housing Authority to provide rental assistance for households residing in emergency or transitional shelters that have obtained supportive services that will enable them to become self-sufficient, for persons with disabilities who have obtained supportive services, and for senior citizens. HOME TBA funds also shall be used to assist persons displaced due to locally declared disasters.

## 2. Rental Housing Development and Preservation:

- a) Development hard costs including construction, energy-related requirements, disabled accessibility, demolition, site improvements.
- b) Development impact fees that are charged for all projects within a jurisdiction.
- c) Site acquisition. Funds for direct site acquisition will not be provided if the purchase price exceeds the documented “reasonable cost” of the real property value. As defined in OMB Circulars A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and A-122, *Cost Principles for Non-Profit Organizations*, “A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.”
- d) Acquisition of existing rental housing, with or without accompanying rehabilitation.
- e) Refinancing of an existing loan that financed a HOME-eligible expense and the HOME funding and its purpose are part of the project’s original financing plan presented to the Commission.
- f) Relocation expenses are an eligible use of funds. However, projects requiring permanent displacement of families, individuals and/or businesses must comply with the Sonoma County Residential Anti-displacement and Relocation Assistance Plan.
- g) HOME Program funds may not be used to finance predevelopment expenses
- h) Projects that in conflict with the Sonoma County Residential Anti-displacement and Relocation Assistance Plan will be deemed ineligible for funding.(note: environmental impacts covered thoroughly under G.5, general statement not needed here)
- i) All proposals for rental housing development or preservation must demonstrate site control at the time HOME funding is made available to the County by HUD (generally August of the new fiscal year). An executed long-term lease, option or purchase agreement or equivalent, legally enforceable instrument may satisfy this requirement. If site control is not in force at the time HUD makes HOME funds available to the County, the funding approval will be rescinded and the HOME funds will be reprogrammed for use on a contingency project recommended and approved for funding under Section G, Funding Selection Process. HOME funds are not available to pay holding or option costs.
- j) General administration expenses are not eligible for funding.

- k) Operational support for approved Community Housing Development Organizations (CHDOs) is an eligible activity in an aggregate amount not to exceed \$50,000 and consistent with HOME federal regulations §92.208, §92.300(e), and §92.300(f).

**C. LOCAL CONSOLIDATED PLAN GOALS AND OBJECTIVES**

The County has established three core goals, one each in the areas of housing, homelessness and non-housing community development. These three goals express the County's intentions related to assisting extremely low-, low- and moderate-income residents.

- Homelessness: To promote new and existing day centers, emergency shelters, transitional housing facilities and services that will coordinate and improve the continuum of care system for homeless residents of Sonoma County.
- Housing: To increase the housing stock that is affordable, accessible and available to extremely low-, low-, and moderate-income residents of Sonoma County, including special needs subpopulations.
- Non-Housing Community Development: To assist in creating and/or replacing infrastructure systems, public facilities and non-housing services that meet the needs of the extremely low-, low- and moderate-income residents of Sonoma County, including the homeless and special needs subpopulations.

The County has established fourteen specific objectives, listed in Appendix A, to implement these three goals. The objectives make general statements about the activities that will be assisted with HOME funds during the 5-year period of the Sonoma County Consolidated Plan 2005.

Addressing one of the fourteen specific objectives is mandatory for a proposal to be eligible for HOME funding.

**D. REVIEW AND SELECTION CRITERIA**

The County will use the following criteria to evaluate rental development and acquisition applications for HOME Program funding. Application materials and advisory committee evaluation materials will reflect these criteria:

**1. The project will impact significantly on the identified problem.**

- Degree to which the project targets very low- and low-income families and special needs populations, the households given priority in the County's Consolidated Plan. The number of very low- and low-income persons and special needs populations to be served.
- Degree to which the number of assisted households exceeds the minimum HOME Program requirements.
- Degree to which the rents will be below the maximum rents allowed by the HOME Program regulations.

- Degree to which the proposed affordability period exceeds the minimum HOME Program requirements.

**2. The project will produce visible, permanent results in meeting the immediate needs of lower income persons.**

- Degree to which the project promotes greater choice of housing opportunity.
- Degree to which the project facilitates and furthers fair housing principles; specifically, full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, the Fair Housing Act, E.O. 11063 and HUD regulations issued pursuant thereto.

(note: displacement/relocation covered in B.2.h)

**3. The project will have joint funding from other sources.**

- Degree to which the project leverages other public and/or private funds and the level of firm commitments for those funds. Projects must avoid excessive public subsidy.
- Degree to which leveraged funds are eligible as “matching funds” under HOME regulations.

