



Skagit County HOME Consortium HOME Investment Partnership Program Policies and Procedures Manual

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Major Revisions Since Previous (July 2019) Version

- General HOME Policies & Procedures
 - [Added Match Policies & Procedures](#)
 - [Added Violence Against Women Act Requirements](#)
 - [Updated Project Budget & Underwriting](#)
 - Updated [Conflict of Interest Regulation References](#)
 - [Updated Homebuyer Education & Counseling Requirements \(Effective 8/1/2020\)](#)
 - [Updated Section 3 Economic Opportunity](#)
- Added Section [VIII Homebuyer Assistance Policies](#)
- Added [Appendix B HOME Monitoring Plan and Procedures](#)
- Added [Appendix C Match Credit Report](#)
- Added [Appendix D Airport NEPA](#)

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I. INTRODUCTION

The Skagit County Consortium HOME Program

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

Purpose of Policies and Procedures:

- To provide a uniform guide to the administration of the Consortium HOME Program locally; while it conforms to federal rules and guidelines, it focuses primarily on locally crafted procedures
- To ensure that all Consortium stakeholders, including applicants for funding, local jurisdictions, and interested residents, have access to information about program administration
- To demonstrate to HUD that the HOME Program is administered in a way that is consistent with federal regulations and guidelines

Amendments to Policies and Procedures

As an administrative document, this Manual may be amended at any time with the approval of the Skagit County HOME Consortium Executive Advisory Committee. The latest version of this Manual will be distributed to key stakeholders prior to each funding cycle. The most recent copy may be found the [Skagit County Human Services Housing Website](#).

Principal Documents Governing the HOME Program

The HOME Program is administered in compliance with a complex structure of federal and local rules. The principal documents describing these rules, as well as the goals and performance of the Skagit HOME Consortium, are summarized in the table below.

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Authority	Documents	Description	Links
Federal	HOME regulations and guidance	Provides the binding rules (Code of Federal Regulations), agency guidance, and advice for the HOME program nationally	Comprehensive source for HOME policy guidance, including laws and regulations, CPD Notices, HOME <i>FACTS</i> , etc. Training materials on HOME Program
Consortium	Consolidated Plan	Required plan that contains needs assessment, housing market analysis, priorities, and strategies for use of HOME funds over the five-year period ending June 30, 2022	Available on the Skagit County Human Services Housing Website
Consortium	Analysis of Impediments to Fair Housing Choice	Required assessment of Fair Housing issues in the tri-county region and measures to address them	
Consortium	Action Plan	Time-specific goals and annual budget describing how the available HOME resources will be spent	
Consortium	CAPER	Annual performance report on the actual use of HOME funds and what was produced	
Consortium	Policies & Procedures Manual	Information and rules about the administration of the Consortium's HOME Program (this document)	

Contact Information

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II. CONSORTIUM GOVERNANCE

The Interlocal Cooperation Agreement establishes the following roles and responsibilities for the governance and administration of the HOME Program:

Role	Entity	Principal Duties
Lead Agency	Skagit County	Execute grant agreements and contracts (Board of County Commissioners), administer HOME program (staff), act as liaison with HUD, partner on public participation across Consortium region (staff), lead planning efforts (staff), draft program descriptions (staff), issue notices of funding availability (staff), monitor performance (staff), fulfill reporting requirements (staff), act as Responsible Entity for environmental review (staff), communicate with Members (staff)
Members	Skagit, Whatcom and Island counties and member municipalities (currently all except Bellingham) in those counties	Provide input on Consolidated Plan and Fair Housing Plan, cooperate with Lead Agency; may appoint representative to HOME Consortium Advisory Committee
HOME Consortium Advisory Committee	Each member may appoint a representative	Identify HOME priorities and activities, participate in development of Consolidated Plan, establish decision-making procedures for Consortium, recommend projects and programs for funding, provide advice on HOME program implementation, and collaborate on public participation

HOME Consortium Executive Advisory Committee (H-CEAC)

The HOME Consortium Executive Advisory Committee (H-CEAC) is constituted to undertake the duties of the HOME Consortium Advisory Committee. H-CEAC will be comprised of two representatives from each of the Member counties. Any other Member may petition H-CEAC for a seat on the H-CEAC. Said appointment is subject to the approval of H-CEAC. H-CEAC advises Lead Agency program staff and, as required, the Skagit County Board of County Commissioners.

Duties of H-CEAC County Representatives

H-CEAC representatives shall actively participate in advising Lead Agency staff regarding the administration of the HOME program. This responsibility includes timely responses to communications and regular participation at H-CEAC meetings. If representatives are unable to participate in a meeting, they may ask another person to participate on their behalf.

H-CEAC representatives should maintain frequent communication with their respective county/municipal decision-makers regarding HOME consortium policy setting and funding decisions. This ongoing dialogue should enable H-CEAC members to formally represent their organization's position on issues that may come before the committee. H-CEAC county representatives are also responsible for helping to communicate with and involve staff of municipal members and partner agencies within their county, including soliciting their advice as needed and keeping them informed of important program actions and deadlines that affect their jurisdictions.

Meetings of H-CEAC

The H-CEAC will meet as needed to advise the Lead Agency on the administration of the HOME Program. Regular meetings will be scheduled by Lead Agency staff, but any H-CEAC representative may request a meeting. Lead Agency staff will send out a meeting agenda to H-CEAC representatives prior to the meeting. Meetings may be conducted in person or electronically. When a formal vote is required, decisions will be determined by majority vote of H-CEAC representatives present after efforts have been made to address the concerns of those in the minority. Lead Agency staff will maintain summary notes (an annotated agenda) of meetings. The notes will document decisions made (votes) and other key information. These summary notes may be provided to any Consortium member or members of the public upon request.

Loan Review Board

Lead Agency staff will convene a Loan Review Board to review ranked development projects (Homeowner Housing Development and Rental Housing Acquisition or Development) and make a recommendation to H-CEAC regarding their financial feasibility and cost-reasonableness. The Loan Review Board will include public and private sector members with enough financial expertise to make said recommendations and to evaluate the risk associated with individual projects.

Recommendations for Awards of HOME Funds

An important responsibility of H-CEAC is to make recommendations to the Lead Agency about which projects and programs should receive HOME funding (HOME Activities). In general, the process to award funding will follow these protocols:

- The Consolidated Plan identifies needs and establishes broad priorities for funding.
- The Notice of Funding Availability (NOFA) may establish further parameters and priorities within categories consistent with the needs and priorities in the Consolidated Plan and the Consortium's history of expenditures.
- For ongoing or renewal activities, the Consortium may streamline its NOFA process. For example, the Consortium may elect to simplify NOFA requirements for TBRA renewal applications.
- Applications will be reviewed by H-CEAC and a recommendation made to Lead Agency staff and the Board of County Commissioners regarding funding awards. For development projects (Homeowner Housing Development and Rental Housing Acquisition or Development), the H-CEAC should rank projects and eliminate from eligibility those projects not responsive to the NOFA or clearly ineligible or infeasible.

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- As the Responsible Entity for environmental review, Skagit County may reject projects that could have an adverse effect on the environment and/or the health and safety of residents.
- Development projects recommended for funding by the H-CEAC shall be reviewed by the Loan Review Board for financial feasibility and cost-reasonableness. If a project is deemed infeasible, the Loan Review Board shall review the next highest ranked project and make a determination, until a feasible project is identified or there are no more projects to review. The Loan Review Board will notify Lead Agency staff and the H-CEAC of its recommendations.
- The H-CEAC shall make funding recommendations to the Lead Agency. The ultimate decision about funding shall be made by the Skagit County Board of Commissioners.
- If a development project to which funds have been allocated consistently fails to meet key deadlines or is otherwise determined by the H-CEAC as being infeasible at present, funds may be deallocated by the Lead Agency. H-CEAC shall recommend whether the funds should be awarded to the next-ranked project (subject to Loan Review Board review) or included in the next NOFA.

III. GENERAL HOME PROGRAM POLICIES & PROCEDURES

Eligible Activities

Consortium HOME funds may be used to support the following activities:

- [Tenant-Based Rental Assistance \(TBRA\)](#)
- [Development of Homeownership Housing](#)
- [Development or Acquisition of Rental Housing](#)
- [Community Housing and Development Organization \(CHDO\) Operating Support](#)
- [Homebuyer's Assistance Programs](#)

The NOFA will identify which of these activities may be funded in that particular funding cycle. All applications must be submitted in the format and with the information prescribed by the program or NOFA.

Eligible Applicants

Public agencies, nonprofit organizations, and for-profit entities are all eligible to apply for HOME funds. Fund recipients (hereafter called "Project Sponsors") are classified into one of three categories:

- Subrecipients: a subrecipient is a public agency or nonprofit housing service provider selected by the Skagit County Consortium to administer HOME Programs.
- 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.
- Community Housing Development Organizations ([CHDO](#)): a CHDO is a private nonprofit organization that meets certain criteria, including (1) IRS tax-exempt status, (2) a mission/purpose related to housing and service to a low-income community, and (3) a board composition that includes one-third low-income residents or their representatives.

Distribution of Funding

As lead agency for the Consortium, Skagit County distributes HOME funds within the boundaries of the HOME Consortium area and among different categories of housing need, according to the priorities of housing need identified in its approved Consolidated Plan. The Consortium only invests HOME funds in eligible projects within the boundaries of Island, Whatcom, and Skagit counties. Projects within the non-member City of Bellingham are generally ineligible for funding. Bellingham projects are eligible for capital funding in situations when funds would otherwise need to be returned to HUD due to a lack of eligible Consortium projects. Specific marketing and HUD match conditions must be met for these projects.

When funds are available, applications for Skagit County Consortium HOME funds are solicited through a 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. Additionally, Skagit County will not enter

into a contract on any project before all other sources of funding are secured. The competitive selection criteria for projects will be published at the time applications are solicited.

Matching Funds

One key requirement of the HOME program is the need to secure a 25% non-federal match (just under \$250,000 per year at current HOME funding levels). This can be provided in one of two ways: either direct cash contribution from the participants or in the form of “match credits.” Match credits involve a non-federal investment in a HOME-eligible activity. The percentage request of each Consortium member is based on a per capita calculation of the Consortium’s combined population.

Skagit County Responsibilities: In administering the regional Skagit HOME Consortium, Skagit County will prepare a consolidated annual Match Log and annual reports that demonstrates the source of match for each HOME-funded project or activity. This Match Log will be updated and shared quarterly so that successive reports will reflect match credits that have been applied to HOME-funded projects throughout the year. In addition, Skagit County will submit annual reports to HUD regarding match applied for each HOME-funded project or activity. This report will also be shared when submitted to HUD.

All Member Counties’ Responsibilities: Each member county, including Skagit County, will report to Skagit County HOME Consortium staff the eligible HOME match contributions on a quarterly basis, including carry-over credit balances, using a template provided by Skagit County (match template provided as [Appendix C](#)). By providing this information, each county certifies that the match shown is fully eligible to meet HOME match rules at 24 CFR § 92,218 – 221 (2018), has not been committed as match to another program or project, and that it and/or its subrecipients will maintain complete documentation sufficient to meet state and/or federal audit requirements along with the match report(s). Match contributions reports are due on or before the 20th of January, April, July, and October.

