



Skagit County HOME Consortium
HOME Investment Partnership Program Policies and Procedures

December 2017

DRAFT

This page intentionally left blank.

DRAFT

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

I. INTRODUCTION

Program General Overview:

The HOME Program is designed to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing. The national objectives of the program are:

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

The Skagit County Consortium represents a unique HOME collaboration between three counties: Island, Skagit, and Whatcom. The Consortium enjoys the size and strength a regional approach provides while remaining flexible enough to meet local needs.

II. GENERAL PROGRAM REQUIREMENTS

1. Eligible Activities

a. Types of Activities:

At this time, Consortium HOME funds may be used to support affordable rental housing and homeownership affordability to low income households through:

- Acquisition and/or Development of Multifamily or Single-Family Housing
- Homeownership Downpayment Assistance
- Tenant Based Rental Assistance
- Community Housing and Development Organization (CHDO) Capacity and Development

2. Eligible Applicants

Public agencies, nonprofit organizations, and for-profit entities are all eligible to apply to the County for HOME funds. Fund recipients are classified into one of three categories.

1) Subrecipients

A subrecipient is a public agency or nonprofit housing service provider selected by the Skagit County Consortium to administer HOME Programs.

2) Developers, Owners, Sponsors

For-profit entities, housing authorities, nonprofit organizations, and CHDOs can receive HOME funds in the roles of developers, owners, and sponsors of eligible activities.

3) Community Housing Development Organizations (CHDO)

A CHDO is a private nonprofit organization which meets certain specific criteria, including having 1) IRS tax exempt status, 2) a mission/purpose related to housing and service to a low-income community, and 3) a board composition which includes one-third low-income residents or their representatives.

CHDO Set-aside

Federal HOME regulations require that at least 15% of the HOME allocation be set aside to fund projects to be developed, owned, or sponsored by CHDOs.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

Operating Funds for CHDO's

The County also has the option of using up to 5% of the HOME allocation to assist CHDOs with general operating costs.

The HOME Rule redefines “reservation of funds” to a CHDO as occurring when a PJ enters into a written agreement with the CHDO committing HOME funds to a specific project to be owned, developed, or sponsored by the CHDO.

A CHDO must have “effective project control” to qualify as a CHDO set-aside project, as a Sponsor or Developer of ownership housing.

- **Developer of housing for homeownership.** For HOME-assisted homebuyer projects, the housing is “developed” by the CHDO if it is the owner (in fee simple absolute) and developer of new housing that will be constructed or existing substandard housing that is owned or will be acquired by the CHDO for sale to low-income families, in accordance with §92.254. To be the “developer,” the CHDO must arrange financing for the project and be in sole charge of construction. As part of its set-aside funds, the CHDO can provide direct downpayment assistance to a buyer of the housing it has developed. In this event, the CHDO is not a subrecipient.

3. Distribution of Funding

Skagit County, as lead agency for the Consortium, distributes HOME funds within the boundaries of the County’s HOME Consortium area, and among different categories of housing need, according to the priorities of housing need identified in its approved Consolidated Plan.

Skagit County only invests HOME funds in eligible projects within the boundaries of Island, Whatcom, and Skagit Counties. Applications for Skagit County Consortium HOME funds are solicited every three years (subject to fund availability) through a Notice of Fund Availability (NOFA) process, and reviewed competitively. Before committing funds to a project, Skagit County will evaluate the project and will not invest any more HOME funds, in combination with other governmental assistance, than is necessary to provide affordable housing.

The competitive selection criteria for projects will be published at the time applications are solicited.

4. Matching Funds

The County is required to match at least 25% of the HOME funds that are spent on projects/programs. “Match” can be provided through cash, assets, services, labor, and other contributions of value to the County’s HOME program. Federal resources (i.e., CDBG funds) are not an eligible source of match.

Match does not have to be provided on a project-by-project basis. The match requirement applies to the expenditure of HOME funds on projects/programs in a given federal fiscal year (October 1 - September 30). Match is tracked on an ongoing basis using a HUD provided (form HUD for 40107). This information is monitored and maintained by the consortium. The Consortium will only commit HOME funds up to the percent that banked match will allow.

Eligible sources of matching funds include:

- Cash from a non-federal source
- Value of waived taxes, fees, or charges
- Value of donated land
- Cost of infrastructure improvements

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

- 25% to 50% (depending on the type of bonds) of the proceeds of government issued housing bonds provided as a loan to a project
- Value of donated materials, equipment, labor, or professional services
- Sweat equity
- Costs of supportive services for residents of HOME projects
- Cost of homebuyer counseling services. The County is responsible for calculating match credits and providing the required information to HUD.

5. Marketing and Outreach

Subrecipients must comply with the following:

All outreach efforts are to be performed in accordance with state and federal fair lending regulations to assure non-discriminatory treatment, outreach, and access to the Program.

Potential applicants will be informed of the program via flyers, public notices, local media articles, or meetings with Subrecipient staff. The marketing information will include basic eligibility requirements, a general description of the Program, and the appropriate Fair Housing logo.

The Subrecipient's marketing approach must address: (1) how the program will be announced (i.e., which media and other sources); (2) where applications will be taken (i.e., at one site or more); (3) when applications will be accepted (i.e., daily, during normal working hours or extended hours for a specified period); and (4) the method for taking applications (i.e., in person, by mail).

The Subrecipient must maintain a file containing all marketing efforts (i.e., copies of newspaper ads, memos of phone calls, copies of letter, etc.) The records, which help assess the results of these actions, must be available for inspection by the Consortium.

The Subrecipient also has an obligation to assure that information about the program reaches the broadest possible range of potentially qualified applicants.

To further fair housing objectives, the Subrecipient should identify those households that have been determined to be "least likely to apply," and determine what special outreach activities, including placing advertising in minority-specific media, will ensure that this population is fully informed about the program. The Subrecipient should work with the Consortium to assure that all marketing initiatives and materials adequately reflect the availability assistance types.

6. Conflict of interest

In the procurement of property and services by Subrecipients, the conflict of interest provisions in 24 CFR 85.36 and 24 CFR 84.42, respectively, apply. Any person who exercises or has exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may not have an interest in any contract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

Conflict of interest provisions apply to any person who is an employee, agent, consultant, officer, board member, loan committee member, elected official or appointed official of the participating jurisdiction or subrecipient that is receiving HOME funds.

CHDOs, as an owner/developers of this housing, shall ensure that officers, employees, agents or consultants will not occupy any HOME assisted affordable housing units in the project. This provision does not apply to an individual who receives HOME funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the CHDO who occupies a housing unit as the project manager or maintenance worker.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

The County may provide an exception to the provisions listed above on a case-by- case basis when the County determines that the exception will serve to further the purposes of the HOME program and the effective and efficient administration of the CHDO's HOME assisted project. In order for the County to provide this exception, the CHDO must make a written request and the County will make its determination based on the following factors:

- a. Whether the person receiving the benefit is a member of a group or class of low-income persons intended to be the beneficiaries of the assisted housing, and the exception will permit such person to receive generally the same interests or benefits as are being made available or provided to the group;
- b. Whether the person has withdrawn from his or her functions or responsibilities, or the decision-making process with respect to the specific assisted housing in question;
- c. Whether the tenant protection requirements of Section 92.53 are being observed;
- d. Whether the affirmative marketing requirements of Section 92.351 are being observed and followed; and
- e. Any other factor relevant to the County's determination, including the timing of the requested exception.

Subrecipients and developers must maintain a written code of standards of conduct that will govern the performance of its officers, employees, or agents engaged in the award and administration of contracts funded with Federal dollars.

7. Accessibility

Section 504 of the Rehabilitation Act of 1973 requires that a Subrecipients Program, when viewed in its entirety, is usable and accessible to persons with disabilities. The obligation to provide accessible units, in accordance with 24 CFR 8.22 and 8.23 is actually broader and would include the following:

All program activities, including public hearings, homebuyer briefings, counseling sessions and meetings should be held in locations that are accessible to persons with disabilities.

Information about all programs and activities should be disseminated in a manner that is accessible to persons with disabilities. Auxiliary aids and special communication systems should be used for program outreach, public hearings related to housing programs, and other program activities.

Reasonable steps should be taken to provide information about available accessible units to eligible persons with disabilities. Homebuyer projects are not required to produce accessible units but reasonable accommodations during the application process are required for any buyers with accessibility needs. Program advertising should acknowledge that the program will work with households with accessibility needs.

8. Non-discrimination

No person shall be excluded from participation in, denied the benefit of, or be subject to discrimination under any program or activity funded in whole or in part with HOME funds on the basis of religion or religious affiliation, age, race, color, creed, gender, sexual orientation, marital status, familial status, physical or mental disability, gender identity or expression of a person, national origin, or ancestry, or other arbitrary cause.

9. Business Enterprises Owned by Minorities, Women and Persons with Disabilities

The Skagit County Consortium encourages participation in the Homeownership Assistance Program by business enterprises owned by minorities, women, and persons with disabilities (M/W/D-BE). Contracts for the procurement of services in connection with HAP should be awarded to the maximum extent possible to M/W/D-

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

BE. Section 24 CFR 84.44(b) of the Uniform Administrative Requirements outlines recommended steps for achieving participation goals.