**4. The project will be complete and will have adequate provisions for long-range maintenance and operations.**

- Degree to which the development team has the capacity and experience to build the type of project proposed.
- Cost effectiveness of the project.
- Degree to which the project owner and/or its manager have the capacity to own and manage the type of project proposed.
- Degree to which there are financial provisions for long-term maintenance and operations.

**5. The project will proceed in a timely manner.**

- Project timeline: Reasonable expectation that a new construction project can begin construction within 12 months and complete construction within 24 months of the date of the funding commitment, and, for acquisition of existing housing, that the acquisition can reasonably be expected to occur within 6 months of the date of the funding.

**6. The Community Housing Development Organization (CHDO) demonstrates progress in the area of capacity development.**

- Degree to which a CHDO, which has previously received HOME funds, is actively following a plan to become an independent, fully functioning housing development entity.
- Degree to which a CHDO which is requesting HOME funds for the first time demonstrates that it has a plan to become an independent, fully-functioning housing development entity.

**7. Funding preference for non-profit developers.**

- Pursuant to the current Sonoma County Housing Element, funding preference will be given to non-profit developers when it is practicable to do so.

**8. The applicant demonstrates the administrative capacity to complete the proposed project.**

- Degree to which the applicant demonstrates the capacity and expertise to carry out the project.
- Degree to which previously awarded grant funds were expended on eligible activities in a timely manner and in compliance with applicable policies, rules and regulations.
- Subrecipients have 30 months from July 1 of the award year or, for contingency projects, 30 months from the date of the written notice of funding availability, to commit AND disburse HOME funds. Subrecipients that have projects with unexpended funds beyond 30 months (from a previous CDBG or HOME award) will not be eligible for funding consideration. Special circumstances (for example, a substantial level of CDBG/HOME funds expended for the project, funds to be disbursed pending completion of a previously executed construction contract, or a delay caused by a natural disaster) will be considered before a determination of ineligibility is made.
- Degree to which work products, Board of Director's meeting minutes, reports and reimbursement requests from previous awards were submitted in a complete and timely manner.
- Degree to which new applicants demonstrate a record of administrative and programmatic capacity using federal, state, local and private grant funds from other sources.

**E. MATCH REQUIREMENTS**

Per federal regulation, the expenditure of HOME funds will accrue a match obligation equal to 25% of the amount of the HOME funds expended. The Commission looks to each project receiving HOME funds to generate eligible match funds. The match obligation must be satisfied during the same fiscal year in which the HOME funds are expended.

Typical sources of match can include:

1. Grants from a non-federal source, except developer equity
2. Present value of the interest subsidy for loans made at rates below market.
3. Value of deferred, reduced or waived taxes, fees or charges.
4. Value of land or real property donated to a project except as disallowed under HOME regulations.
5. Cost of infrastructure improvements associated with HOME projects not paid for with federal resources.
6. The reasonable value of donated site improvements and construction materials not acquired with federal funds.
7. The reasonable rental value of the donated use of site preparation or construction equipment.
8. Value of project-specific donated or voluntary labor or professional services in connection with the provision of affordable housing.

Applicants should review with the Commission any proposed match source to determine its eligibility.

#### **F. AFFORDABILITY RESTRICTIONS**

The following provisions identify the minimum affordability requirements for each rental project. Projects that provide greater and/or longer affordability than the minimums shown will receive a higher priority.

##### **1. Income Limits:**

100% of the HOME funds will be used to assist units occupied by households earning no more than eighty percent (80%) of the Sonoma County median area income, adjusted by household size.

**HIGH HOME Units (as defined by HUD):** Initially, at least ninety percent (90%) of the households receiving rental assistance or occupying HOME-assisted rental units must earn sixty percent (60%) or less of the Sonoma County median area income, adjusted by household size. After the initial occupancy of each unit, the incomes of tenants residing in HIGH HOME units may increase to 80% of median area income, adjusted for household size.

**LOW HOME Units (as defined by HUD):** At least twenty percent (20%) of the HOME-assisted units in a project with 5 or more HOME-assisted rental units must be occupied

by households earning fifty percent (50%) or less of the Sonoma County median area income, adjusted by household size.

**2. Project Rent Limits:**

HIGH HOME Units: The rents cannot exceed the low-income rents that HUD establishes for Sonoma County's HOME Program (30% of 65% of median income).

LOW HOME Units: The rents cannot exceed the very low-income rents that HUD establishes for Sonoma County's HOME Program (30% of 50% of median income).

See Appendix B for a listing of current LOW and HIGH HOME rents as established by HUD.

**3. Term of Affordability:**

Upon completion or acquisition of a rental housing project, the HOME-assisted units must remain affordable for the longer of thirty (30) years or the longest affordability term required by other financing in the project. In no case shall the period of affordability be less than the original term of the HOME loan.