At the time of each quarterly report, each member county will provide financial documentation demonstrating expenditure of matching funds.

The HUD rules pertaining to match are quite flexible. In addition to cash match, the program also allows for match credits, wherein non-federal funds are used for programs or activities that are consistent with the HOME program. Eligible sources of match or match credit include:

- Cash or cash equivalents from a non-federal source
- Value of donated land or real property
- A percentage of the proceeds of housing bonds issued by state or local governments
- Value of donated materials, equipment, labor, and/or professional services
- Funds from any non-federal source expended on HOME-eligible projects or programs
- Waived fees normally charged to building development projects, such as impact fees, utility hook-up fees, building permit fees and similar

Housing expenditures that fulfill the same purpose as HOME-funded programs can be treated as a match credit as long as they are expended on HOME-eligible activities. For example, rental assistance from Department of Commerce Consolidated Homeless Grant program (Housing and Essential Needs,

specifically) will count as a match credit as it follows rules that are in harmony with HOME rental assistance rules.

One clear match-eligible example in Washington State is the Housing and Essential Needs (HEN) program — a component of the Consolidated Homeless Grant administered by Department of Commerce. The Consortium has determined that this is the optimal means of identifying match credit so that the HOME program can continue. The HEN program provides rental assistance and other assistance to low-income individuals that is in many respects comparable to the HOME rental assistance program. This Policy and Procedure is intended to identify where there are differences and how agencies involved in authorizing rental assistance under the HEN program can assist in the identification of eligible match credit.

Correctly Identifying HEN Funds to Qualify as HOME Match Credit

Please note that HEN funds can be applied to several expense categories that are not HOME eligible, such as essential needs items and transportation passes. Many of these HOME-ineligible categories are accounted for separately in the HEN program. For the purposes of this reporting of match credit, we are only targeting the rental assistance category of HEN, making the needed accounting less demanding. Table 1 illustrates the types of HEN assistance that, with some extra record keeping, can meet requirements as match eligible, and also those types which should not be reported as match.

Table 1 – HEN Match Credit Explanation Guide

Category	Rental Assistance Rules	HOME Rules	HEN Rules	Solution to Ensure HOME Match Credit Eligibility
RH	Income Verification	Required (Income verification must include source documentation)	Income limits meet HOME but documentation may not be sufficient	Add HUD Family Income Self Certification Form to recipient’s file. HEN file should include either a Self-Declaration of No Income for households with zero income or source documentation of Aged Blind and Disabled (ABD) income, such as benefits letter from DSHS
RH	Home Inspection	HQS documentation required	HEN permits 1 of 3 options: Housing Habitability Standards Form, Landlord Habitability Certification, or HUD HQS Form	HEN file must include HUD HQS Form to report rental assistance as HOME match
RH	Payment of rental arrears	Not allowed	Allowed	No solution — Do not include in match credit report
OP	Utility Assistance	Not allowed	Not paid from HEN rental assistance, thus no accounting effort required	Do not include in match credit report
OP	Move-in Costs	Not allowed	Not paid from HEN rental assistance, thus no accounting effort required	Do not include in match credit report

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OP	Personal health and hygiene items	Not allowed	Not paid from HEN rental assistance, thus no accounting effort required	Do not include in match credit report
OP	Cleaning supplies	Not allowed	Not paid from HEN rental assistance, thus no accounting effort required	Do not include in match credit report
OP	Transportation Assistance	Not allowed	Not paid from HEN rental assistance, thus no accounting effort required	Do not include in match credit report
OP	Aged, Blind and Disabled Health Coverage	Not allowed	Not paid from HEN rental assistance, thus no accounting effort required	Do not include in match credit report

Category Abbreviations: RH = HEN Rent & Housing; OP = HEN Operations

How to Report HEN Match Credit to the Consortium

Nonprofits administering HEN should send the match credit form quarterly to HOME Consortium staff using a form similar to the form in [Appendix C](#). While no individual recipient documentation is required in the report, it should be readily available in the event of an audit. The form provided is based on a Federal Fiscal Year (FFY) plus an additional 3 months for state record-keeping purposes.

Consortium members should report match credits quarterly to the Public Health Division of Skagit County by sending copies of the relevant match reports along with the invoices used for reimbursement of HEN funds.

References:

- [HUD Self-Certification of Income](#)
- [HUD HQS](#)

Lead-Based Paint

HUD Lead Regulation 24 CFR Part 35 covers lead-based paint poisoning prevention and applies to the HOME program. Because the Consortium does not have a rehabilitation program, the regulation is most relevant for TBRA and could also apply to Homeownership Assistance Programs. More specific information can be found in the [TBRA](#) and [Homebuyer Required Inspections Section](#) of this manual.

Affirmative Marketing and Outreach

All project sponsors, developers, and subrecipients must undertake outreach efforts in accordance with state and federal fair lending regulations to ensure nondiscriminatory treatment, outreach, and access to the program. Projects resulting in housing units for rent or for sale must also conform to these Affirmative Marketing Guidelines. Project sponsors must inform potential applicants 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 project sponsor's marketing approach must address: (1) how the program will be announced (e.g. which media and other sources); (2) where applications will be taken (e.g. at one site or more); (3) when applications will be accepted (e.g. daily, during normal working hours, or extended hours for a specified period); and (4) the method for taking applications (e.g. in person, by mail).

The project sponsor must maintain a file that contains all marketing efforts (e.g. copies of newspaper ads, memos of phone calls, copies of letters, etc.). The records, which help assess the results of these actions, must be available for inspection by the Consortium.

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

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

More information about Affirmative Marketing Requirements can be found in [Section IX of this Manual](#)

Conflict of Interest

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

The HOME Program has additional conflict of interest provisions at 24 CFR 92.356. The additional provisions state that: anyone who has, or has had, any role related to the use of HOME funds, or has been in a position to participate in decision-making or obtain inside information, cannot have or obtain a financial interest or benefit from any HOME activity, or have an interest in any contract or agreement representing themselves or anyone with whom they have a business or family relationship. The prohibition applies for one year after the person leaves the position in which they had a role related to the use of HOME funds.

Covered familial relationships are limited to immediate family members, which include (whether by blood, marriage, or adoption) the spouse, parent (including stepparent), child (including stepchild), sibling (including stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

Project sponsors shall ensure that no owner, developer, or sponsor of a project assisted with HOME funds (or officer, employee, agent, elected or appointed official, or consultant of the owner, developer, sponsor, or immediate family member of an officer, employee, agent, elected or appointed official, or consultant of the owner, developer, or sponsor) whether private, for-profit or nonprofit (including a CHDO when acting as an owner, developer, or sponsor) may occupy a HOME-assisted affordable housing

unit in a project during the required period of affordability specified in § 92.252(e) or § 92.254(a)(4). 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 owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

Skagit County, as lead agency for the Consortium, may work with HUD to seek 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 Project sponsor's HOME-assisted project. For the County to provide this exception, the project sponsor 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 92.253 are being observed
- d. Whether the affirmative marketing requirements of Section 92.351 are being observed and followed
- e. Any other factor relevant to the County's determination, including the timing of the requested exception

Project sponsors 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 (2 CFR 200.318).

Program Accessibility

Section 504 of the Rehabilitation Act of 1973 requires that a HOME-funded activity, 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 broader and includes 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. Should a successful homebuyer applicant have a need for a unit with an accessible design, the program must accommodate those needs.

- Information about the accessibility requirements of HOME-funded multifamily housing is included in the rental housing chapter of this manual.

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, national origin, ancestry, military status, or other arbitrary cause.

Reasonable Accommodations for Persons with Disabilities

Employers receiving HOME funds may not discriminate against prospective or current employees with disabilities. Employers must remove physical and administrative barriers to employment and make reasonable accommodations for employees with known disabilities.

If a subrecipient has 15 or more employees, it must designate a Section 504 Coordinator and notify program participants and employees of its non-discrimination policies.

Business Enterprises Owned by Minorities, Women and Disadvantaged Business Enterprises

The Skagit County Consortium encourages participation by business enterprises owned by minorities and women, and disadvantaged business enterprises (M/W/D-BE). Contracts for the procurement of services should be awarded to the maximum extent possible to M/W/D-BE. 2 CFR 200.231 of the Uniform Administrative Requirements outlines recommended steps for achieving participation goals.

Procurement

Nonprofit organizations receiving HOME funds must comply with the procurement requirements of 2 CFR Part 200, with the exception of currently certified CHDOs undertaking CHDO-eligible projects (as stated in HUD CPD Notice 97-11). When CFR Part 200 does not apply, CHDOs will be required to provide a written procurement policy and procedures for review and approval by Skagit County before funding agreement execution for a development project. Additionally, Skagit County reserves the right to request additional documentation of procurement processes throughout project development and approval of HOME expenditures may be subject to Skagit County approval of procurement documentation.

Environmental Review

Prior to entering into a contract with a project sponsor, Skagit County, as Lead Agency for the Consortium, will complete a federal Environmental Review in compliance with the National Environmental Policy Act (NEPA), 24 CFR Part 58, and other related federal and state environmental laws. No choice-limiting activities may be undertaken by the applicant for HOME funds during the time between the submission of the application and the completion of the Environmental Review (receipt by Skagit County of Authority to Use Grant Funds from HUD).

Public Records

Materials and information submitted to the Consortium are subject to public disclosure unless otherwise exempt from disclosure under the Washington Public Records Disclosure Act (RCW 42.17 et seq.). No assurances can be given that any materials provided can be protected from public review and copying.

Recordkeeping and Retention of Records

Records related to HOME-funded projects and programs must be retained for at least five years. For rental and homeownership development projects, general records must be kept for five years after project completion, and tenant/homeowner data must be maintained five years after the conclusion of the affordability period.

Violence Against Women Act

The 2013 reauthorization of the Violence Against Women Act (VAWA) expands housing protections to all of HUD's housing programs, as well as provides enhanced protections and options for victims of domestic violence, dating violence, sexual assault, and stalking. Despite its name, VAWA applies to people of all genders. VAWA applies to all rental projects and all Tenant Based Rental Assistance activities with a commitment date on or after December 16, 2016. Requirements apply for the entire period of affordability of the project or activity.

Notice to Applicants and Tenants

All HOME housing providers shall provide to each applicant and tenant the [Notice of Occupancy Rights and the Certification Form](#) (the form may be customized as long as it contains the same information and language contained in the model form). The Notice of Occupancy Rights explains the VAWA protections under 24 CFR Part 5. Housing providers must provide the Notice of Occupancy Rights to an applicant or tenant at each of the following times:

1. At the time the applicant is denied assistance or admission under a covered housing program;
2. At the time the individual is provided assistance or admission under a covered housing program;
3. With any notification of eviction or notification of termination of assistance.

The Notice of Occupancy and the Certification Form shall be made available in multiple languages.