DRAFT

III. Project Specific Policies and Procedures

Tenant Based Rental Assistance (TBRA)

The Tenant Based Rental Assistance (TBRA) Program provides targeted, very low-income households with utility, deposit, and rent costs for up to two years.

1. Eligible Activities and Costs

- a. Up to 24 months of rent assistance per household to help pay the costs of monthly rent and utilities. A household may continue to receive assistance following the initial 24 months, dependent on available funding.
- b. Security deposits, regardless of whether the household will be receiving rental assistance.
- c. Utility deposit assistance, **only** in conjunction with rental assistance.
- d. Project delivery costs, which specifically includes administrative time determining income eligibility.
- e. When HOME TBRA is combined with other subsidies, the HOME TBRA assistance may only be used as a supplement to further reduce the household rent payment to 30 percent of income.

2. Ineligible Activities

- a. Project-based rental assistance. Households must be free to use the assistance in any eligible unit.
- b. Rental assistance to a household already receiving rental assistance under another Federal program, or a state or local rental assistance program that reduces the tenant rent payment to 30% of income.
- c. Providing TBRA rental assistance for overnight or temporary shelter.
- d. Move-in costs and credit checks.
- e. Case management or support services.
- f. Utility deposits without rental assistance.
- g. Payment of rent arrearages.

3. Eligible Beneficiaries

The applicant must meet the following Criteria to be eligible for TBRA assistance. Subrecipients will be responsible for maintaining documentation of eligibility.

a. Income-Eligibility

1. Participating households must have an annual gross income that is below 50 percent of the median income for the area being served.
2. The Subrecipient must verify the income of the participating households before assistance is provided and must re-examine eligibility annually thereafter. Income limits are established by household size and revised annually by the Department of Housing and Urban Development (HUD).
3. The Subrecipient may elect to re-examine eligibility at any time if the household experiences changes in composition or income such that the household's subsidy benefit would be affected.
4. Annual Income is the gross amount of income that a household anticipates receiving during the coming 12 months. The Skagit County Consortium TBRA program uses the Section 8 definition of annual income. The full definition can be found at 24 CFR Part 5.609.
In order to be eligible for TBRA, an applicant's annual income must not exceed 50 percent of the median income of the Subrecipient's jurisdiction.
5. The Subrecipient must retain the income certification in the applicant file.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

b. Target Populations

This program targets households that are literally homeless or exhibit characteristics that make them highly vulnerable to becoming homeless. Persons within the target population shall be identified during a coordinated entry process.

c. Eligibility Verification and Documentation

1. Eligibility documentation must be dated within 6 months of the lease start date.
2. After the Subrecipient's initial eligibility determination, eligibility must be verified and documented at least annually by the subrecipient.
3. Subrecipients are required to examine at least two months of source documentation (e.g., wage statements, interest statements, or unemployment compensation documentation) when determining household income for all potential TBRA beneficiaries. A tax return is not an acceptable form of income documentation for the purposes of TBRA.
4. Income must be counted for all adult persons (18 and older) in the household, including nonrelated individuals.
5. Eligibility requirements other than income may be verified by the Subrecipient using the following four acceptable methods, in order of preference:
 - i. **Written:** The staff person gets third party written verification directly from the information source, i.e., employer, DSHS, Employment Security, etc.
 - ii. **Oral:** If verification is oral, the staff person must initiate the conversation, and document the conversation in the client file. This documentation should include the name, telephone number, and position/title of the third party, the date and time of the conversation, and the name and signature of the person requesting the verification.
 - iii. **Documented:** This type of verification is used when the information desired does not require verification by a third party, such as birth certificates, documentation from other agencies (with identifying marks or letterhead) or social security cards.
 - iv. **Self-Declared:** Client written statements or affidavits are acceptable only when other verifications are not available. Since this method is self-serving, it should be viewed with caution and accepted only as a last resort.
6. The Subrecipient shall verify homelessness per the following situations and documentation methods:

Situation	Documentation
Persons living on the street or in short-term emergency shelter	Information should be obtained to indicate that the participant is living on the street or in short-term emergency shelter. This may include names of organizations or outreach workers who have assisted them in the past, whether the client receives any general assistance checks and where the checks are delivered, or any other information regarding the participant's activities in the recent past that might provide documentation. If unable to verify that the person is living on the street or in short-term emergency shelter, the participant or a staff person may prepare a short written statement about the participant's previous living place. The participant should sign the statement and date it.
Persons coming from transitional housing for homeless persons	Obtain written verification from the transitional housing staff that the participant has been residing at the transitional housing facility. The verification should be signed and dated by the referring agency personnel. Also obtain written verification that the participant was living on the streets or in an emergency shelter prior to living in the transitional housing facility (see above for required documentation for emergency shelter), or was discharged from an institution or evicted from a private dwelling prior to living in the transitional housing and would have been homeless if not for the

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

	transitional housing (see below for required documentation for eviction from a private dwelling).
Persons being evicted from a private dwelling	<p>Obtain evidence of formal eviction notice indicating that the participant was being evicted within a week before receiving homeless assistance. Also obtain information on the participant's income and efforts made to obtain housing and why, without the homeless assistance, the participant would be living on the street or in an emergency shelter.</p> <p>If the participant's family is evicting, a statement describing the reason for eviction must be signed by the family member and dated. In other cases where there is no formal eviction process, persons are considered evicted when they are forced out of the dwelling unit by circumstances beyond their control. In those instances, obtain a signed and dated statement from the participant describing the situation. The Subrecipient must make efforts to confirm that these circumstances are true and have written verification describing the efforts and attesting to their validity. The verification should be signed and dated.</p>
Persons from a short-term stay (up to 30 consecutive days) in an institution who previously resided on the street or in an emergency shelter	Obtain written verification from the institution's staff that the participant has been residing in the institution for less than 31 days and information on the previous living situation. See above for guidance.
Persons being discharged from a longer stay in an institution	Obtain evidence from the institution's staff that the participant was being discharged within the week before receiving homeless assistance. Obtain information on the income of the participant, what efforts were made to obtain housing and why, without the homeless assistance, the participant would be living on the street or in an emergency shelter.
Persons fleeing domestic violence	Obtain written verification from the participant that he/she is fleeing a domestic violence situation. If a participant is unable to prepare verification, the grantee/recipient may prepare a written statement about the participant's previous living situation for the participant to sign and date.

4. Tenant Selection

- a. Tenants must be selected from the target population(s) identified in 3(B) of the previous section.
- b. Within the target population, Subrecipients will use a vulnerability index to prioritize applicants for selection.
 1. Subrecipients should not administer their TBRA program on a first come first serve basis.
- c. The Subrecipient's program cannot be administered in a manner that limits the opportunities of persons based on race, color, religion, sex, national origin, handicap, sexual orientation, gender identification, or familial status. A person selected for the TBRA may not be prohibited from applying for or participating in other available programs or forms of assistance for which he or she might qualify.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

5. Unit Selection Approval

a. Unit Type

Approved applicants may select units that are publicly or privately-owned. However, TBRA may not be provided to a family who proposes to rent a unit that receives project-based rental assistance through federal, state, or local programs, if the TBRA assistance would lower the household's rent and utility costs to less than 30% of the household income.

b. Rent Reasonableness

Units must rent for a reasonable amount, compared to rents charged for comparable, unassisted units. Subrecipients must document the basis of their rent reasonableness determinations, using the Rent Reasonableness Checklist and Certification form. Although documentation of three comparable units is preferable, in some rural areas this may be difficult or impossible. In these cases, comparable units from neighboring communities are acceptable if the rents are similar. Documentation of fewer than three units is also acceptable with a written explanation.

A rental lease must be disapproved if the rent is not reasonable, based on rents charged for comparable unassisted units.

c. Housing Quality Standards (HQS)

All units must meet Section 8 Housing Quality Standards (HQS). Inspections must be made at initial occupancy and annually during the length of assistance. A copy of the inspection must be retained in the client file.

If tenants are occupying a unit owned by the contractor, the unit must be inspected by a third party.

Units must comply with the Washington State Carbon Monoxide Alarm Laws (RCW 19.27.530 (2009) and Chapter 132 Laws of 2012 (SSB 6472)). Alarms must be located outside of each separate sleeping area, in the immediate vicinity of the bedroom and on each level of the residence. Single station carbon monoxide alarms must be listed as complying with UL 2034, and installed in accordance with code and the manufacturer's instructions. Combined CO and smoke alarms are permitted.

d. Lead Based Paint

1. HUD Lead Regulation 24 CFR Part 35, Subpart M, applies to the TBRA program. The regulation only applies to structures built before 1978 that house children under the age of six.
2. For TBRA programs receiving Skagit County HOME Consortium funds, assistance cannot be used for units older than 1978 when a child under the age of six will be present. The only exception is if the owner has the unit tested and fully abated prior to a lease agreement being signed. Documentation of the abatement from a certified lead abatement specialist should be attached to the unit inspection report and kept in the applicant file.
3. For all units built prior to 1978, whether a child under the age of six is present or not, the owner of the unit must disclose any knowledge of lead-based paint prior to a lease agreement being signed. A copy of this disclosure notice must be kept in the applicant file.

e. Occupancy Standards

1. Occupancy standards are used to determine the unit size for which the household is eligible and thus, the amount of assistance to be provided. Fair housing rules permit a household to select smaller units that do not create seriously crowded conditions. Participants may also select larger

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

units, but the Subrecipient is not required to increase the subsidy to cover the increased costs of a larger unit.