**4. Loan Documents:**

The HOME funds are made available to a housing development in the form of a secured loan. The Commission will execute a CDC Funding Agreement with the loan recipient as well as a HOME Loan Agreement, Promissory Note, Deed of Trust and Rider to the Deed of Trust to secure the loan and ensure that the HOME Program requirements are met.

**G. ADDITIONAL REQUIREMENTS AND FUNDING CONDITIONS**

**1. Level of HOME Investment**

The minimum total amount of HOME funds invested in any one project will be \$1,000 times the number of HOME-assisted units in the project, consistent with HOME regulations. The maximum total amount of HOME funds invested in any one project is the minimal amount required to make the project economically feasible and consistent with applicable HUD requirements.

**2. Loan Terms**

The Commission will invest the HOME funds in the form of a deferred payment, 3% simple-interest loan secured against the property. The term of the deferred loan will be minimally the longer of thirty (30) years or the longest term of any financing which is senior in lien position to the HOME loan. The HOME loan may be consolidated with previous Commission loans secured by the same property and may be subordinate in lien position to other loans securing project financing in amounts greater than the

combined total of all HOME and other Commission assistance to the project. Upon completion of the project, HOME loans must be fully secured by the post-completion value of the property.

The Commission shall have the option of requiring any excess cash flow from the completed project to be used to: 1) fund a replacement reserve fund for the project, 2) reduce rent levels for the project's units, and/or 3) repay all or a portion of the Commission's loan to the project.

The Commission may close escrow on HOME loans for site acquisition, demolition and relocation costs prior to the commitment of all funds necessary to complete the development. The Commission may close escrow on HOME loans for site improvements, development fees, construction and similar construction-related purposes only after all land use approvals have been received and all construction funds and permanent financing have been committed as evidenced by written letters of commitment, local jurisdiction resolutions, or other equivalent documentation.

The Commission will prepare and submit the Commission's standard, HOME loan documents to escrow at no charge to the borrower. The Commission will charge the borrower for the actual costs incurred, including but not limited to Commission staff and County legal counsel time, for the review and/or preparation of documents related to requests for subordination, modification and/or assignment of the HOME loan or other modifications of HOME loan documents.

The Commission will consider alternate loan terms that the applicant may request for coordination with other sources of project financing. On a case-by-case basis, the Commission staff may approve requests to assign the CDC Funding and Loan Agreements and loan to a partnership or other assignee in compliance with HUD regulations.

### **3. Timely Execution of Developer Agreement**

If a housing development project receiving an award of funds for a fiscal year fails to satisfy all pre-requisites to execution of the CDC Funding Agreement within 12 months of the beginning of the fiscal year, the HOME funds shall be reprogrammed to a contingency project. If the contingency project fails to satisfy all pre-requisites to execution of the HOME Development Agreement within 12 months of the date on which written notice of funding availability is provided to the developer, the HOME funds shall be reprogrammed to the Tenant-Based Rental Assistance Program.

### **4. Compliance with County and City General Plans**

Proposed projects that require land use approvals must be consistent with the General Plan of the jurisdiction in which they are located in order to meet the goals and objectives of the jurisdiction. A certification of the project's consistency with the applicable General Plan, signed by an authorized representative of the jurisdiction, must be submitted with the proposed project application.

## **5. Environmental Conditions**

HOME funding awards that have been approved by the Board of Supervisors cannot be funded until certain federal environmental and contract compliance conditions have been met. All projects that comprise a component of a larger project, such as site acquisition for a housing development project, shall complete the environmental review process required for the completed larger project.

Environmental clearance work for National Environmental Policy Act (NEPA) defined categorically excluded with no ground-disturbing activities and exempt projects may be performed by Commission staff. Actual Environmental Assessments will be performed by qualified contractors. Prior to applying for HOME funding, contact should be made with Commission staff in order to determine the level of environmental review that will be required.

NEPA-compliant environmental reviews of those projects requiring an Environmental Impact Statement (EIS) or detailed Environmental Assessment (EA), those which are located in the 100 year floodplain where an extensive eight step environmental procedure is required, and those involving ground-disturbing activities or historic buildings or sites, are the responsibility of the developer. The cost of this work, including the costs of hiring consultants, publication and printing, must be included in the proposed project budget. The developer must provide the Commission with documentation verifying the satisfaction of the mitigation measures described in the EIS, EA or Statutory Worksheet.

The Commission will be responsible for the publication of a Finding of No Significant Impact (FONSI) and will bear the costs for publication of the FONSI.

The project also must receive local environmental clearance in accordance with the requirements of the California Environmental Quality Act (CEQA). The developer must submit a copy of the CEQA clearance to the Commission.

## **6. Building Standards**

Housing development projects must be built and maintained in compliance with all applicable federal, state and local codes, standards and ordinances.