Prohibited Basis for Denial or Termination of Assistance or Eviction

An applicant for assistance or tenant assisted under a covered housing program may not be denied admission to, denied assistance under, terminated from participation in, or evicted from the housing on the basis or as a direct result of the fact that the applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking, if the applicant or tenant otherwise qualifies for admission, assistance, participation, or occupancy. A tenant in a covered housing program may not be

denied tenancy or occupancy rights solely based on criminal activity directly relating to domestic violence, dating violence, sexual assault, or stalking if:

1. The criminal activity is engaged in by a member of the household of the tenant or any guest or other person under the control of the tenant, and
2. The tenant or an affiliated individual of the tenant is the victim or threatened victim of such domestic violence, dating violence, sexual assault, or stalking.

Construction of Lease Terms and Terms of Assistance

An incident of actual or threatened domestic violence, dating violence, sexual assault, or stalking shall *not* be construed as:

1. A serious or repeated violation of a lease executed under a covered housing program by the victim or threatened victim of such incident; or
2. Good cause for terminating the assistance, tenancy, or occupancy rights under a covered housing program of the victim or threatened victim of such incident.

Lease Provisions

All tenants residing in a HOME Program unit or tenants receiving HOME Program Tenant-Based Rental Assistance shall have a VAWA lease addendum incorporating the requirements of 24 CFR Parts 5 & 92. Specifically, the lease addendum shall allow the tenant to terminate the lease without penalty if the conditions for an emergency transfer (below) are met. For tenants receiving Tenant-Based Rental Assistance, the lease addendum shall require the owner to notify Skagit County before the owner bifurcates the lease, as described below, or provides notification of eviction to the tenant. If HOME Program Tenant-Based Rental Assistance is the only assistance provided, the VAWA lease addendum may be written to expire at the end of the rental assistance period. HUD provides an example Lease Addendum ([HUD Form 91067](#)) that housing providers are encouraged to use.

Limitations of VAWA

This policy in no way limits the authority of a covered housing provider to comply with a court order, or to evict or terminate assistance to a tenant for any violation not premised on an act of domestic violence, dating violence, sexual assault, or stalking. Additionally, this policy does not limit a housing provider's ability to evict or terminate assistance if the housing provider can demonstrate an actual and imminent threat to other tenants or those employed at or providing service to the property.

Emergency Transfers

In accordance with VAWA, Skagit County allows tenants who are victims of domestic violence, dating violence, sexual assault, or stalking to request an emergency transfer from the tenant's current unit to another unit. The ability to request a transfer is available to all tenants, regardless of sex, gender identity, sexual orientation, race, color, national origin, religion, familial status, disability, or age. The ability of Skagit County to honor such a request for tenants, however, depends upon a preliminary determination that the tenant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking, and on whether there is another unit available *and* is a safe unit for the tenant to occupy.

Emergency Transfers Eligibility and Priority

A tenant who is a victim of domestic violence, dating violence, sexual assault, or stalking, as provided in HUD's regulations at 24 CFR Part 5, Subpart L, is eligible for an emergency transfer if the tenant expressly submits a written request for a transfer and reasonably believes that there is a threat of imminent harm from further violence if the tenant remains in the same unit. If the tenant is a victim of sexual assault, the tenant may also be eligible to transfer if the sexual assault occurred on the premises within the 90 calendar-day period preceding a request for an emergency transfer.

Tenants who are not in good standing may still request an emergency transfer if they meet the eligibility requirements of this plan. To the extent permitted by local, state, and federal law, tenants requesting an emergency transfer under this plan shall have priority over other tenants seeking transfers and individuals seeking placement on waiting lists.

Emergency Transfer Request Documentation

To request an emergency transfer, the tenant shall submit a written request to their landlord. Within forty-eight (48) hours, the landlord shall notify Skagit County of all requests received under this plan. All notifications to the County shall abide by the confidentiality requirements of this plan. The tenant's written request must include one of the following:

1. A statement expressing that the tenant reasonably believes that there is a threat of imminent harm from further violence if the tenant were to remain the same dwelling unit; or
2. A statement that the tenant was a sexual assault victim and that the sexual assault occurred on the premises during the 90-calendar-day period preceding a request for an emergency transfer.

The housing provider may request, in writing, documentation of the incident from the applicant or tenant. *It is at the discretion of the applicant or tenant what documentation to provide.* The applicant or tenant shall have a minimum of 14 days to provide documentation. The housing provider is in no way required to request documentation. The following are acceptable forms of documentation:

1. The Certification Form; or
2. A document (i) signed by the applicant or tenant, (ii) signed by an employee, agent, or volunteer of a victim service provider, an attorney, or medical professional, or a mental health professional from whom the victim has sought assistance relating to domestic violence, dating violence, sexual assault, or stalking, or the effects of abuse, and (iii) that specifies, under penalty of perjury, that the professional believes in the occurrence of the incident of domestic violence, dating violence, sexual assault, or stalking that is the ground for protection and remedies under this subpart, and that the incident meets the applicable definition of domestic violence, dating violence, sexual assault, or stalking under 24 CFR 5.2003.
3. A record of a federal, state, tribal, territorial, or local law enforcement agency, court, or administrative agency; or
4. A statement or other evidence provided by the applicant or tenant

The housing provider may request third-party documentation if conflicting documentation is received after the original request for documentation. The applicant or tenant shall have 30 days to provide the documentation in such a situation.

Confidentiality

Skagit County and all housing providers shall keep any information submitted, including the fact that an individual is a victim of domestic violence, dating violence, sexual assault, or stalking, in strict confidence. Skagit County and all housing providers shall not allow any individual administering assistance on behalf of the entity, or any persons within their employ, or any individual in the employ of the County or the housing provider, to have access to confidential information unless explicitly authorized for reasons that call for such individuals to have access to this information under applicable federal, state, or local law.

Skagit County and all housing providers will keep confidential any information that the tenant submits in requesting an emergency transfer and information about the emergency transfer unless:

1. The tenant gives Skagit County or the landlord permission to release the information on a time limited basis; or
2. Disclosure of the information is required by law; or
3. Disclosure of the information is required for use in an eviction proceeding or hearing regarding termination of assistance from the HOME Program.

Emergency Transfer Timing and Availability

Neither Skagit County nor housing providers can guarantee that a transfer request will be approved or how long it will take to process a transfer request. Skagit County will require housing providers to act as quickly as possible to move a tenant who is a victim of domestic violence, dating violence, sexual assault, or stalking to another unit, subject to availability and safety of a unit. If a tenant reasonably believes a proposed transfer would not be safe, the tenant may request a transfer to a different unit. If a safe unit is available, the transferred tenant must agree to abide by the terms and conditions that govern occupancy in the unit to which the tenant has been transferred. The housing provider may be unable to transfer a tenant to a unit if the tenant has not or cannot establish eligibility for that unit.

If a housing provider has a safe unit immediately available, the housing provider must allow the tenant to make an internal emergency transfer. An internal emergency transfer is an emergency relocation of a tenant to another unit where the tenant would not be categorized as a new applicant; the tenant may reside in the new unit without having to undergo an application process. A safe unit is a unit that the tenant requesting the transfer believes is safe. If a housing provider has no safe units available, the housing provider shall give the tenant priority above all others when the next unit becomes available. The housing provider shall also notify Skagit County that no internal emergency transfer is available.

If a housing provider has no safe units available for which a tenant who needs an emergency is eligible, Skagit County will assist the tenant in an external emergency transfer by identifying other housing providers who *may* have safe units available to which the tenant could move. When possible, Skagit County will maintain a list of HOME Program units and make the list available to tenants requesting an emergency transfer. An external emergency transfer is an emergency relocation of a tenant to another unit where the tenant would be categorized as a new applicant; the tenant must undergo an application process in order to reside in the new unit.

Tenants may seek an internal emergency transfer and an external emergency transfer concurrently if a safe unit is not immediately available. At the tenant's request, the housing provider and Skagit County

will also assist tenants in contacting a secure domestic violence shelter or other organizations aiding victims of domestic violence, dating violence, sexual assault, or stalking.

Lease Bifurcation

Housing providers may choose to bifurcate the lease, or remove a household member from a lease in order to evict or terminate assistance to a household member who engages in criminal activity directly relating to domestic violence, dating violence, sexual assault, or stalking. Lease bifurcation shall be carried out in accordance with any requirements or procedures by federal, state, or local law for termination of assistance or leases, and any requirements under the HOME Program. If a housing provider chooses to bifurcate a lease, any remaining tenant(s) shall have ninety (90) calendar days to (i) establish eligibility under the same housing program, (ii) establish eligibility under another housing program, or (iii) find alternative housing.

Following a lease bifurcation, tenants within a HOME Program unit shall be allowed to remain in that unit and are not subject to the 90-day limitation; similarly, households receiving HOME Program Tenant-Based Rental Assistance shall continue to receive the rental assistance. Skagit County shall decide if the removed tenant shall continue to receive HOME Program rental assistance, so long as the removed tenant has not engaged in criminal activity directly relating to domestic violence, dating violence, sexual assault, or stalking.

Safety and Security of Tenants

Pending processing of the transfer and the actual transfer, if it is approved and occurs, the housing provider shall inform the tenant of the following resources and urge the tenant to take all reasonable precautions to be safe.

Tenants who are or have been victims of domestic violence are encouraged to contact the National Domestic Violence Hotline at 1-800-799-7233 or A Safe Place Hotline at 847-249-4450 for assistance in creating a safety plan. For persons with hearing impairments, the national hotline can be accessed by calling 1-800-787-3224 (TTY).

Tenants who have been victims of sexual assault may call the Rape, Abuse & Incest National Network's national Sexual Assault Hotline at 800-656-HOPE or visit the [online hotline](#).

Tenants who are or have been victims of stalking and are seeking help may visit the National Center for Victims of Crime's [Stalking Resource Center](#).

Recordkeeping and Reporting

Skagit County shall keep data on emergency transfers requested under the covered housing programs and their outcomes. Skagit County shall report this data as required by HUD.

Additional General Policies and Procedures for Development Projects

The remaining provisions in this chapter apply to HOME-funded rental housing development, rental housing acquisition (the Consortium does not currently fund rehabilitation activities), and homebuyer

development projects, collectively referred to as “Development Projects.”

Project Evaluation: Establish a Budget

In addition to having secured financing, the Consortium will evaluate a complete budget for the project in sufficient detail to determine total project development costs and its funding, including proposed sources and uses. The Consortium must ensure that the amount of HOME funding in the project:

- Does not exceed the maximum per-unit subsidy amount;
- Is at least \$1,000 per unit; and
- Supports only eligible costs that are both necessary and reasonable. Additional information about evaluating costs can be found below in the [Project Evaluation: Sources & Uses Section](#)

Underwriting: Frequency

The Consortium will evaluate a project using the underwriting and subsidy layering guidelines before committing HOME funds to a development project. The Consortium will check and update project underwriting and subsidy layering at initial closing/construction start (based on firm bids and/or contracts), if major change orders or other changes in project costs occur that exceed available contingencies, and prior to final draw/construction completion, when final sources and uses can be documented.