2. Subrecipients will use the Section 8 Housing Quality Standards (HQS) basic occupancy standard of two persons per living/sleeping area. This basic standard can be modified when a specific household composition or circumstance warrants the need to deviate from this standard.
3. In conjunction with the annual re-examination of income, the Subrecipient should re-examine the household's size and composition to determine whether the current unit is still suitable and appropriate.

6. Rent and Payment Standards

The following standards apply to all jurisdictions within the Skagit County HOME Consortium area except the City of Bellingham. All Subrecipients subsidizing households leasing units within the City of Bellingham must defer to City of Bellingham HOME TBRA policies and procedures.

a. Rent Standard

The rent standard is set at 100%-125% FMR for each County. This percent reflects the market dynamic for each county. The rent standard will be updated at least annually when HUD Publishes FMR data. This usually occurs late spring or early summer each year.

The Skagit County HOME Consortium may choose to review the rent standard more frequently to assure that limits remain appropriate for the Consortium area.

b. Payment Standard

The Skagit County HOME Consortium uses the Rent Standard for calculating the TBRA subsidy rather than using a separate payment standard. Utility allowances are deducted from the tenant portion of monthly rent.

- c. Subrecipients may exercise the option of recalculating beneficiary subsidies when rent standard updates are made available.

7. Calculating the Subsidy

The following calculation guidance applies to all jurisdictions within the Skagit County Consortium area except the City of Bellingham. All Subrecipients subsidizing households leasing units within the City of Bellingham must defer to City of Bellingham HOME TBRA policies and procedures.

- a. Subrecipients of Skagit County HOME Consortium funds must use a modified Rental Coupon Model to determine the household subsidy amount. While the Rental Coupon model assumes a fixed Subrecipient payment and flexible tenant payment, the HOME Consortium's calculations may result in variations in both the Subrecipient payment and household payment amounts depending on the utility allowance for a particular unit.
- b. The maximum subsidy is calculated by subtracting 30 percent of the participant's monthly-adjusted income from the rent standard.

The household pays the difference between the maximum subsidy and the gross rent for the unit, even if this amount is *more or less than 30 percent* of monthly-adjusted income. A minimum household payment of 10 percent of monthly gross income is still required.

Using this model, the rent charged by the owner must be reasonable but is not limited by the rent standard. The model offers the household flexibility in the percentage of income it contributes to housing costs, and in the cost of the unit selected.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures

DRAFT

1. If the household selects a unit with a gross rent that is less than the payment standard, the household will pay less than 30 percent of its adjusted income. In this instance the subsidy will be calculated as follows:
 - i. Tenant Payment Reduction = (Rent Standard – Gross Rent)
 - ii. Total Rent Subsidy = Gross Rent - [((Adjusted Monthly Income x .3) – Tenant Payment Reduction) - Utility Allowance]
2. If the household selects a unit with a gross rent that is more than the payment standard, the household will pay more than 30 percent of its adjusted income. In this instance the subsidy will be calculated as follows:
 - i. Tenant Payment Increase = (Gross Rent – Rent Standard)
 - ii. Total Rent Subsidy = Gross Rent - [((Adjusted Monthly Income x .3) + Tenant Payment Increase) - Utility Allowance]

Subrecipients must use a subsidy calculation worksheet to show tenant and program contributions. This calculation worksheet must be kept in the applicant file.

c. Adjusting for Tenant-Paid Utilities

The Subrecipient must consider how utilities will be paid. The household's contribution is intended to cover both rent and utilities. If all utilities are included in the rent, the household's entire contribution goes to the owner. However, this is rarely the case. Most households pay separately for at least some utilities. In such cases, the Subrecipient must determine how much of the household's contribution should go to pay utilities and how much to the owner.

Subrecipients should use the utility allowance model used for the Section 8 Program; this information should be available from your local housing authority. This model estimates the average cost of utilities for typical types of housing (single family, row house, apartment complex, etc.) and for various utilities (natural gas, propane, electricity, etc.). Utilities included in the schedule generally are those required for water/sewer, cooking, heating, lighting, and trash collection. Telephone, internet, and TV are not considered utilities for this purpose.

Subrecipients should reduce the tenant portion of the total rent (Adjusted Monthly Income x .3) by the utility allowance amount to calculate the Total Tenant Payment. Subrecipients should increase the subsidy by the value of the utility allowance to calculate the Total Rent Subsidy.

d. Access to Housing Waiver

The Skagit County HOME Consortium recognizes that some populations face unique difficulties in accessing affordable housing. Subrecipients may elect to waive the Tenant Payment Increase for units with gross rents in excess of the rent standard based on the following guidelines.

1. No more than 20% of a Subrecipient's leased units may be subject to the waiver.
2. Households eligible for the waiver must include at least one individual with documentation of at least one of the following characteristics:
 - i. Disability
 - ii. Behavioral Health Condition
 - iii. Substance Use Disorder
 - iv. Criminal Background
 - v. History of at Least One Eviction
3. The household must be able to demonstrate an inability to find suitable housing within 60 days of being assessed income eligible for HOME TBRA assistance.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

- i. Household must be able to document the housing search in compliance with Subrecipient’s policies and procedures.

8. Deposit Assistance

Deposits will be provided as grant. Subrecipients can decide to provide security and utility deposit assistance to eligible applicants. Security deposit payments may be made to the household or the owner; utility deposits to the household or the appropriate utility company.

a. Security Deposits

The amount of security deposit paid should be based landlord’s policies. However, the maximum amount of a security deposit is the equivalent of two months’ rent for the unit. Only the prospective tenant, not the owner, may apply for TBRA security deposit assistance.

b. Utility Deposits

Utility deposits must be in conjunction with rental assistance. Utility deposits may be paid for any of the tenant-paid utility services included on the utility allowance schedule. This includes fuel for cooking, heating and lighting (electric, gas, propane, etc.), water/sewer, and trash collection, if not provided as a city service, but does not include telephone, internet, or cable deposits.

9. Program Implementation

The following table summarizes the TBRA process from outreach to the beginning of payments. The Subrecipient is responsible for ensuring each of these steps are completed and documented appropriately.

Processing Steps
<p>AFFIRMATIVE MARKETING AND OUTREACH</p> <ul style="list-style-type: none"> • Publicly announce availability of TBRA: Outreach to prospective applicants & Outreach to prospective owners
<p>APPLICATION</p> <ul style="list-style-type: none"> • Accept application • Initial screening • Place apparently eligible applicants on waiting list Notify ineligible applicants
<p>ELIGIBILITY DETERMINATION</p> <ul style="list-style-type: none"> • Select households based upon preference. Preferences for prioritizing applicant must be clearly stated in the application. • Verify household preferences, composition, income • Notify ineligible applicants
<p>COUPON ISSUANCE</p> <ul style="list-style-type: none"> • Conduct briefing for coupon holders Issue coupon • Provide assistance to coupon holder during search
<p>REQUEST FOR UNIT APPROVAL</p> <ul style="list-style-type: none"> • Applicant/owner submits request • Subrecipient conducts HQS inspection • Subrecipient reviews owner lease

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

EXECUTION OF DOCUMENTS

- | |
|---|
| <ul style="list-style-type: none">• TBRA Rental Assistance Contract• TBRA Lease Addendum (with tenant/owner lease) |
|---|

PAYMENTS BEGIN

10. Program Administration

Execution of key program documents and the start of subsidy payments is the end of one important phase of TBRA, but only the beginning of another. For the full term of the TBRA contract, the Subrecipient has important operational responsibilities.

a. Annual HQS Unit Inspections

The TBRA Program regulation requires that all units assisted with TBRA funds meet Section 8 HQS. Each unit under contract must be inspected by the Subrecipient, at least annually, to assure that this requirement is met. Units may also be inspected as a result of housing quality complaints initiated by the owner or the tenant.

If a unit fails to pass in inspection, the owner may be given a reasonable period of time to correct the deficiencies. If the owner fails to make the needed corrections, the Subrecipient has several options. The Subrecipient may, with adequate notice to the owner and household, terminate the TBRA Rental Assistance Contract and require the household to move to another location in order to continue to receive assistance

Inspection documentation shall be retained in the client file.

b. Annual Eligibility Determinations

Each household's eligibility to participate in the program and its share of the rent must be confirmed annually. If a participating household's income exceeds the HUD Income Limit the household's assistance must be ended. In order to assure that the re-examination is completed on time and that adequate notice is given to both the owner and tenant of changes in the household's eligibility or share of the rent, the re-examination process should begin 60 – 90 days in advance of the household's one-year anniversary date.