All capital proposals that include building construction or substantial rehabilitation shall include a "Green Design" self-score using the criteria and methodology set forth by the Sonoma County Waste Management Green Building Guidelines or other substitute methodologies as directed by Commission staff. The funding application form provided by the Commission will identify the criteria in use for any given fiscal year. The reviewing bodies will use the "Green Score" in considering funding allocations but there will not be a required minimum threshold score for determining eligibility.

## 7. Other Federal Requirements

Additionally, the HOME Program requires participants to abide by regulations regarding excessive federal subsidy layering, accounting and auditing practices, equal opportunity and fair housing, affirmative marketing, displacement, relocation and acquisition, labor standards, Minority/Women's Business Enterprises, the Economic Opportunities for Low- and Very Low-Income Persons "Section 3 Plan" (when applicable), accessibility and other property standards, lead-based paint, conflict of interest, debarment and suspension, flood insurance, and the Fire Administration Authorization Act of 1992. As required by Federal regulation, the County will require participants to provide documentation of compliance with these requirements.

## H. ALLOCATION OF FUNDS

### 1. Annual Allocation from HUD

HUD recognizes the County as the official HOME participating jurisdiction and charges the County with the administration of the program in accordance with federal statutes and regulations.

As locally determined, in order:

- to use HOME funds in the most efficient manner,
- to recognize the needs for rental assistance and new, preserved and rehabilitated rental housing in the unincorporated area and cities/town participating in the Urban County, and
- to administer the HOME program in accordance with HUD regulations to ensure the availability of future HOME funds,

The HOME funds will be allocated among types of projects in the following percentages (these are exclusive of federal American Dream Downpayment Initiatives (ADDI) program funds that are not subject to these policies):

Rental housing development, including both new development and the preservation of existing stock, in the unincorporated area and cities/town, as well as operational support for CHDO's. At least 15% of the HOME funds shall be awarded to Community Housing Development Organizations (CHDOs) for development and preservation of rental housing.	45%
Sonoma County Housing Authority Tenant Based Rental Assistance Program	45%
Program administration and operation of the HOME program	10%

If adequate eligible applications are not submitted to use the full amount of CHDO set-aside funds, the balance will roll over for use in the next fiscal year by a CHDO. If adequate eligible applications are not submitted to use the full amount of non-CHDO housing development funds, the balance will be used for the Sonoma County Housing Authority's TBA Program.

## **2. Program Income and Reprogrammed Funds**

The Community Development Commission will use ten percent (10%) of program income for program administration and operation of the HOME program. The remaining ninety percent (90%) of program income will be reallocated to designated contingency projects. If there are no unfunded contingency projects, program income/reprogrammed funds will be reallocated to the Sonoma County Housing Authority's TBA Program. In any event, CHDO Set-Aside funds may only be reprogrammed to eligible CHDO projects.

**See Appendix A for details on the funding selection process. (*note: same Appendix A as is included in FESG policy document*)**

### **I. QUESTIONS?**

Additional information about the Sonoma County HOME Program may be obtained by contacting:

Sonoma County Community Development Commission  
Cindy Rich, Senior Community Development Specialist  
1440 Guerneville Road, Santa Rosa, CA. 95403  
phone 707-565-7537 ♦ fax 707-565-7557 ♦ crich@sonoma-county.org

**APPENDIX B**  
 (to be revised with March 2007 figures)  
**LOW AND HIGH HOME PROGRAM AFFORDABLE RENTS**  
**Effective March 2006**

<u>HIGH HOME RENTS</u>		<u>LOW HOME RENTS</u>	
<u>UNIT SIZE</u>	<u>MAXIMUM RENT*</u>	<u>UNIT SIZE</u>	<u>MAXIMUM RENT*</u>
Studio	\$ 749	Studio	\$657
1 Bedroom	\$ 885	1 Bedroom	\$704
2 Bedrooms	\$1,076	2 Bedrooms	\$845
3 Bedrooms	\$1,235	3 Bedrooms	\$976
4 Bedrooms	\$1,358	4 Bedrooms	\$1,088

\* HUD ESTABLISHED HOME MAXIMUM RENTS WILL BE REDUCED BY A UTILITY ALLOWANCE FOR ALL TENANT-PAID UTILITIES IN AN AMOUNT DETERMINED BY THE COMMISSION FOR CDBG-ASSISTED UNITS.

AS AN EXAMPLE, THE COMMISSION CALCULATED THE FOLLOWING AMOUNTS FOR TENANT PAYMENT OF GAS SPACE AND WATER HEATING AND GAS COOKING AND ELECTRIC LIGHTING IN AN APARTMENT UNIT:

Studio	\$31
1 Bedroom	\$41
2 Bedrooms	\$51
3 Bedrooms	\$59
4 Bedrooms	\$67