Project Evaluation: Documentation

Each project file must contain documentation of the underwriting activities completed by the Consortium, including required certifications. Each time an evaluation (underwriting or subsidy layering) is completed or updated, the Consortium staff completing it must sign and date a certification that the project remains viable. Because the evaluation is used to determine the financial terms of the project agreement, the certification must document how the project evaluation affects the project agreement (e.g., grant or loan terms). The certification of the initial project evaluation will summarize the financial terms of the project agreement, and updates will specify whether there are any adjustments, and, if there are, the terms of those adjustments.

The Consortium must complete or review and approve an assessment of the current demand for the type of housing being proposed in the neighborhood in which the project will be located. The HOME market assessment must document whether a sufficient pool of potential tenants or homebuyers exists for the proposed project (HOME-assisted and non-HOME assisted units), given its proposed price/rent, amenities and location. The scope of the market assessment should be relative to the scope/size of the proposed project. Market assessments for projects serving special needs populations (persons with developmental disabilities [DD], persons with chronic mental illness [CMI], homeless persons, survivors of domestic violence [DV], persons with chronic substance abuse issues combined with homelessness and/or other conditions requiring intensive support services) can be completed using primary data from service providers whose existing clients will form the primary pool of potential tenants.

A market assessment must include the following elements:

- Evaluation of general demographic, economic and housing conditions in the community: Is it a suitable living environment for the proposed population?

- Delineation of the market area: What is the geographic area from which the majority of residents are likely to come?
- Data concerning the pool of eligible applications: How many potential tenants or buyers exist, given the household size, age, income and tenure of the population? Only a portion of the residents of the market area are likely future residents.
- Information about competing housing opportunities: What other similar subsidized or low-cost rental or home purchase opportunities exist in the market area? How are they performing (e.g., vacancy rates, time in the market)?
- Evaluation of the effective demand and capture rate: What is the number of units in the project divided by the number of households in the applicant pool, expressed as a percentage? The lower the percentage, the more likely the project is to succeed.
- Determination of whether there is sufficient demand to rent the HOME-assisted housing within 18 months of project completion (rental projects) or to sell the HOME-assisted units within nine months of construction completion (homebuyer development projects).

The market assessment may be completed by a third party (e.g., a professional market analysis) or by the project sponsor. The Consortium must review the market assessment for compliance with the standards stated above and document compliance. The cost of the market assessment may be charged as a project delivery cost.

Project Evaluation: Assessment of Developer Capacity

As the lead entity, Skagit County will evaluate and document its review of the experience and capacity of the developer (the staff and the project team) to implement the project and the financial soundness of the developer relative to its ability to absorb the obligations and risks of the proposed project.

The Consortium must evaluate the organizational experience of the development entity (i.e., has the organization completed similar projects successfully?), the experience of the specific staff assigned to the project and that of the overall development team, including whether individuals have had similar roles in other successful projects. If the applicant does not have prior experience in affordable housing development or has not had experience within the past ten (10) years, they must partner with a development consultant experienced in affordable housing development.

- For rental projects, applicable areas include property management and asset management associated with similar rent-restricted, highly regulated projects, as well as development expertise (construction and financial management).
- For homebuyer projects, the development team must demonstrate its capacity to market and sell the units as well as develop the projects (construction and financial management).
- For CHDO projects, the Consortium must certify that the CHDO has paid staff with experience relevant to the proposed project and the role of the CHDO in it.

The Consortium must evaluate the financial capacity of the developer to complete the proposed project by determining if it has adequate financial management systems and practices and enough financial resources to carry the project to completion/initial lease up. To complete this evaluation, the Consortium may request that the applicant submit:

- Complete audit reports for each of the past two years, including an OMB circular A-133 supplement as appropriate, any audit findings, corrective action plan, management letter and

agency response. If the applicant organization has not been audited, the Consortium may request financial statements for each of the past two fiscal years and a year-to-date statement certified by the applicant's Chief Financial Officer. Financial statements will include balance sheets and cash flow, revenue, and long-term debt statements.

- Nonprofit organizations will need to submit an IRS Form 990 for the prior two years.
- A signed board resolution or board minutes authorizing submittal of a development application, to demonstrate organizational commitment to the project. If selected for funding, Consortium staff must request that the organization's board designate in writing the person(s) authorized to execute agreements on behalf of the organization.

To determine whether the organization has the financial capacity to undertake the project, the Consortium will consider the developer's net worth, portfolio risk (how the other projects are performing), the ability of the organization to pay staff and others for predevelopment work, and organizational liquidity. The Consortium will document its review of these items.

Project Evaluation: Required Sources and Uses Statement

The Consortium must review a Sources and Uses statement submitted by the project developer. The Sources and Uses Statements and other records must indicate that there are sufficient HOME-eligible costs associated with the project to support the amount of HOME funds provided. The PJ must have a system in place for reviewing cost estimates and evaluating whether the costs are reasonable and that the HOME portion of the funding is only used for HOME-eligible expenses, in accordance with 24 CFR §92.205 through 92.207 and §92.214.

The Sources and Uses statement must list:

- All sources of public and private funds with dollar amounts and timing of availability of each source
- All uses associated with the project

The Consortium has reviewed the Washington State Combined Funders Application for HOME funds and determined that it provides the information needed to apply for Skagit County Consortium HOME funds. Thus, the Consortium shall require that applicants use the Washington State Combined Funding Application.

In alignment with the Washington State Combined Funders Application and the Washington State Housing Trust Fund Handbook, the Consortium adopts the following standards:

- The following construction contingencies are required and must be included in the project's Combined Funders Application and all project budgets:
 - New construction: 10% contingency
 - Rehabilitation: 15% contingency
- Projects must include a 5% residential vacancy rate and a 10% non-residential vacancy rate in the operating pro forma.
- The Developer Fee must be included in the project's Combined Funders Application, and may not exceed 10% of the total development cost. The Consortium reserves the right to assess proposed developer fees in the context the following factors:
 - The scope and complexity of the project being developed

- The size of the project
- The relative risk the developer is taking
- The costs a developer will incur from the fee as compared to those being charged as project costs
- The fees that are regularly and customarily allowed in similar programs and projects
- Other fees the project is generating for the developer and its related entities
- Additional assessment or negotiation of the developer fee will be documented in the project underwriting
- Replacement reserves must meet the following requirements:
 - New rental construction projects must have adequate replacement reserves from capital or operating income over time that will be sufficient for all major maintenance and replacement needs of the project for the HOME period of affordability.
- Project must have a minimum Debt Coverage Ratio of 1.1. The Consortium reserves the right, during contract development, to direct the use of excess cash flow when a project has an overall DCR greater than 1.2.

Project Evaluation: Review of Sources

Prior to project commitment (execution of the development agreement), the Consortium must document that all financing sources are in place. Consortium staff must request and obtain the following documentation for all project sources:

- Firm commitment letters with all terms and conditions for all permanent financing, grants, bridge/construction/interim loans, and investment tax credits
- Copy of the partnership agreement or operating agreement, if applicable, that indicate the case contributions by the partners or members
- If equity is being provided by the developer or owner, evidence of available equity funds.

The Consortium must evaluate (and document its evaluation of) the following questions:

- Are total funding sources adequate and timely in their availability to cover development costs at each phase of the development — acquisition, construction, conversion to permanent financing, and ongoing operations? (i.e., What are the conditions the developer must meet to draw funds? Does the schedule of fund availability work with the project timeline? How will this affect the disbursement of HOME funds? What are the positions of the permanent financing sources, and how does this affect the position of the HOME funds with regard to potential repayment?)
- Are the other funding sources compatible with HOME, or do they contain requirements that affect the structure of the project in a way that is different from what was proposed in the HOME application?
- Are the funding sources firmly committed? Firm commitments must be non-speculative sources identified and secured in the amount necessary to complete the project. They may include award letters, offer letters, final term sheets, or other commitments that are conditioned upon commitment of HOME funds.

Project Evaluation: Review of Uses

The Consortium will request and review documentation for all line item costs in the budget, including:

- Acquisition documentation: If the applicant is proposing the purchase of real property and/or

building(s), a full appraisal must support the purchase price. Appraisals and acquisition must comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended. The application should also provide a copy of the purchase agreement, option, or closing statement.

- Construction costs: Cost estimate, construction contract, or preliminary bids
- Professional costs: Contracts, quotes, or other agreements substantiating key professional costs and the basis for estimating other soft costs and working capital items, including capitalized reserves
- Reserves: Agreements governing the various reserves that are capitalized at closing, to ensure that the reserves cannot be withdrawn later as fees or distributions to the owner/developer
- “Built” third-party appraisal: Appraisal to document to value of the land and the property either after rehabilitation (for rehab projects) or after the structures are built (for new construction)
- If LIHTC are used, documentation of syndication costs (legal, accounting, tax opinion, etc.) from the syndicator to ensure that the project can support them
- For homebuyer projects: Anticipated and actual closing costs, and estimated time for sales to occur (in order to calculate construction loan interest costs and other carrying costs after construction is complete and sales occur)

The Consortium will review the costs to determine if they are necessary (required to implement the project) and reasonable and document its findings. The Consortium will refer to Washington State Housing Finance Commission Total Development Cost Limits in assessing cost reasonableness and document the assessment in the underwriting file. The Washington State Housing Finance Commission Total Development Cost limits are based on industry cost indices. The Consortium may also consider the cost of comparable projects in the same geographic area (in aggregate and by line items or if available), and/or comparable costs published by recognized industry cost indices.

The Consortium will review the costs to be supported by HOME funds to determine that they are eligible. HOME development funds may be used for, but are not limited to:

- Site preparation or improvement, including demolition if construction begins within 12 months
- Securing buildings
- Construction materials and labor
- Onsite improvements in keeping with surrounding projects, including sidewalks, utility laterals, etc.; offsite infrastructure is not eligible as a HOME expense
- Relocation costs, including moving costs, replacement housing costs, advisory services, staff costs related to relocation assistance
- Financing fees
- Credit reports
- Title binders and insurance
- Recording fees and transaction taxes
- Legal and accounting fees, including project audit costs
- Appraisals
- Architectural and engineering fees
- Environmental reviews
- Developer fees (subject to a limit)
- Permit fees

- System development charges
- Affirmative marketing, initial leasing and marketing costs
- Initial operating deficit reserve during lease-up: limited to 18 months (new construction projects only)
- Homebuyer counseling to purchasers of HOME-assisted housing units only

The Consortium will review the budget to ensure that the proposed costs are sufficient to achieve all program requirements, including property standards, to provide quality housing at least for the HOME affordability period. Rehabilitation proposals must include a capital needs assessment, and the relevant findings must be incorporated into the scope of work for the project; acquisition only projects must include an estimate of the property's useful life to establish its viability for at least the HOME affordability period.

Project Evaluation: Required Operating Pro Forma for Rental Projects

The Consortium must review an Operating Pro Forma submitted by the project developer projected for the HOME period of affordability. The Consortium has reviewed the Washington State Combined Funders Application for HOME funds and determined that it provides the information needed to apply for Skagit County Consortium HOME funds. Thus, the Consortium shall require that applicants use the Washington State Combined Funders Application.