Using the same basic procedures described in part 7A to determine the household's initial eligibility and share of the rent, the Subrecipient must re-verify household size, composition, and income. A Subrecipient will exclude, from annual income, certain increases in the income of a disabled member of families who receive TBRA assistance in order to further their economic self-sufficiency. These include annual income increases that result from:

- The employment of a family member who is a person with disabilities and who was previously unemployed for one or more years prior to employment.
- Increased earnings by a family member who is a person with disabilities during participation in any economic self-sufficiency or other job training program.

Annual income documentation shall be retained in the client file.

c. Processing Requests for Rent Increases

Typically, owners offer leases that specify the rent for one year. This means that, unless the Subrecipient has negotiated a two-year rent, most owners will request a rent increase at the end of the first year of the

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

contract. The Subrecipient must again determine that the proposed rent is reasonable in comparison to rents charged for comparable, unassisted units, and also that it is within any other limitations established in the Subrecipient's program.

d. Moves and Termination of Tenancy

Subrecipients should, at a minimum, require that owners comply with local tenant-landlord ordinances and may impose additional requirements.

TERMINATION: Agency must notify tenant in writing when terminating tenant assistance. Agency must follow landlord tenant rules of Washington State.

- End of Assistance Time Period: Provide notice in writing to tenant and landlord. If deposit assistance was provided at the beginning of the lease term, all returned deposits shall be belong to the tenant.
- Property Owner Termination: If a property owner terminates the tenancy through no fault of the tenant, and the tenant is still eligible for assistance, the Agency will work to find another unit. Any deposit assistance received at the beginning of the original lease term that is returned to the tenant must be applied to the new unit if assistance is continued.
- Tenant Caused Eviction: If tenant is evicted due to breaking the lease or participating in illegal activities, the agency is under no obligation to continue to provide rental assistance. If it is determined that the tenant may continue to receive assistance and is eligible to receive their security deposit back the returned deposit amount must be applied to the required deposits for the new unit.
- Tenant Moves: Tenant moves are accommodated only on rare instances such as family size, job change, unit not meeting annual HQS standards, or other extenuating circumstances that pose a threat to the tenant's health, safety, or wellbeing as documented by a case manager. Any deposit assistance received at the beginning of the original lease term that is returned to the tenant must be applied to the new unit if assistance is continued.

Notices of moves and Terminations of tenancy must be documented in writing and maintained in the tenant file. Acceptable forms of documentation include eviction letters issued by landlord, notice of lease ending, etc. Documentation should detail why the tenant is moving or tenancy is being terminated. All types of deposits may only be provided using HOME funds twice during a 12 month period per household.

e. Outreach and Success Rates

The Subrecipient should analyze participant success rates, and make use of the results to determine if aspects of program design could be changed to improve the success rate. For example, if most of those who fail to make use of the coupon are households requiring large units, it may be that the Subrecipient's payment standard for such units is too low. Similarly, if minority families disproportionately require time extensions in order to find acceptable units, the Subrecipient may need to increase marketing to potential owners and review the briefing process to ensure that all applicants are receiving high-quality information and know how to file fair housing complaints.

f. Administrative Efficiency

Subrecipients should review the length of time that various aspects of the TBRA program take, including the time between initial application and coupon issuance, and between coupon issuance and lease-up.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

11. Estimating the Contract Budget

a. Developing the TBRA Budget

Potential Subrecipients shall create a preliminary budget to be reviewed during the Notice of Fund Availability (NOFA) process. This preliminary budget shall include the amount of funding requested to administer the program. The funding request amount should be determined by the approximate number of households to be served and the average subsidy each household will receive.

12. Requirements and Administration

a. Subrecipient Eligibility

1. Eligible applicants are public housing authorities and nonprofit community-based organizations assisting households in areas throughout Island, Whatcom, and Skagit counties.
2. Applicants must have prior experience administering a tenant based rental assistance program, unless an experienced entity has agreed to mentor the applicant for the term of the contract.

b. Subrecipient Responsibilities

1. Administer the TBRA program in accordance with State and Federal rules and regulations
2. Submit all required reports and information to the County within specified timeframes;
3. Keep up-to-date on any program changes or revisions, and implement them;
4. Ensure all funds are spent according to the contract;
5. Retain all required documentation in program and client files.

c. Billing Procedures

Subrecipients must bill the Consortium on a monthly basis for reimbursement of allowable costs, using the TBRA Coupon Distribution form. Payment will be made upon receipt of all required documents and reports. In order to receive reimbursement, Subrecipients must also submit the TBRA Report on a monthly basis. Failure to submit a monthly invoice packet within a timely manner will result in delayed or withheld payment.

d. Financial Management Systems

The Subrecipient must maintain records that disclose all costs allowable for reimbursement.

e. Reports

The Subrecipient is responsible for submitting required reports by the dates due using required forms.

Report	Due Date
Quarterly Report	Due on the on the 15th of the month following the end of the quarter. The Subrecipient will be notified of changes in report due date.
TBRA Beneficiary Record	Monthly on the 15th of the month following provision of services. The Subrecipient will be notified of changes in report due date.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

f. Monitoring

The County will monitor TBRA Subrecipients through data and documentation collected in periodic program reports and periodic on-site monitoring. Subrecipients will also be subject to monitoring and evaluation by the U.S. Department of Housing and Urban Development.

g. Performance Measures

Subrecipients must perform services defined in the Subrecipient's TBRA Program Application (as updated) for the contract period, with amendments, if any; in accordance with all applicable laws, ordinances, codes, regulations, and policies of local, state, and federal governments. The Consortium reserves the right to modify the terms of the performance standards, measures, and outcomes by contract amendment at any time for the duration of the term of the contract.

1. Number of Households Served

Subrecipients must meet at least 90 percent of the number of households identified in their scope of work. If a Subrecipient fails to meet these goals, the Subrecipient shall submit a written explanation. The Consortium may accept the explanation and require the Subrecipient to submit a revised Scope of Work for the remainder of the current contract, or choose to reduce any future requests for funding.

2. Expenditures

The Consortium shall review the Subrecipient's expenditures as reported on the monthly TBRA invoices and compared to the Subrecipient's expenditure projections. If a Subrecipient fails to expend TBRA funds at the projected rate, the Subrecipient must submit a written explanation. The Consortium may accept the explanation and require an updated budget that reflects the Subrecipient's ability to spend down the grant before the end date stated on the contract, or choose to reduce any future requests for funding.

3. Unexpended Funds

The level of funds reduction for failure to meet performance standards, outcomes or expenditure projections shall be negotiated between the Consortium and the Subrecipient, with the Consortium retaining the authority to set the reduction level. Any unused funds will first be reallocated to other TBRA Subrecipients and then placed in the HOME General Fund for use all HOME programs.

4. Repayments

HOME TBRA funds used to assist households who do not meet the eligibility requirements, or to lease units where an inspection has not been completed, or the rent is not reasonable, must be repaid to the Consortium.

h. Environmental Review

Because the proposed project involves the provision of rental assistance to private landlords on behalf of tenants. It is exempt from the National Environmental Policy Act (NEPA) requirements of 24 CFR 58. There are no circumstances that require compliance with laws and authorities in 24 CFR 58.5; therefore, the project is found to be exempt pursuant to Section 58.34(a)(10). The County has certified that the proposed project is exempt from NEPA and SEPA requirements (RCW 43.21C.110).

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

- i. Changes to Guidelines: The Consortium may issue revised or new guidelines at any time. All Subrecipients will be notified of policy changes as they occur.

DRAFT

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

Home Ownership Assistance: (Downpayment Assistance)

The Skagit County Consortium will fund homebuyer assistance programs that provide first-time homebuyer financial assistance. The program is administered by participating non-profit agencies. It is the Subrecipient's responsibility to determine applicant eligibility and the amount of financial assistance as determined to be in compliance with HOME regulations. Subrecipients are also required to comply with all documentation and reporting requirements of 24 CFR Part 84. The following policies and procedures apply to any subrecipients' Home ownership assistance program that uses Consortium HOME funds.

Subrecipients must administer their homeownership assistance programs to qualified homebuyers under terms consistent with all applicable regulations and guidelines stated or referenced in this document.

1. Eligible Activities: Under the Home Ownership Assistance program subrecipients will use funds to assist eligible homebuyers with purchasing a HOME eligible single family property.

The minimum amount of HOME funds that must be invested in a project involving homeownership is \$1,000 per home. The maximum amount of HOME funds that can be invested into a homeownership project is 39,999.

a. Eligible Costs

- Downpayment assistance
- Financing fees
- Credit reports
- Title binders and insurance
- Surety fees
- Recordation fees, transactions taxes
- Legal and accounting fees, including cost certification
- Appraisals

b. Eligible Forms of Home Ownership:

- Fee simple title to the property
- Own a condominium
- Housing located on land owned by a community land trust, for at least 50 years
- Manufactured housing on a ground lease that is at least equal to the applicable affordability period.
- **Acquisition:** The housing must be acquired by a homebuyer whose family qualifies as a low-income family, and the housing must be the principal residence of the family throughout the period of affordability.

c. Homebuyer Eligibility

- a. First time home buyer: Applicant must not have owned a home during the previous 3 years prior to receiving federal funds excluding:
- A displaced homemaker who owned a home with his or her spouse or resided in a home owned by the spouse.
 - A single parent who owned a home with his or her spouse or resided in a home owned by the spouse

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

d. Income Limits

Total household income cannot exceed 80% of the area median income. For the purposes of the Homebuyers program income is defined using the IRS definition for adjusted gross income from form 1040.

- Adjusted gross income is defined as gross income minus adjustments to income. Adjustments to income may include but are not limited to medical expenses, student loan interest, moving expenses, and retirement account contributions.

e. Determining Income

Income eligibility shall be determined using the income for all persons over the age of 18 who reside at the home. All persons weather related or not related are considered household members for the purpose of income eligibility.

The subrecipient shall collect and retain appropriate income documentation, calculate the household income, and ensure household income does not exceed the current income limits. Suitable documents for determining income eligibility include:

- Verification of employment
- Third party verification of other income sources
- Income declaration statement
- Copies of most recent wage statements or salary earnings statement
- Subsidy checks

Tax returns are not acceptable documentation for determining income for the Home Ownership Assistance Program. A Program application form shall be used to collect information on household composition, income and source of income. The application form should also include a statement that states that all the information is complete and accurate above the applicant's signature. All documentation shall be dated within six months of receiving HOME assistance.

Subrecipients are required to certify in writing that the recipient of HOME funds meets the income eligibility criteria

f. Residency

All household members must be legal residents of the United States in order to receive Federal housing assistance. Residency status must be verified.

g. Property Eligibility

- Location: The property must be located inside Skagit, Whatcom, or Island County. Since the City of Bellingham administers its own HOME program, properties within the city limits of Bellingham are not eligible for Consortium HOME funds
- Home Characteristics: Existing housing that is acquired for homeownership must be meet standards of decent, safe, sanitary, and in good repair. At a minimum, the home must meet all applicable State and local housing quality standards and code requirements, a copy of the home inspection must be retained in the applicant file. The Seller must address any deficiencies to the home in meeting local building and health and safety standards noted by the inspector before the close of escrow. If the property cannot be brought into compliance with local building and health and safety standards, it cannot be purchased with HOME funds.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

The Skagit County Consortium does not provide the Homebuyer with funds for rehabilitation of the properties acquired under this Program; therefore, it is the Homebuyer(s) responsibility to be an informed buyer and to consider the home inspection prior to signing a contract with the Seller. The Homebuyer Assistance Program does not provide any ongoing or after closing assistance with the cost of repairing, maintaining, operating or owning a home.

- **Lead Based Paint:** Any home considered for purchase that was constructed prior to 1978 must comply with the current Federal lead-based paint requirements (24 CFR 35). Subrecipients will provide proper notification to participants prior to the purchase of a home older than 1978. All homes constructed prior to 1978 must undergo a visual assessment for lead-based hazards by a person who has taken the Visual Assessment course provided by HUD prior to home purchase. The home will also be inspected for defective paint surfaces by a qualified inspector as necessary to meet Federal requirements. If defective paint surfaces are found, the Seller must properly abate the painted surfaces or the home will not be eligible for purchase using HOME assistance. If lead mitigation and clearance costs are incurred, the seller will assume the costs. See the lead information pamphlet for more information
- **Environmental Review:** The property must not be located within a FEMA designated Special Flood Hazard Area or Civil Airport's Runway Clear Zone, Approach Protection Zone or a Military Installation's Clear Zone. An environmental review will be conducted by Skagit County to verify the location of the property relative to these areas. Once a property has been selected the address will be sent to Skagit County to be reviewed for flood hazards and airport runway clear zones. If a property is found to be in a flood zone the subrecipient must provide proof of flood insurance and must disclose this information to the purchaser. If the property is found to be in an airport runway zone a disclosure must be signed by the seller and the purchaser.

h. **Maximum Purchase Price:**

The maximum purchase price for a home assisted with HOME funds is 95% of the area's median purchase price. HUD provides this information annually.

i. **Periods of affordability.**

When HOME funds are used to assist an income eligible buyer to purchase a home, the HOME-assisted housing must meet the affordability requirements for not less than the applicable period listed below:

- Less than 15,000- 5 years
- 15,000- 40,000- 10 years
- More than 40,000- 15 Years

j. **Homebuyer Program Guidelines for Resale**

RESALE POLICY

The Skagit HOME Consortium has elected to use a resale methodology for ensuring compliance with HUD homebuyer affordability requirements. The Consortium's resale policies and guidelines ensure that the HOME-assisted homes remain affordable and owner-occupied over the entire affordability period. Before each HOME-assisted home purchase, the resale restrictions and affordability period are set forth in a funding agreement and restrictive covenant. Upon sale of the property by the initial homebuyer during the period of affordability, the subsequent homebuyer must be an income-qualified household that will occupy the property as their principal residence. The initial homebuyer must receive net proceeds from the sale that represent a fair return on their investment.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

The Consortium has two types of homeownership programs to assist income-qualified homeowners or homebuyers:

1. Homeownership Assistance Program is designed to provide deferred loans and grants in projects that will lower the homebuyer's down payment and/or mortgage principal and/or monthly cost of homeownership for income-qualified households. The HOME financial assistance is a direct benefit to the homeowner household, where Consortium funding will assist a homebuyer's purchase of a home.
2. Homeownership Development Program is designed to provide financial assistance to a developer who agrees to sell homes to income-qualified homebuyers, resulting in a direct benefit to the homeowner households. In this case, HOME funding, known as "Development Subsidy," is provided directly to a developer to assist with or reduce development costs, when the developer agrees to sell homes to income-qualified homebuyers under terms that make the monthly cost of the home affordable to the homebuyer. These funds are not provided directly to the homebuyer, but are a "development subsidy" that enables the homes to be affordable to a low-income homebuyer. This includes HOME assistance that helps to close the gap between the cost of producing the home and the market value of the property (i.e., the development subsidy where the cost of development is higher than that market price of the home), but excludes any additional public funds that will reduce the purchase price from fair market value to an affordable price. When HOME funds are used for the cost of developing a property and the unit is sold below fair market value, the difference between the fair market value and the purchase price is considered to be the HOME subsidy.

Enforcement of Resale Provisions

The resale policy is enforced through the use of a Written Agreement and Restrictive Covenant signed by the homebuyer, and developer if applicable, at or before the closing of escrow account for the sale of the home. The Written Agreement and Restrictive Covenant will specify:

1. Affordability Period. The resale policy is enforced for the affordability period and is based on the total amount of HOME funds invested in the home. The typical affordability period for HOME-assisted home purchases is ten years (\$15,000 to \$40,000 of HOME funds) but may be five years if less than \$15,000 or fifteen years if more than \$40,000. If more than one type of funding is used to assist the homebuyer, the home may be subject to multiple affordability periods. Where multiple affordability periods exist in a home, resale of the home will be restricted to the longest period set forth in the Funding Agreement and Restrictive Covenant.
2. Initial Homebuyer Requirement. The initial homebuyer must occupy the home as their principal residence, and permanent sublease or renting is not allowable.
3. Subsequent Homebuyer Requirements and Reasonable Range of Low-Income Homebuyers. When sold, the home must be made affordable to a reasonable range of low-income households. Affordable is defined as a monthly housing cost for mortgage principal, interest, taxes and insurance of not more than 38% of the gross monthly income for a household between sixty percent (60%) and eighty percent (80%) percent of the area median income, adjusted for household size.

The initial homebuyer may not sell the home during the affordability period except in a manner that results in a subsequent homeowner who will occupy the home as their principal residence and whose household income is between sixty (60%) and eighty percent (80%) of area median income, adjusted for household size. To accomplish this, proceeds from the sale that exceed the fair return on

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

investment will be returned to the HOME account to be used to make the unit affordable for a subsequent homebuyer.

The Consortium will verify the subsequent buyer's income eligibility. To determine maximum purchase price paid by the subsequent homebuyer, the Consortium intends to use the HOME affordable homeownership limits for the area provided by HUD in accordance with 24 CFR 92.254(a)(2)(i).

4. Security. Any HOME funds invested in housing that does not meet the affordability and resale requirements must be repaid to the Consortium. The Consortium will secure its financial interest in the affordability requirements through a recorded Restrictive Covenant, a Recoverable Grant Agreement, a Deed of Trust and/or Promissory Note that will ensure repayment in the event that the affordability requirements are not met.

The affordability restrictions may terminate upon occurrence of any of the following termination events: foreclosure, transfer in lieu of foreclosure or assignment of an FHA insured mortgage to HUD. The participating jurisdiction may use purchase options, rights of first refusal or other preemptive rights to purchase the housing before foreclosure to preserve affordability.

In the event of foreclosure, the Consortium may be at risk of losing its HOME investment in the home and may be required to repay the funds to the HOME Investment Trust Fund Treasury account or the local Consortium account. In order to minimize the Consortium's risk for repayment in the event of foreclosure, the Consortium will adhere to the following policies:

- a. If the Consortium's HOME investment is a development subsidy, the Consortium will require the developer to provide other suitable security or assurance that the funds will be repaid to the Consortium.
- b. If the Consortium's HOME investment assists a homebuyer on property leased from a community land trust, the Consortium will require the community land trust to secure the HOME investment with a recorded Restrictive Covenant, Recoverable Grant Agreement, Deed of Trust and/or Promissory secured against the leased land.
- c. If the Consortium's HOME investment assists a homebuyer on property not leased from a community land trust, the Consortium will require the homebuyer to secure the HOME investment with a recorded Restrictive Covenant, Recoverable Grant Agreement, Deed of Trust and/or Promissory secured against the land.