Project Evaluation: Review of Projected Income and Expenses for Rental Projects

Rental projects will be evaluated against the following baseline standards for income and expense projects for rental projects, as reflected in the project's submitted Combined Funders Application.

- Cost escalation of 3%
- Income escalation of 2%
- 5% residential vacancy rate
- 10% non-residential vacancy rate
- Conservative projection of non-residential income
- Net operating income is defined as gross revenue minus operating expenses, and should be sufficient to cover debt service and mandatory replacement reserve funding
- Cash flow will be evaluated by the following:
 - Project must have a minimum Debt Coverage Ratio of 1.1. The Consortium reserves the right, during contract development, to direct the use of excess cash flow when a project has an overall DCR greater than 1.2.
 - Cash flow should not exceed a reasonable percentage of operating costs and debt service.

Project Evaluation: Review of Required Sales Plan for Homebuyer Projects

The Consortium will request a sales plan from homebuyer project developers that shows the developer's anticipated cash flow and timing of when and how units will be sold. In evaluating the timeline and cash flow, the Consortium will consider the following factors:

- Overall supply in the market (a 4- to 6-month supply is considered a stable market) and the listing times

- Availability of other competing affordable homeownership options
- Price, location, amenities, and financing of comparable units
- Whether the developer has a list of interested buyers, and how many of those buyers have gone through an initial or more detailed financial review to establish eligibility and credit worthiness
- Whether the developer is counting on the sale of previous units before beginning construction of the next for-sale unit; if so, whether this causes concerns about the timeliness requirements for the completion of the project
- The impact of sales at a lower-than-anticipated price on the construction and sale of successive units

Project Evaluation: Review of Profit and Returns to the Developer

The Consortium will identify and document the likely sources of profit and return to the owner and developer on a project including:

- Developer fees
- Sales revenues (homebuyer projects only)
- Cash flow
- Identity of interest roles (e.g., profit from developer owning construction company, project management company, etc.; these relationships are allowed, but they must be disclosed, and the fees or profit earned must be within project guidelines)
- Tax benefits (e.g., tax credits in a LIHTC project; these are offset by an investment of equity by the investor)

The Developer Fee must be included in the project's Combined Funders Application, and may not exceed 10% of the total development cost. The Consortium reserves the right to assess proposed developer fees in the context the following factors:

- The scope and complexity of the project being developed
- The size of the project
- The relative risk the developer is taking
- The costs a developer will incur from the fee as compared to those being charged as project costs
- The fees that are regularly and customarily allowed in similar programs and projects
- Other fees the project is generating for the developer and its related entities
- Additional assessment or negotiation of the developer fee will be documented in the project underwriting

The Consortium uses a developer fee model and does not typically allow sales revenue from HOME-funded homeownership units.

Project Evaluation: Subsidy Layering Analysis

The Consortium will complete a subsidy layering analysis (gap analysis) to determine that no more than the necessary amount of HOME funds will be invested in a project to provide decent, sustainable housing at the stated rents and income levels. This includes ensuring that the project can accommodate moderate income shocks (e.g., increased vacancy levels for a moderate period of time) and moderate

expense shocks, and that the project can self-fund major repairs and replacements from a combination of its reserve for replacement, cash flow, and future refinancing.

The Consortium must certify that, through its Project Evaluation process, it has established that:

- The loan terms provided by other sources of financing are, at a minimum, in accord with industry standards
- Gross rents are achievable
- Allowance for rent loss is achievable
- Budgeted operating costs should enable a competent property manager to operate the project successfully
- The trends for income and expenses are reasonable and prudent
- There is enough debt service coverage to allow the property to survive income and expense shocks
- Reserves (initial and ongoing), combined with cash flow, will be adequate to meet the project's capital needs during the HOME affordability period

Appraisal and Real Property Acquisition

If the applicant is proposing the purchase of real property and/or building(s), a full appraisal must support the purchase price. Appraisals and acquisition must comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended. The URA generally applies to federally-funded projects involving acquisition, rehabilitation, or demolition, and requires compliance with the following real property acquisition process, unless the project meets the requirements of 49 CFR 24.101(b)(1)-(5).

Applicants must follow the procedures for a Voluntary Acquisition under the URA. Prior to making an offer for the property, the applicant must, in writing, advise the owner of the property that federal funds may be involved in the purchase of the property, let the owner know that the applicant does not have the power of eminent domain and that it will be unable to acquire the property if negotiations fail to result in agreement, and provide the owner with what it currently believes to be the market value of the property. If the applicant has not yet completed an appraisal of the property at the time of the offer, the statement of market value provided to the seller must have a reasonable basis (e.g., assessed value).

The application for HOME funding must include a current appraisal. An appraisal must be dated no more than 12 months prior to the application due date. A letter updating an appraisal completed more than 12 months prior to the application due date will be accepted. The appraisal must be conducted by someone with a current general appraisal certificate in the State of Washington.

Minimum Property Standards

Consortium staff will review construction documents and inspect projects to ensure that the project will meet the following HOME minimum property standards:

- *New construction*: New construction is required to meet all state and local codes and ordinances plus the Model Energy Code and all Handicapped Accessibility requirements. While new single-family homes are not required to comply with Section 504 accessibility standards, if the applicant for the housing is disabled, the home must meet their accessibility needs. Where it is

practical to do so, new single-family homes should be constructed to be visitable by a person with mobility impairments and adaptable to the needs of future residents seeking to age in place. New construction of rental housing must meet HOME site and neighborhood standards, as described below.

- *Acquisition (Consortium does not have a rehabilitation program):* Acquired housing must meet applicable state and local housing quality standards, if relevant standards exist, including lead-based paint hazard requirements. If no applicable state and local housing quality standards exist, then acquired housing must comply with Section 8 Housing Quality Standards.

Section 504 Barrier Removal Standards for Multifamily Housing

For new construction of rental or owner-occupied multifamily projects of four or more units, a minimum of 5 percent of the units in the project (but not fewer than one unit) must be accessible to individuals with mobility impairments, and an additional 2 percent, at a minimum, of the units (but not fewer than one unit) must be accessible to individuals with sensory impairments. The total number of units in a HOME-assisted project, regardless of whether they are all HOME-assisted, is used as the basis for determining the minimum number of accessible units. Also, in a project where not all the units are HOME-assisted, the accessible units may be either HOME-assisted or non-HOME-assisted. The standards for ensuring compliance with Section 504 are the Uniform Federal Accessibility Standards, although deviations are permitted in specific circumstances. Accessible units must be, to the maximum extent feasible, distributed throughout the projects and sites and must be available in a sufficient range of sizes and amenities so as not to limit choice.

Owners and managers of projects with accessible units must adopt suitable means to ensure that information regarding the availability of accessible units reaches eligible individuals with disabilities. They must also take reasonable non-discriminatory steps to maximize use of such units by eligible individuals. When an accessible unit becomes vacant, before offering the unit to a non-disabled individual, the owner/manager should offer the unit first to a current occupant of the project requiring the accessibility feature; and second to an eligible qualified applicant on the waiting list requiring the accessibility features.

Prevailing Wage and Labor Requirements

Applicants should assume that state prevailing wage rates (Chapter 39.12 RCW) will apply and build the requisite costs into all project development budgets, unless they obtain a determination otherwise from the Washington State Department of Labor and Industries (L&I). Applicants are advised to consult with L&I and/or private legal counsel prior to applying for funding to determine whether prevailing wages must be paid and, if so, whether commercial or residential rates apply.

If an applicant receives a loan that is incurring interest, is not forgivable, and is required to be repaid in full, such loan in and of itself is not expected to trigger a requirement that prevailing wages be paid on the project. However, if the applicant is receiving other public funds and/or is a public entity (e.g., housing authority), it may be required to pay state prevailing wages on the project. A definitive determination regarding the applicability of state Prevailing Wage law can only be obtained from L&I.

Federal Davis Bacon prevailing wages apply to all projects with 12 or more HOME-assisted units

regardless of whether HOME funds were used for construction or other projects costs. When triggered, Davis Bacon wages apply to the entire project. When federal funds trigger prevailing wages determined under the Davis-Bacon Act in a project, the higher of either the State Residential Prevailing Wage Rates (unless modified as stated below) or Davis-Bacon wage rates will apply to each job classification, unless applicable law requires otherwise. In cases where Davis-Bacon wages are triggered, Davis-Bacon monitoring procedures are followed.

Debarred Contractors

Prior to entering into a contract with contractor or subcontractor, the applicant must verify that they are not listed in the federal publication of debarred, suspended and ineligible contractors. HOME funds may not be used directly or indirectly to employ, award contracts to, or otherwise engage the services of a contractor during a period of debarment, suspension, or ineligibility.

Section 3 Economic Opportunity

The purpose of Section 3 is to ensure that employment (e.g., new hires) and other economic opportunities generated by this HUD financial assistance shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns that provide economic opportunities to low- and very low-income persons. Section 3 requirements apply to recipients of Housing and/or Community Development Assistance exceeding \$200,000 combined from all sources in any one year, per 24 CFR §135. Section 3 covers the expenditure of any portion of those funds for any activity that involves housing construction, rehabilitation, or other public construction. All contractors or subcontractors that receive covered contracts in excess of \$100,000 for housing construction, rehabilitation, or other public construction are required to comply with the requirements of Section 3. Section 3 also applies to the participating jurisdiction if it uses its HUD allocation to hire new staff to perform work related to housing construction, rehabilitation, or other public construction.

All Section 3-covered contracts must include the following clause (referred to as the Section 3 Clause) per 24 CFR 135.38:

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 Clause, and will post copies of the notice in conspicuous

places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each, and the name and location of the person(s) taking applications for each of the positions, and the anticipated date the work shall begin.

- D. The contractor agrees to include this Section 3 Clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD-assisted contracts.
- G. With respect to work performed in connection with Section 3-covered Indian housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible that (1) preference and opportunities for training and employment shall be given to Native Americans, and (2) preference in the award of contracts and subcontracts shall be given to Native American organizations and Native American-owned economic enterprises. Parties to this contract that are subject to the provisions of Section 3 and Section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with Section 7(b).

Skagit County will monitor covered contracts for Section 3 compliance through data and documentation collected in periodic program reports and on-site monitoring as described in the monitoring plan in [Appendix B](#). Regardless of whether or not there are any covered contracts or projects meeting the \$200,000 threshold, Skagit County will submit Form 60002 through HUD's Performance Evaluation and Registration System (SPEARS). Form 60002 is due to be submitted annually with the Consortium's CAPER.

Affordability Period

At a minimum, all projects must comply with the following HOME affordability periods, during which HOME regulations apply:

- New construction of rental housing: 20 years
- New construction of homeownership housing or acquisition of rental housing
 - HOME investment of less than \$15,000 per unit: 5 years
 - HOME investment of \$15,000 - \$40,000 per unit: 10 years
 - HOME investment of more than \$40,000 per unit: 15 years

For new construction of rental housing, an extended Consortium affordability period of 50 years applies

and begins upon project completion and runs concurrently with the HOME affordability period. HOME regulations do not apply after the HOME affordability expires, but the project must still comply with local affordability requirements as established by the Consortium throughout the Consortium affordability period. The Consortium may execute a separate agreement to govern the extended affordability period.