In the event that the housing does not continue to be the principal residence of the family for the duration of the period of affordability, the housing can be made available for subsequent purchase only to a buyer whose family qualifies as a low-income family and will use the property as the family's principal residence.

5. Fair Return to Initial Buyer. A homeowner that sells HOME-assisted homes is provided a fair return on her/his investment. The homeowner that sells a home may receive from sale proceeds their original contribution (down payment), plus amounts paid towards mortgage principal, plus the value of any credit-eligible improvements paid by homeowner plus/less any agreed-upon appreciation/depreciation. The calculation is further described below:

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

- a. Cash downpayment. The amount of cash paid by the homebuyer to acquire the property.
- b. Amount paid to principal. The amount of cash paid by the homebuyer that is credited to principal on a mortgage on the property.
- c. Capital improvements. The addition of livable space (bedroom, bathroom, finished basement, finished attic space, porch or deck, the addition of a garage (either attached or detached)) shall be considered a Qualified Capital Improvement. In order to receive credit for a Qualified Capital Improvement, the homebuyer must submit to the Consortium (or leaseholder if a community land trust), prior to commencing construction, detailed plans, itemization of expected costs and permits for the proposed construction. The Consortium (and leaseholder if a community land trust) may agree to the scope of the proposed construction and timeline for completion, in addition to the future affordability of the improvements for subsequent resale to qualified low-income homebuyers. Fifty percent of the value of the qualified Capital Improvements that is agreed to in advance by the Consortium (or community land trust) shall qualify as Capital Improvement Credit.
- d. Capital Systems Replacement. For the purpose of qualifying as a Capital Systems Replacement, the roof, plumbing (excluding fixtures), foundation, electrical (excluding fixtures), heating, sewer line, insulation, or windows, shall be considered Capital Systems if at least fifty percent of the Capital System is replaced and the new Capital System has an expected life-span of at least thirty years. The addition of alternative energy production system(s) shall qualify for credit under this passage. In order to receive a credit for Capital Systems Replacement, the homeowner must consult with the Consortium (or community land trust) prior to replacing a Capital System, and an agreement must be reached between the homeowner and Consortium (or community land trust) regarding the scope and cost of the proposed replacement. The intention of this credit is to encourage and create incentives for homeowners to maintain the functionality of these systems and to increase the quality of energy efficiency, durability and ease of maintenance over time while simultaneously maintaining affordability. Provided all conditions of this paragraph and the agreement between the Consortium (or community land trust) and homeowner described herein are met, the following payment schedule shall apply:

If the home sale is less than 10 years from Capital System Replacement, 100 percent of the cost can be credited. If the home sale is between 10 and 20 years from Capital System Replacement, 50 percent of the cost can be credited. Replacement of less than fifty percent of any Capital System will be considered repair and the cost of such a repair will not be eligible for credit under this section.

- e. Appreciation/Depreciation. Skagit County uses the housing price index (HPI) calculator, provided by the Federal Housing Finance Agency, to achieve its dual goals of providing a fair return to the original homeowner/seller at resale and ensuring an affordable price to the incoming, low-income homebuyer. The calculator can be accessed at <https://www.fhfa.gov/datatools/tools/pages/hpi-calculator.aspx> using the Mount Vernon-Anacortes, WA MSA.

The resale formula stipulates that the homeowner, should they choose to sell, will be able to sell the home for the original price paid (not including the HOME subsidy at the time of

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

purchase) plus 25% of any increase in the combined value of the home and land based on the HPI during the time of ownership. Additionally, at resale, the homeowner is allowed to receive an equity “credit” for qualified capital improvements made, as follows: 100% of the increase in appraised value attributable to the addition of one (1) or more bedroom and one (1) or more bathroom and 50% of the actual cost for the work of other qualified capital improvements.

1. Fair Return at Resale Example. Following is an example of how the resale formula is designed to work, using hypothetical market conditions.

At initial purchase:

\$205,000.00	Market value of land and improvements, as determined by appraisal at initial purchase
<u>\$25,000.00</u>	HOME development subsidy
<u>\$180,000.00</u>	Purchase price of home paid by homebuyer

At resale, five (5) years later:

\$292,000.00	Market value of land and improvements, based on HPI calculator at time of resale
\$87,000.00	Increase in value of land and improvements from initial purchase to resale
25%	Homeowner’s percentage share of appreciation in value
\$21,750.00	Homeowner’s dollar value of appreciation per resale formula (\$87,000 x 25%=\$21,750)
\$2,500.00	Homeowner’s initial cash downpayment
\$4,500.00	Amount of principle paid by homeowner
\$7,500.00	Capital improvements (addition of garage after receiving prior approval)
<u>\$1,400.00</u>	Capital system replacement—replace water heater in the past year
<u>\$37,650.00</u>	Homeowner Fair Return on Investment

Sale to next buyer:

\$210,650.00	Purchase price paid by incoming low-income homebuyer: \$180,000.00 initial affordable purchase price) plus \$21,750.00 (paid to original homeowner as share of appreciation) plus \$8,900 (paid to original homeowner as a credit for capital improvements and replacement
--------------	--

In this example, the home is sold to an income-eligible household—a property that now has a Housing Price Index-calculated market value of \$292,000.00—for an affordable price of \$210,650 without requiring investment of additional affordability subsidies.

By using a market rate appraisal conducted by an independent, state-licensed appraiser to establish the value of the property prior to the initial purchase of the home, Skagit County follow the standard practice for all real estate purchase transactions. By using the Housing Price

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

Index to determine the value, upon notice of intent to sell by the homeowner, Skagit County ensures that the previous and prospective homeowners and the public have a transparent method of determining the home price. In this way, the market values are easily measured, professionally determined, and publicly accessible. No subjective judgments are made by Skagit County or the homeowner as to what constitutes value and how value is determined.

6. Resale Process. The homebuyer must notify the Consortium prior to offering the home for sale. The homebuyer will need to provide the Consortium with documentation of principal paid, capital improvements made, and capital systems replaced in order to help determine the homebuyer's fair return on investment. Within thirty days, the Consortium will provide a written response regarding the homeowner's fair return on investment.

Proceeds from the sale that exceed the fair return on investment will be returned to the HOME account to be used to make the unit affordable for a subsequent homebuyer.

Other Program Requirements: The subrecipient will follow written policies for:

- a. Underwriting standards for homeownership assistance requires that the Subrecipient evaluate housing debt and overall debt of the family, the appropriateness of the amount of assistance, monthly expenses of the family, assets available to acquire the housing, and financial resources to sustain homeownership.
- b. Subsidy Layering Review Guidelines: The Consortium must determine that no more than the necessary amount of HOME funds, (in combination with other governmental funds), are invested in homeownership projects. The procedure for making this determination is the layering review.

The layering review will be conducted for those projects which include state or other public funds. It will take place as part of the review of applications for funding and again at the time of funding commitment. The review will consider the sources and uses of funds proposed for a project, the reasonableness of project development costs, the proposed project operating costs, and the amount of cash flow generated over time.

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

- c. Homebuyer Counseling: All homebuyers receiving assistance must receive a homebuyer counseling from a HUD certified counselor. A copy of the certificate of completion shall be kept in the applicant file. A list of HUD certified counselors can be found at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=WA>
- d. Responsible lending, and Fair housing policies will be reviewed as part of the RFP application review process.

Program Administration

- a. Project Setup

A project setup is initiated when a Subrecipient's client selects a home. Setups will be initiated via e-mail to the Skagit County HOME Consortium. The subrecipient will provide the following:

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

- Agency award letter
- Copy of the completed application form used by the Subrecipient
- Income certification worksheet showing income calculation
- Environmental Review Request
- First two (2) pages of the appraisal
- Copy of the first page of the inspection
- Copy of residential purchase agreement
- Loan approval letter from lender
- Certificate of Completion for Homebuyer Counseling

b. Reimbursement

The Homebuyer Assistance Program is a reimbursement program. After the close of escrow the Subrecipient will compile a reimbursement packet to submit to the Skagit County Consortium for payment(s) of the assistance provided with HOME funds. A project completion reimbursement packet includes, at a minimum:

- Homebuyer checklist
- Appraisal
- HUD-1 Statement or similar
- Copy of check (if applicable)
- Copy of Home inspection
- Copy of signed disclosures if in airport hazard or flood hazard zone
- Copy of proof of flood insurance if in flood hazard zone
- Recorded Deed of Trust
- Copy of Ground Lease

Changes to Guidelines

The Consortium may issue revised or new guidelines at any time. All Subrecipients will be notified of policy changes as they occur.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

Community Housing Development Organization (CHDO)

As defined in 24 CFR Part 92.2. A Community Housing Development Organization (CHDO) is a private non-profit, community-based service organization that has significant capacity, and whose primary purpose is, to develop affordable housing for the community it serves.