Site Control

Site control is typically required at the time of application for development projects. Site control documentation includes the following: a deed of trust, current option, current purchase and sale agreement, a current title report showing the entity holding fee simple title, an executed lease agreement for the length of the commitment to serve low-income households, or an executed disposition or development agreement.

Environmental Review

Submission of an application for HOME funding for development projects constitutes a Federal Nexus, at which point the project is considered federal and subject to the environmental review requirements of 24 CFR Part 58, the National Environmental Policy Act (NEPA), and other related laws and authorities. Prior to entering into a contract with a Project Sponsor, Skagit County, as lead agency for the Consortium, will complete a federal Environmental Review in compliance with 24 CFR Part 58, NEPA, and other related federal and state environmental laws. No choice-limiting activities, as defined in 24 CFR 58.22, may be undertaken by the applicant (or any other project participant) using federal, state, local, or private funds during the time between submission of an application for funding and completion of the Environmental Review (receipt by Skagit County of Authority to Use Grant Funds from the Department of Housing and Urban Development). Applicants will be expected to assist Skagit County in completing the Environmental Review, including but not limited to provision of adequate project plans as needed and completion of Partner Worksheets.

Skagit County will conduct a threshold review of the environmental risks and feasibility of all project applications. As the Responsible Entity for all environmental review of Skagit HOME Consortium activities, Skagit County reserves the right to deny a project application based upon the environmental risks of the project.

Phase I Environmental Site Assessment

Development projects must provide a Phase 1 Environmental Site Assessment (ESA) at the time of application to ensure that any environmental hazards are recognized and mitigated. The Phase I ESA should be prepared in accordance with the requirements of ASTM E-1527 "Standard Practice for Environmental Site Assessments, Phase I Environmental Site Assessment Process," and must clearly document compliance with 24 CFR 58.5(i)(2) or 50.3(i). Each assessment will include limited surveys of lead-based paint, asbestos, mold, and wetlands as applicable. If any hazards are identified, they will be abated or mitigated before occupancy. The Phase I ESA must be dated six months or fewer from the due date of the Consortium application. If, at the time that Skagit County undertakes the federal Environmental Review, the Phase I ESA is more than six months old, an update will be required. If the Phase I ESA is more than a year old at the time that Skagit County undertakes the federal Environmental

Review, a new Phase I ESA must be completed. Development projects must also meet state requirements under the State Environmental Policy Act (SEPA) and federal environmental review requirements under the National Environmental Policy Act (NEPA) as applicable.

Relocation

HOME-funded projects are subject to relocation requirements contained in the URA and, in some cases, Section 104(d) of the Housing and Community Development Act (also known as the Barney Frank Amendments). URA relocation requirements are triggered whenever displacement occurs as a direct result of rehabilitation, demolition, or acquisition of a HOME-assisted project. Displacement includes residential and commercial tenants and owners. More information is available in HUD Handbooks 1378 and 1374.

As a practical matter, the Consortium discourages applications that involve permanent displacement because of the impact on residents, the cost, and the delay.

Costs Associated with Skagit County Administration of Development Projects

Skagit County, as lead agency for the Consortium, incurs costs associated with the oversight and administration of individual development projects, including both those that occur during the development phase (e.g., environmental review, underwriting, subsidy layering analysis, loan processing, and construction inspection/oversight) and those that occur during the HOME and Consortium affordability periods (e.g., monitoring and inspections). Skagit County may charge these costs to individual projects.

The costs incurred during the development phase will be included in the project's per-unit subsidy and match calculations, but they will not be included in any indebtedness incurred by the project sponsor and thus are not included in the loan amount. Costs incurred during the affordability periods will be charged as they are incurred by Skagit County. The project sponsor must include the estimated monitoring fee (as established by Skagit County) as an allowable operating cost in their operating budget for the project.

Definition of Income

HUD's "Technical Guide for Determining Income and Allowances for the HOME Program" provides the method by which income for HOME-assisted projects must be calculated. Applicants should use HUD's "[CPD Income Eligibility Calculator](#)" to determine eligibility and document records.

- For HOME Rental Housing projects, annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period, as defined in 24 CFR Part 5 (Part 5 annual income). This is called the "Section 8 income determination method." For rental projects, initial income must be verified using source documentation. Income must be recertified annually and source documentation obtained every six years.
- For new construction of owner-occupied housing using HOME funds, annual income shall be the adjusted gross income as defined for the purpose of reporting under IRS Form 1040 series for

individual federal annual income tax purposes. For this determination, the exclusions established at 24 CFR 5.611 must be used. This is called the “IRS income determination method.” Income must be verified with source documentation within six months of entering into a contract to purchase the property.

IV. COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS (CHDOs)

Overview

A Community Housing Development Organization (CHDO) is a private nonprofit, 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 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. Skagit County will review and re-certify a CHDO’s eligibility immediately prior to the commitment of CHDO development set-aside funds.

Requirements for CHDO Certification

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

1. *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.
2. *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.
3. *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.
4. *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.
5. *Prohibition of 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.
6. *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.

7. *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), it may not include its entire state.
8. *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 its decisions regarding the design, location, development and management of affordable housing projects.
9. *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.
10. *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.
11. *Financial Accountability Standards.* The organization must meet and adhere to the financial accountability standards as outlined in 2 CFR 200.302 and 200.303, "Standards for Financial Management Systems."

CHDO Organizational Structure Requirements

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:

1. *Low Income Representation.* At least one-third of the organization's board must be representatives of the low-income community served by the CHDO. The CHDO is required to certify the status of low-income representatives. 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.

2. *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 employees of the participating jurisdiction. 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.
3. *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 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.
4. *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.

Experience and Capacity Requirements

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.

- **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 (except for consultants engaged during a CHDO's first year of operation).
- **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.
- **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.

- **Applicability to the Consortium Activities:** This requirement applies to all commitments of CHDO set-aside funds made from the Consortium's annual HOME allocation in which the CHDO is acting as the developer.
- **HUD Implementation:** 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.

Financial Accountability

CHDOs must have financial accountability standards that conform to the requirements detailed in 2 CFR 200.302 and 303, "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 a CPA

CHDO Service Area

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 year of experience serving one or more communities within the five-county Northwest Washington Area (Island, San Juan, Skagit, Snohomish, and Whatcom counties)
- For newly created organizations, provide a statement that the parent organization (if applicable) has at least one year experience serving the community

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.

CHDO Development Set-Aside

HOME regulations (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.

Eligible Uses of Home CHDO Set-Aside Funds

CHDO set-aside funds can be used for the following types of projects:

- New construction of homeownership housing
- New construction of rental housing
- Acquisition of existing rental housing

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

Availability of Operating Support for CHDOs

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. Operating funds will be provided based on availability and the CHDO's demonstrated need and performance. To be eligible for operating support, CHDOs must demonstrate incrementally increasing production goals and/or expansion of its services to the community. The CHDO must provide a copy of its annual operating budget.

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
- 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 applying for or receiving CHDO operating funds.

Quarterly Progress Report for CHDO Operating Support

To document its performance and eligibility to receive operating funds, the CHDO must provide quarterly progress reports coinciding with draw requests for CHDO operating funds. At its discretion, the Consortium may increase or reduce the number of reports required. The CHDO progress report should describe the following:

- The status of the currently funded CHDO project – If the CHDO is not currently administering a CHDO project, the status report should include progress towards identifying an eligible project.
- The uses of CHDO operating funds and what the receipt of operating funds has enabled the CHDO to undertake or accomplish that it would otherwise have been unable to achieve
- The CHDO's progress in meeting its project completion goals
- How the CHDO has engaged with the community, including both the intended beneficiaries of its projects and as partner organizations
- 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; e.g., trainings completed, certifications achieved, recognition awarded, etc.

Effective Period of CHDO Certification

CHDO status is evaluated at the time a CHDO development set-aside project is proposed. The period of certification begins on the date that the written agreement for CHDO set-aside or operating funding is executed by the CHDO and Consortium.

CHDO Procurement

As noted in HUD CPD Notice 97-11, CHDO organizations are not subject to the requirements of 2 CFR Part 200 with respect 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 2 CFR Part 200 for projects completed as a subrecipient. When CFR Part 200 does not apply, CHDOs will be required to provide a written procurement policy and procedures for review and approval by Skagit County before funding agreement execution for a development project. Additionally, Skagit County reserves the right to request additional documentation of procurement processes throughout project development, and approval of HOME expenditures may be subject to Skagit County approval of procurement documentation.

V. TENANT-BASED RENTAL ASSISTANCE (TBRA)

The Tenant-Based Rental Assistance (TBRA) Program provides very low-income households with utility, deposit, and rent assistance.

Eligible Activities and Costs

- 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 upon available funding.
- Security deposits, regardless of whether the household will be receiving rental assistance.
- Utility deposit assistance, only in conjunction with rental assistance.
- Project delivery costs, which specifically includes administrative time determining income eligibility.
- When HOME TBRA is combined with other subsidies, the HOME TBRA assistance may only be used as a supplement to reduce further the household rent payment to 30 percent of income.

Ineligible Activities

- Project-based rental assistance—households must be free to use the assistance in any eligible unit.
- 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.
- Providing TBRA for overnight or temporary shelter.
- Move-in costs and credit checks.
- Case management and support services.
- Utility deposits without rental assistance.
- Payment of rent arrears.

Subrecipient Eligibility

Eligible applicants are public housing authorities and nonprofit community-based organizations assisting households in areas throughout Island, Whatcom, and Skagit counties. 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.

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 through locally determined coordinated entry access and referral policies and procedures.

Eligible Beneficiaries

The following is an overview of criteria households must meet to be eligible for TBRA. Further details regarding eligibility verification and documentation can be found in Program Administration and Implementation: Eligibility Verification and Documentation.

- The household’s verified income must be below 50 percent of the area median income (AMI) for the area being served.
- The household must apply and be referred to the TBRA HOME program through the area’s local coordinated entry system, in compliance with all coordinated entry policies and procedures as established by the local continuum. Coordinated entry eligibility and referral must be clearly documented in the client file.

Program Administration and Implementation

Tenant Selection

Tenants must be selected from the target population as detailed in the TBRA Overview. Within the target population, Subrecipients will use a vulnerability index or assessment tool to prioritize applicants for selection, as indicated by local coordinated entry policies and procedures. Subrecipients should not administer their TBRA program on a first-come, first-served basis.

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 program may not be prohibited from applying for or participating in other available programs or forms of assistance for which he or she might qualify.

Subrecipients must administer the TBRA HOME program in compliance with Fair Housing Law and the Washington Law Against Discrimination.