HOME regulations require a 15% set-aside of the Skagit County HOME Consortium (herein referred to as Consortium) annual HOME allocation exclusively for qualified, eligible CHDO projects. Once an organization becomes a certified CHDO, it is eligible to take advantage of the HOME funds set-aside and financial support for a portion of the CHDO's operating expenses.

1. REQUIREMENTS FOR CHDO CERTIFICATION

In keeping with the U.S. Department of Housing and Urban Development (HUD), The Consortium has established eleven (11) criteria for becoming a certified CHDO:

- a. **Organized Under State/Local Law.** A nonprofit organization must show evidence in its Articles of Incorporation that it is organized under state or local law.
- b. **Nonprofit Status.** The organization must be conditionally designated or have a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986. A 501(c) certificate from the IRS must evidence the ruling.
- c. **Purpose or Mission.** Among its primary purposes, the organization must have the provision of providing housing that is affordable to low- and moderate-income people. This must be evidenced by a statement in the organization's Articles of Incorporation and/or Bylaws.
- d. **Board Structure.** The board of directors must be organized to contain no more than one-third representation from the public sector and a minimum of one-third representation from the low-income community.
- e. **Prohibition on For-Profit Control.** The organization may not be controlled by, nor receive directions from, individuals or entities seeking profit from or that will derive direct benefit from the organization.
- f. **No Individual Benefit.** No part of a CHDO's net earnings (profits) may benefit any members, founders, contributors, or individuals. This requirement must also be evidenced in the organization's Articles of Incorporation.
- g. **Clearly Defined Service Area.** The organization must have a clearly defined geographic service area outlined in its Articles of Incorporation and/or Bylaws. CHDOs may serve individual neighborhoods or large areas. However, while the organization may include an entire community in their service area (such as a city, town, village, county, or multi-county area), they may not include their entire state.
- h. **Low-Income Advisory Process.** A formal process must be developed and implemented for low-income program beneficiaries and low-income residents of the CHDO's service area to advise the CHDO in all of its decisions regarding the design, location, development and management of affordable housing projects.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

- i. Capacity/Experience. The key staff and board of directors must have demonstrated experience and capacity to carry out HOME-assisted projects in its service area. At least one paid staff member must have demonstrated development experience.
- j. Community Service. Organizations applying for CHDO certification must have a minimum of one year of related experience serving the community where it intends to develop affordable housing.
- k. Financial Accountability Standards. The organization must meet and adhere to the financial accountability standards as outlined in 24 CFR 84.21, "Standards for Financial Management Systems".

2. CHDO ORGANIZATIONAL STRUCTURE

The HOME Program establishes requirements for the organizational structure of a CHDO to ensure that the governing body of the organization is representative of the community it serves. These requirements are designed to ensure that the CHDO is capable of decisions and actions that address the community's needs without undue influence from external agendas.

There are four specific requirements related to the CHDO board of directors, which must be evidenced in the organization's Articles of Incorporation and/or Bylaws. These are:

- a. Low Income Representation. At least one-third of the organization's board must be representatives of the low-income community served by the CHDO. There are three ways a board member can meet the definition of a low-income representative:
 - The person lives in a low-income neighborhood where 51% or more of the residents are low-income. This person does not necessarily need to be low-income; or
 - The person is a low-income (below 80% area median income) resident of the community; or
 - The person was elected by a low-income neighborhood organization to serve on the CHDO board. The organization must be composed primarily of residents of the low-income neighborhood and its primary purpose must be to serve the interests of the neighborhood residents. Such organizations might include block groups, neighborhood associations, and neighborhood watch groups.

The CHDO is required to certify the status of low-income representatives.

- b. Public Sector Limitations. No more than one-third of the organization's board may be representatives of the public sector, including elected public officials, appointees of a public official or any employees. If a person qualifies as a low-income representative and a public sector representative, their role as a public sector representative supersedes their residency or income status. Therefore, this person counts toward the one-third public sector limitation.
- c. Low-Income Advisory Process. Input from the low-income community is not met solely by having low-income representation on the board. The CHDO must provide a formal process for low-income program beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing. The process must be described in writing

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

in the Articles of Incorporation and/or Bylaws. Each project undertaken by the CHDO should allow potential program beneficiaries to be involved and provide input on the entire project from project concept, design and site location to property management. One way to accomplish this requirement is to develop a project advisory committee for each project or community where a HOME assisted project will be developed. Proof of input from the low-income community will be required at the CHDO's annual recertification.

- d. For-Profit Limitations. If a CHDO is sponsored by a for-profit entity, the for-profit may not appoint more than one-third of the board. The board members appointed by the for-profit may not appoint the remaining two-third of the board members.

3. EXPERIENCE, CAPACITY AND FINANCIAL ACCOUNTABILITY REQUIREMENTS

To be certified as a CHDO, the HOME Program requires organizations to demonstrate sufficient experience, capacity, and financial accountability.

a. Experience and Capacity

CHDOs must demonstrate a history of serving the community where the HOME assisted housing will be located. The Consortium requires that organizations show a history of serving the community by providing:

- A statement that documents at least one (1) year of experience serving the community.
- For newly created organizations, provide a statement that the parent organization (if applicable) has at least one (1) year experience serving the community.

CHDOs must demonstrate that their key staff and board of directors have the **relevant** experience necessary to perform the HOME-assisted activities they plan to undertake. CHDOs must provide resumes and/or statements of key staff members that describe their experience in successfully completed projects similar to those proposed.

1. Requirements: The Consortium may not commit annual HOME funds to a CHDO for development activities unless the Consortium has determined that the CHDO has staff with demonstrated development experience. The Consortium must ensure that the current CHDO staff has experience developing projects of the same size, scope and level of complexity as the activities for which HOME funds are being committed. CHDO staff is defined as paid employees responsible for the day-to-day operations of the CHDO. Staff does not include volunteers, board members, or consultants (with the exception of consultants engaged during a CHDO's first year of operation).
2. Paid Staff: A person whose salary, payroll taxes, and unemployment insurance are paid by the organization and from whom the organization withholds payroll and income taxes is considered paid staff. Paid staff may be full or part-time depending on the needs of the project.
3. Use of Consultants: During the first year of a CHDO's operation, a consultant may be used to meet the staff requirement. However, the consultant must also train staff in housing development and management to ensure capacity is established after the first year.
4. Applicability to the Consortium Activities: This requirement applies to all commitments of

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

CHDO set-aside funds made from the Consortium's annual HOME allocation in which the CHDO is acting as the developer.

5. HUD Implementations: Any time the Consortium sub-grants HOME funds from its annual CHDO set-aside fund to a CHDO for a project, the Consortium will certify in IDIS that it has carefully evaluated the development capacity of the CHDO staff, and has determined that the CHDO staff has the knowledge, skills, and experience necessary to undertake eligible CHDO set-aside projects.

4. FINANCIAL ACCOUNTABILITY

CHDOs must have financial accountability standards that conform to the requirements detailed in 24CFR 82.21, "Standards for Financial Management Systems." This can be evidenced by:

- A notarized statement by the president or chief financial officer of the organization.
- Certification from a certified public accountant.
- Audit completed by CPA.

5. CHDO Service Area

A CHDO must have a clearly defined geographic service area:

- For urban areas, a CHDO may include in its service area a neighborhood or neighborhoods, city, county, or metropolitan area.
- For rural areas, a CHDO may include in its service area a neighborhood or neighborhoods, town, village, county or multi-county area (but not the entire State).

Nonprofits serving special populations *must also* define the geographic boundaries of their service areas in order to qualify as CHDOs. All HOME funded projects must be located within the Consortium.

CHDOs will be required to provide updates and documentation on how it is ensuring that it is active and visible in the communities included in its service area.

6. CHDO SET-ASIDE

HOME requirements (24 CFR Part 92.300) require the Consortium to set aside at least 15% of its annual HOME allocation for projects owned, developed or sponsored by CHDOs. A certified CHDO must serve as the owner, developer, or sponsor of a HOME-eligible project when using funds from the 15% CHDO set-aside. A CHDO may serve in one of these roles or it may undertake projects in which it combines roles, such as being both an owner and developer.

a. CHDO AS AN OWNER

A CHDO is considered an owner of a property when it holds valid legal title or has a long-term leasehold interest (99-year minimum). The CHDO may be an owner with one or more individuals, corporations, partnerships, or other legal entities.

While a CHDO may be sole owner and have another entity act as developer, it can also be the owner and developer of its own project. The CHDO may own a property in partnership with either a majority or minority interest. However, the CHDO, in partnership with a wholly owned for profit or nonprofit

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

subsidiary, must be the managing general partner with effective control (in decision making authority) of the project.

b. CHDO AS A DEVELOPER

A CHDO is considered a developer when it either owns the property and develops the project or has the contractual obligation to a property owner to develop a project.

If the CHDO owns the property: The CHDO must obtain financing and construct the project. For HOME-assisted homebuyer projects, the CHDO must transfer title to the property and the HOME obligations to an eligible homebuyer within a specified time frame of project completion.