Eligibility Verification and Documentation

Initial eligibility documentation must be dated within 6 months of the lease start date, and must include the following:

Housing Status and Coordinated Entry Referral Verification

- a. The Subrecipient must verify and document the housing status of the household, as well as coordinated entry eligibility and referral as determined by local coordinated entry policies and procedures.
- b. The Subrecipient shall verify housing status per the following situations and documentation methods:

Example 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 staff person may prepare a

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	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 subrecipient 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 transitional housing (see below for required documentation for eviction from a private dwelling).
Persons being evicted from a private dwelling	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. 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.
Persons from a short-term stay (up to 90 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 fewer than 91 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.

Income Verification

- a. The subrecipient must verify and document that the household income is below 50 percent of the AMI for the area being served. Verification and documentation of income eligibility must be completed before assistance is provided.
- b. Updated income limits are published annually by the Department of Housing and Urban Development. The county will distribute updated income limits as soon as they are available, which may be prior to the date of implementation for the updated area median income. The subrecipient must implement updated income limits in accordance with “effective by” dates as published by the Department of Housing and Urban Development.

- c. Income must be counted for all household members, including nonrelated individuals, according to the requirements of 24 CFR 5.609.
- d. At least two months of source documentation (e.g. wage statements, interest statements, or unemployment compensation documentation) must be examined when determining household income for potential TBRA beneficiaries. **A tax return is not an acceptable form of income documentation for the purposes of TBRA.**
- e. The Skagit County Consortium TBRA program uses the Section 8 definition of income, also known as the Part 5 definition, found at 24 CFR 5.609.
 1. Use of the HUD Exchange CPD Income Eligibility Calculator is now the preferred method for subrecipients to determine and document income eligibility. This tool can be accessed by the following link:
<https://www.hudexchange.info/incomecalculator/dashboard/>
 - i. Once income verification has been conducted using the CPD Income Eligibility Calculator, a hard copy of this income verification must be retained in the client file.
 - ii. Subrecipients should not record any identifying information in the CPD Income Eligibility Calculator.
 - iii. If a situation arises in which the CPD Income Eligibility Calculator cannot be used to verify the income eligibility of a household, the Subrecipient must communicate with Skagit County staff regarding the situation. The Subrecipient must also clearly document in the client file the reasons for not utilizing the CPD Income Eligibility Calculator.

Unit Selection and Approval

Unit Type

Approved applicants may select units that are publicly or privately owed and located within Skagit, Island, or Whatcom counties, as determined by the Subrecipient's county of service. 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. Student housing units are not eligible for TBRA assistance.

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.

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 bedrooms, 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.

Lead-Based Paint

HUD Lead Regulation 24 CFR Part 35, Subpart M applies units built before 1978 that house children under the age of six. Subrecipients should consult the regulation itself to make sure they implement this regulation fully and properly. If the regulation applies, entities are responsible for:

- 1. Evaluation:** The subrecipient must conduct a visual assessment of a unit prior to occupancy and at least annually thereafter. The visual assessment identifies deteriorated paint, dust, debris, and other residue. The visual assessment must be done by a person who is trained in visual assessment.
- 2. Paint Stabilization:** The property owner must correct any conditions identified in the HQS inspection, including stabilizing deteriorated paint identified in the visual inspection. Paint stabilization can involve repairing the substrate, scraping, and repainting the surface. All deteriorated paint must be stabilized by properly trained or supervised workers using lead-safe work practices. Documentation of safe work practices is required, and consists of having copies of certificates of safe work practices training completion on file for those doing the lead reduction work. When work is complete, the Subrecipient must ensure that the unit passes clearance and keep a copy of the clearance report. Failure to get clearance on any unit where lead hazard reduction activities have occurred will result in rental assistance being discontinued on the unit. Keep records of any unit where clearance is required but has not been obtained to ensure that the unit does not become rent assisted, even if another eligible household wants to live there.
- 3. Communication with Residents:** The Subrecipient must ensure that residents receive the following communications:
 - i. **Lead Hazard Information Pamphlet:** Prior to occupying the unit, the Subrecipient must provide the resident with the most up-to-date Protect Your Family from Lead in Your Home pamphlet. This document can be accessed in multiple languages at the following link: <https://www.epa.gov/lead/lead-safety-documents-and-outreach-materials>. The Subrecipient must retain in the client file documentation of receipt of this pamphlet by the resident, which must include a signature of acknowledgement signed by the resident, prior to occupation of the unit.
 - ii. **Lead Disclosure Notice:** Prior to occupying the unit, residents must receive from the owner a Lead Disclosure Form notifying them of any known lead-based paint or hazards in the unit. The Subrecipient must retain in the client file documentation of any lead disclosure

provided to the resident by the owner, which must include a signature of acknowledgement signed by the resident.

- iii. Notice of Lead Hazard Reduction: For instances in which visual assessment and lead hazard evaluation determines a need for paint stabilization and/or abatement, and the owner has conducted paint stabilization activities, the resident must receive a Notice of Lead Hazard Reduction within 15 days of the completion of paint stabilization and clearance. The Subrecipient must retain this documentation in the client file, which must include a signature of acknowledgement signed by the resident.
 - iv. Notice of Lead Hazard Evaluation: Because a visual assessment is not a method of lead hazard evaluation, a notice of lead hazard evaluation is not required. However, if any lead hazard evaluation is conducted, for example, in the event of a child with an Environmental Intervention Blood Lead Level (EIBLL), such a notice is required and must be posted at the applicable work site. The Subrecipient must retain all related documentation in the client file.
- 4. Child with an Elevated Blood Lead Level (EIBLL):** Should the subrecipient be made aware that a child less than 6 years of age living in a dwelling unit participating in the program has been identified as having elevated blood lead levels, the subrecipient must conduct an inspection of the dwelling unit for lead-based paint risk. The subrecipient must immediately notify the household and the owner of the unit of the results of the inspection, and the owner must conduct paint stabilization and/or abatement in compliance with the requirements of 24 CFR Part 35, Subpart M. Hazard reduction must occur within 30 calendar days of notification to the owner. The subrecipient must retain all documentation of the EIBLL, as well as subsequent inspections, notification, stabilization, and/or abatement in the client file.

Occupancy Standards

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

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. 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.

Unit and Lease Approval

In addition to ensuring that the unit selected by the household meets the above requirements for Rent Reasonableness, Housing Quality Standards, and Occupancy Standards, the Subrecipient must also ensure that the unit lease meets all requirements of the HOME program, as outlined in 24 CFR 92.253. The lease may not contain any of the provisions prohibited in 24 CFR 92.253(b):

- Agreement to be sued: Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.

- Treatment of property: Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the right of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law.
- Excusing owner from responsibility: Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent
- Waiver of notice: Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant
- Waiver of legal proceedings: Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties
- Waiver of a jury trial: Agreement by the tenant to waive any right to a trial by jury
- Waiver of right to appeal court decision: Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease
- Tenant chargeable with cost of legal actions regardless of outcome: Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant; the tenant, however, may be obligated to pay costs if the tenant loses
- Mandatory supportive services: Agreement by the tenant to accept supportive services that are offered

Rent Standard

Rent standards are determined annually for each county based upon the results of a locally conducted rent study. Current rent standards will be posted on Skagit County Public Health's Housing and Homelessness webpage, located at the following:

<https://www.skagitcounty.net/Departments/HumanServices/HousingMain.htm>

The rent study will typically be conducted once a year, but the Consortium may choose to review the rent standard more frequently to ensure that limits remain appropriate for the Consortium area.

Single Room Occupancy (SRO) and Rooms for Rent

The subrecipient will use the following guidelines to determine approval of and payment standards for SRO units and rooms for rent:

- A Studio unit is to be defined as a unit not containing a separated bedroom, but otherwise including all amenities of a typical rental unit, including private bathroom and kitchen facilities within the unit.
- A Single Room Occupancy (SRO) unit is a privately rented unit that does not contain private bathroom and kitchen facilities within the unit, or contains only one. Shared bathroom and kitchen facilities must be provided.
- The payment standard for SRO units will be 75% of the current payment standard for a studio unit.

- Rooms for rent should be classified as a Studio or SRO based on the above definitions, and subject to the appropriate payment standard.

The subrecipient must ensure that all units comply with the lease, HQS, and occupancy requirements of the program, as well as all other program requirements. Room for rent situations are not an exception to standard TBRA HOME requirements.

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

Calculating the Subsidy

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.

Use of the CPD Income Calculator is the preferred method for determining the household subsidy amount. This tool can be accessed by the following link:

<https://www.hudexchange.info/incomecalculator/dashboard/>

Documentation from the CPD Income Calculator for the determination of adjusted income and the rental assistance payment must be retained in the client file.

Deposit Assistance

Deposits will be provided as a 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.

- *Security Deposits:* The amount of security deposit paid should be based on the 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.
- *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.

Access to Rent Standard Exception

Throughout the Skagit County HOME Consortium, Skagit County may allow an exception to the published Rent Standard for up to 20% of households on the TBRA program. Exceptions to the Rent

Standard will be granted by Skagit County, and must be requested on a case-by-case basis by the subrecipient on behalf of the household. The rent standard exception cannot exceed the established rent standard for the unit size by more than 10%. To request a rent standard exception, the Subrecipient must submit an explanation to Skagit County detailing the household situation and the unique circumstances of the household that merit consideration of a unit above the rent standard.

In instances in which Skagit County grants an exception to the rent standard for a household, the subrecipient is not obligated to cover the additional unit cost above the rent standard. The subrecipient must maintain policies and procedures that detail how the subrecipient will determine if/when to bear responsibility for the additional unit cost associated with a household who is provided with a rent standard exception, and if/when the household will be responsible for the additional unit cost above the rent standard. If the Subrecipient elects to cover the additional cost of the unit under a Rent Standard Exception, the TBRA subsidy must not reduce the household's rent and utility costs below 30% of the household's adjusted income or 10% of the household's gross income. Documentation that Skagit County has granted a rent standard exception must be maintained in the client file.

Annual Assistance Renewal

The subrecipient may renew TBRA assistance after the conclusion of the first year of assistance for a household, so long as the annual renewal requirements detailed below are met.

Annual Eligibility Determination

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 ensure that the re-examination is completed on time and that adequate notice is given to both the owner and the 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.

Using the same basic procedures described previously to determine the household's initial eligibility and share of the rent, the subrecipient must re-verify household size, composition, and income. The 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 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 must be retained in the client file.

Annual HQS Unit Inspection

The TBRA Program regulation requires that all units assisted with TBRA funds meet Section 8 Housing Quality Standards (HQS). Each unit under contract must be inspected by the subrecipient, at least

annually, to ensure 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 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 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.

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 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.

Moves and Termination of Tenancy

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

Termination: subrecipient must notify tenant in writing when terminating tenant assistance. subrecipient 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 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 subrecipient 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 the tenant is evicted due to breaking the lease or participating in illegal activities, the subrecipient 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 must be applied to the required deposits for the new unit.
- Tenant Moves: Tenant moves are accommodated only in 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.