If the CHDO does not own the property: The CHDO must be under a contractual obligation with the owner to obtain financing and construct the project. Under this arrangement, the CHDO assumes all risks and rewards associated with being the project developer. A written agreement between the CHDO and the property owner must detail the CHDO's specific obligations. For homebuyer housing, the owner must transfer title of the property and the HOME obligations to eligible homebuyers within a specified timeframe of project completion.

If the CHDO develops the property for an owner pursuant to a written or other agreement: The CHDO is acting in the capacity of a subrecipient. CHDOs receiving funds as subrecipients cannot use the funds from the 15% set-aside for that particular project or service.

c. CHDO AS A SPONSOR

A CHDO may be a sponsor for both HOME-assisted rental housing and homebuyer housing. A CHDO sponsor must always own the project prior to and/or during the development phase of the project.

For HOME-assisted homebuyer projects: The CHDO is considered a sponsor when it owns a property and then transfers responsibility for the project to another nonprofit at a specified time in the development process. The second nonprofit, in turn, transfers title, along with the HOME obligations and resale/recapture requirements, to a HOME-qualified homebuyer within a specified time frame. In this situation, the following requirements apply:

- The HOME funds must be invested in the property owned by the CHDO.
- The other nonprofit being sponsored by the CHDO must acquire the completed units or complete the construction of the property.

Upon completion of the rehabilitation or construction, the sponsored nonprofit is required to sell (transfer) the property, along with the HOME loan/grant obligations, to a qualified homebuyer.

d. `

The CHDO developer and sponsor roles are similar in many ways. In both roles, the CHDO carries out the principal project development activities, such as acquisition, financing, construction management, and assembling a capable development team to bring a project from conception to

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

completion. However, as developer, the CHDO need not own the property. As sponsor, the CHDO must own the property and shift the responsibility to another nonprofit at a specified time in the development process. This transfer could occur, for example, at the:

- Initiation of the construction,
- Completion of the construction, or
- Issuance of the certificate of occupancy.

7. ELIGIBLE AND INELIGIBLE USES OF HOME CHDO SET-ASIDE FUNDS

Eligible Activities - Owners, Sponsors, Developers

Using the 15% set-aside, a CHDO acting as an owner, sponsor, or developer may undertake any of the following activities:

- Acquisition of land (development must begin w/in 12 Months)
- New construction of homebuyer property;

Please note that to be considered a CHDO eligible project, CHDO set-aside funds must be used during the construction of the project.

8. OPERATING EXPENSES

From time to time, funds may be available to provide general operating assistance to CHDOs receiving or expected to receive CHDO set-aside funds for activities. When funds are available, certified CHDOs that are administering an eligible project funded from the CHDO set-aside may be eligible to receive funds to be used for operating expenses. The Consortium has the option of allocating up to 5% of its HOME allocation to provide funds for CHDO operating expenses. This allocation does not count toward the required 15% CHDO set-aside funds that are to be used by CHDOs for projects. The amount of operating funds awarded will be based on the following factors:

- The total amount of HOME funds the Consortium has available to allocate for reimbursable CHDO operating expenses;
- The anticipated completion date of current CHDO set-aside project(s); and
- The CHDO's past performance as a CHDO developer.

Operating funds will be provided based on availability and the CHDO's demonstrated acceptable performance. Although the disbursement of CHDO operating funds is not tied directly to the drawdown of the CHDO project funds, the Consortium will reserve the right to delay disbursement of operating funds if it is evident that the CHDO project is experiencing excessive delays.

The Consortium reserves the right to reduce the amount of, or not award, operating funds based upon its evaluation of the CHDO's production and overall performance.

Eligible operating expenses for which CHDOs may use operating funds include:

- Salaries, wages, benefits, and other employee compensation
- Employee education, training and travel
- Rent and utilities

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

- Communication costs
- Taxes and insurance
- Equipment, materials and supplies

Because the purpose of providing CHDO operating support is to nurture successful CHDOs and ensure their continued growth and success, the Consortium will periodically evaluate the performance of any CHDO wishing to receive CHDO operating funds.

9. Progress Reporting

To document its performance and eligibility to receive operating funds, the CHDO must provide quarterly progress reports coinciding with the quarterly draw requests for CHDO operating funds (the last progress report will be contained in the annual recertification). At its discretion, the Consortium may increase or reduce the number of reports required. The CHDO must use the quarterly progress report form provided by the Consortium and describe the following:

- The status of the currently funded CHDO project.
 - If the CHDO is not currently administering an eligible project, it must have a CHDO-eligible project in pre-development that will be submitted to the Consortium for funding within 12 months and be able to describe the intended project design and location. If the CHDO does not have an eligible project funded by the Consortium within that timeframe, operating support will not be awarded until an eligible project is funded.
- A detailed narrative of the specific uses of CHDO operating funds, as well as a description of what the receipt of operating funds has enabled the CHDO to undertake or accomplish that it would otherwise have been unable to achieve.
- An update on the CHDO's progress in meeting its Project completion goals
- The community involvement and participation of the CHDO, particularly with the intended beneficiaries of its projects, as well as partner organizations and other entities involved in serving low- and moderate-income households.
- The activities and involvement of the board of directors in the planning and development of the CHDO's projects.
- The ongoing development of its staff and board of directors; i.e., trainings completed, certifications achieved, recognition awarded, etc.

10. Additional Requirements

In order to be eligible to receive operating support, CHDOs must also meet the following requirements:

- Demonstrate incrementally increasing production goals and/or expansion of its services to the community.
- Provide a copy of its annual operating budget.
- Document that it has resolved any compliance findings on its CONSORTIUM funded projects in a timely manner. If a compliance finding is noted, it must be resolved before the next CHDO operating draw. The finding and resolution must be detailed in the quarterly progress report.

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

11. CHDO PROCEEDS/PROGRAM INCOME

Proceeds generated from the investment of CHDO set-aside funds in a HOME-eligible project and that are retained by the CHDO **are not** subject to the requirements of HOME regulations, *except in the event of repayment or recapture*. Therefore, CHDO proceeds have no federal identity and are not subject to lead-based paint requirements, the Davis-Bacon Act, Uniform Relocation Act, etc. Once CHDO proceeds are used, there is no further HOME requirements which must be met. **Funds generated from the use of CHDO proceeds are not CHDO proceeds.**

If a CHDO is acting as a subrecipient, the funds generated from HOME-assisted activities are program income and are subject to the Consortium program income requirements. In regard to administrative fees and CHDO proceeds, during the initial realization of CHDO proceeds, a CHDO may retain 10% for administrative costs. Thereafter, each time CHDO proceeds are realized, 20% may be retained for administrative purposes.

Unlike CHDO proceeds, program income earned for subrecipient projects never loses its federal identity and is always subject to HOME regulations. HOME funds that are a result of **repayment or recapture** are always considered program income, even if originally funded from the CHDO set-aside. **Repayment** occurs when a HOME-funded project, including CHDO set-aside, does not continue to be the principal residence of the HOME-assisted homebuyer for the full affordability period. No administrative fees may be retained on repaid or recaptured funds.

12. CHDO PROCUREMENT

As noted in HUD CPD Notice 97-11, CHDO organizations are not subject to the requirements of 24 CFR, Part 84 in regard to the procurement of goods and services. This exemption is only applicable to procurement associated with CHDO-eligible projects; CHDOs must follow appropriate procurement procedures compliant with Part 84 for its projects completed as a subrecipient.

13. EFFECTIVE PERIOD OF CHDO CERTIFICATION

CHDO status is determined at the time a CHDO eligible project is proposed. The certification will occur during the application review process for the application period applying. To ensure compliance with the HOME regulations, each CHDO will be required to submit an annual CHDO recertification request and all required attachments to the Consortium no later than 30 days prior to the end of the CHDO's current period of certification. The period of certification begins on the date that the written agreement between the CHDO and CONSORTIUM is executed. The request shall include, but is not limited to, a list of CHDO board of directors, as well as which sector each represents, and a description of how the low-income advisory process was implemented. If no HOME funds were used within the reporting period, a detailed description of all other affordable housing initiatives undertaken will be requested.

If the CHDO fails to submit the recertification packet, the CHDO will be decertified. Prior to awarding any CHDO funds, the status of the CHDO certification will be verified by the Consortium staff.

14. PROBATION/SUSPENSION

Should a Consortium-approved CHDO fail to achieve its stated objectives in using funds provided through the HOME Consortium; the Consortium may place the CHDO on probation. CHDOs on probation may not

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures
DRAFT

apply for new funds from the Consortium until their probationary status is lifted. The Consortium will provide any CHDO identified for probation with opportunity to respond in writing prior to placement on probation. The Consortium will provide notice in writing to the CHDO of placement on probation, as well as any subsequent decisions taken regarding the CHDO's probationary status.

The period of probation shall be determined by the Consortium, and will be re-evaluated annually. The factors that will be used to consider removal of a CHDO from probation are:

- a. Successful completion of any delinquent projects funded by the Consortium
- b. Demonstrated changes in the CHDO's policies or structure to address stated deficiencies.
- c. Overall responsiveness of the CHDO to the Consortium.
- d. Initiative taken to obtain technical assistance and training provided by HUD and/or the Consortium.

15. Changes to Guidelines

The Consortium may issue revised or new guidelines at any time. All Subrecipients will be notified of policy changes as they occur.