Progressive Engagement

Subrecipients are highly encouraged to consider the implementation of progressive engagement strategies in conjunction with the requirements of the HOME TBRA program. Progressive engagement can be applied to voluntary supportive services that may support the stability and progress of households on the TBRA program, and can be applied to the level of subsidy assistance provided with TBRA funds. For example, while HOME requires that households on the TBRA program be annually re-evaluated for income eligibility and the amount of subsidy assistance provided, subrecipients may elect to evaluate more frequently the income and subsidy level of the household in the context of case management focused on increasing the household's income and independence. Any application of progressive engagement strategies utilized by subrecipients in the TBRA program must be implemented in accordance with written policies and procedures, and must be consistently applied to all households on the program. For example, if a subrecipient determines that it will re-evaluate income and subsidy level quarterly, the subrecipient must have written policies and procedures documenting this progressive engagement strategy, and it must be applied to all households on the HOME TBRA program.

Billing and Administration

Subrecipient must bill the County on a monthly basis for reimbursement of allowable costs. Invoice must be submitted within 30 days of the end of the month of service. Payment will be made within 30 days of invoice approval. 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. Subrecipient must submit any billing adjustments within 60 days of the end of the month of service. All end of year billings must be submitted by the subrecipient by January 10th.

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

Reports

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

Report	Due Date
Annual Report	The subrecipient will be required to complete an annual narrative report of the TBRA program to support completion of the Consolidated Annual Performance and Evaluation Report (CAPER). Skagit County will send the report to the subrecipient one month prior to the end of the program year, and the completed report must be submitted to Skagit County no later than one month after the end of the program year.
TBRA Beneficiary Record	Monthly on the 15 th of the month following provision of services. The Subrecipient will be notified of changes in report due date.

Monitoring

Skagit County will monitor TBRA subrecipients through data and documentation collected in program reports and on-site monitoring. Subrecipients are also subject to monitoring and evaluation by HUD. A detailed monitoring plan can be found in [Appendix C](#).

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.

Number of Households Served

Skagit County will regularly monitor the number of households served by the subrecipient. If the Subrecipient falls short of serving the number of households identified in their scope of work, the Consortium may request a written explanation for this shortfall. 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.

Expenditures

Skagit County shall review the subrecipient's expenditures as reported on the monthly TBRA invoices and compare to the subrecipient's expenditure projections. If a subrecipient fails to expend TBRA funds at the projected rate, the Consortium may request that the subrecipient 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 by the end date stated on the contract, or choose to reduce any future requests for funding.

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 in all HOME programs.

Repayments

HOME TBRA funds used to assist households who do not meet the eligibility requirements, or to lease units not in compliance with HOME requirements, must be repaid.

Environmental Review

Because the proposed project involves the provision of rental assistance to private landlords on behalf of tenants, it is not subject to the NEPA requirements of 24 CFR 58. However, Skagit County is required to conduct and document a Categorically Excluded Not Subject To 24 CFR 58.5 level environmental

review prior to each new commitment of HOME funds to TBRA activities. Skagit County has certified that the proposed project is exempt from NEPA and SEPA requirements (RCW 43.21C.110).

VI. DEVELOPMENT OF HOMEOWNERSHIP HOUSING

The Skagit County Consortium will fund the development of homeownership units for first-time homebuyers. Please refer to the section entitled “[General Policies and Procedures for Development Projects](#)” for information related to:

- Applicant Standards
- Eligible Development Costs
- Appraisal and Real Property Acquisition
- Minimum Property Standards
- Section 504 Barrier Removal Standards for Multifamily Housing
- Prevailing Wage and Labor Requirements
- Debarred Contractors
- Section 3 Economic Opportunity
- Affordability Period
- Site Control
- Phase 1 Environmental Site Assessment
- Relocation
- Subsidy Layering and Underwriting Guidelines
- Costs Associated with Skagit County Administration of Development Projects
- Definition of Income
- Use of Combined Funders Application

Project Eligibility

- a. Eligible Activities: Activities allowed with the use of Consortium HOME funds are activities that support the development of affordable homes for first-time homebuyers and that address the needs identified in the Consolidated Plan.
 - i. New Construction: Financial assistance provided for the construction of affordable housing units for first-time homebuyers
- b. Eligible Properties:
 - i. Properties eligible for HOME development assistance must serve as the purchaser’s principal residence throughout the period of affordability.
 - ii. Property types:
 1. Single-family dwelling
 2. Condominium
 3. Manufactured Home
- c. Eligible homeownership types
 - i. Fee simple title to the property

- ii. Ownership of a condominium
 - iii. Housing located on land owned by a community land trust for at least 50 years
 - iv. Manufactured housing on a ground lease that is at least equal to the applicable affordability period
- d. Homebuyer Eligibility
- i. First time home buyer: Applicant must not have owned a home during the previous 3 years prior to receiving federal funds excluding:
 - 1. A displaced homemaker who owned a home with his or her spouse or resided in a home owned by the spouse
 - 2. A single parent who owned a home with his or her spouse or resided in a home owned by the spouse
 - ii. Homebuyer households assisted must have incomes at, or below, 80% of the area median income (AMI).
- e. Maximum Property Value
- i. For new construction or acquisition of standard housing, to be considered an eligible property, the property must have a purchase price that does not exceed 95% of the median purchase price for single family housing in the area.
 - ii. HUD establishes the median purchase price limits, and these limits can be found on its [website](#). Skagit County will provide current and updated limits, but the developer is responsible for confirming maximum property values for each transaction.
- f. Resale Policy
- i. 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.
 - ii. The 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 30% 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 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.
 - d. 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 who sells a HOME-assisted home 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:
- a. Cash down payment: 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 upon 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 the Federal Housing Finance Agency's [website](#) 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 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 or more bedroom(s) and one or more bathroom(s) and 50% of the actual cost for the work of other qualified capital improvements.

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 down payment
\$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).
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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 follows the standard practice for all real estate purchase transactions. By using the Housing Price Index to determine the value, upon notice of intent to sell by the homeowner, Skagit County ensures that the previous and prospective homebuyers 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 homeowner must notify the Consortium prior to offering the home for sale. The homeowner will need to provide the Consortium with documentation of principal paid, capital improvements made, and capital systems replaced in order to help determine the homeowner'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.

Project Deadlines

A homebuyer unit must have a ratified sales contract within nine months of construction completion, or the unit must either convert to a HOME rental unit or repay the full HOME investment.

VII. DEVELOPMENT OR ACQUISITION OF RENTAL HOUSING

Please refer to the section entitled [General Policies and Procedures for Development Projects](#) for information related to:

- Applicant Standards
- Eligible Development Costs
- Appraisal and Real Property Acquisition
- Minimum Property Standards
- Section 504 Barrier Removal Standards for Multifamily Housing
- Prevailing Wage and Labor Requirements
- Debarred Contractors
- Section 3 Economic Opportunity
- Affordability Period
- Site Control
- Phase 1 Environmental Site Assessment
- Relocation
- Subsidy Layering and Underwriting Guidelines
- Costs Associated with Skagit County Administration of Development Projects

- Definition of Income
- Use of Combined Funders Application

Eligible and Ineligible Property Types

HOME rental projects may consist of one or more buildings on a single site, or multiple sites that are under common ownership, management and financing. HOME funds may not be used to finance properties previously assisted with HOME funds (other than tenant-based rental assistance, assistance to a homebuyer to acquire housing previously assisted with HOME funds, or assistance to preserve affordability of homeownership housing in accordance with § 92.254(a)(9)), unless the new assistance is provided during the first year following project completion HOME funds may not be used for the development, modernization or improvements to public housing.

Designating HOME-Assisted Units

The HOME Program distinguishes between the units in a project that are assisted with HOME funds and those that are not, hence the term HOME-assisted unit. In deciding the number of HOME-assisted units to designate in a project, the following factors should be considered:

- Maximum HOME-assisted unit investment: HUD has established the maximum per-unit subsidy limit as 100 percent of the dollar limits for a Section 234-Condominium Housing basic mortgage limits, for elevator-type projects. These limits change annually and will be provided by the Consortium.
- If there are 12 or more HOME-assisted units in a project, Davis-Bacon wage rates apply.

All HOME-assisted units must be designated as “fixed” or “floating” at the time of project commitment.

- Fixed: When HOME-assisted units are “fixed,” the specific units that are HOME-assisted (and, therefore, subject to HOME rent and occupancy requirements) are designated and never change.
- Floating: When HOME-assisted units are “floating,” the units that are designated as HOME-assisted may change over time as long as the total number of HOME-assisted units in the project remains constant. Most applicants will choose to designate HOME-assisted units as floating because it provides greater flexibility.

Maximum Incomes and Rents for HOME-Assisted Units

In projects of five or more HOME-assisted rental units, at least 20% of the HOME-assisted units must be occupied by households who have annual incomes that are 50% or less of median income. These very low-income tenants must occupy units with rents at or below the Low HOME Rent level. The balance of HOME-assisted units must be occupied by households who have annual incomes that are 60% or less of median income, and the rents must be at or below the High HOME Rent level. More than 20% of HOME-assisted units may be designated as 50% or less of median income/Low HOME Rent units.

Site and Neighborhood Standards

New construction of rental housing must meet the site and neighborhood standards outlined in 24 CFR § 983.57(e)(2) and (3). The site must not be located in an area of minority concentration, except as

permitted, and must not be located in a racially mixed area if the project will cause a significant increase in the proportion of minority to non-minority residents in the area.

Additionally, the applicant must demonstrate the residents will have access to core services, such as grocery, transportation, and relevant social services (homeless projects), within easy access. The Consortium will use a ½-mile radius to measure maximum distance to these services. If the development is within ¼ mile of a bus stop, this requirement may be waived.

Form of HOME Investment

The Consortium may provide rental housing development awards in the form of amortized loans, deferred loans, forgivable loans, recoverable grants, grants, or a combination of these.

Grants may be provided to housing projects serving the lowest income, highest need populations that require public operating subsidy to cover basic operating expenses. These projects will typically not have the cash flow or financial ability to service additional debt reflected in the operating pro forma submitted and reviewed as part of the application process. Grants may need to be structured based on the nature and additional sources being leveraged as in the case of HUD funded projects.

Loans may be amortized or deferred. Loans will be structured based on the project's operating pro forma. Deferred loans will have principal and interest, if interest is being charged, due and payable in full on or before the termination date of the contract. Loan terms may be set based on the needs of other funding sources such as the federal Low-Income Housing Tax Credit program. Skagit County's interest in the property will be secured by appropriate collateral and documentation. The County may authorize deferred payment and/or forgivable loans for those projects with inadequate sources to repay the loans. Deferred payment and/or forgivable loans shall be secured in a manner to ensure that if the project no longer provides the benefits of affordable housing as approved by the County, that the loan (with interest) would become due and payable.

Project Deadlines

HOME-funded projects must meet the following deadlines or face loss or required repayment of HOME funds:

- Before the Consortium can enter into a HOME funding commitment, the Consortium must have evidence of firm written financial commitments from all other funders for the project. Projects failing to obtain these commitments within twelve months from the time of award letter face loss of their preliminary allocation of HOME funds.
- The Consortium must execute a written agreement prior to disbursement of HOME funds. The written agreement cannot be executed until the Consortium has completed the underwriting and subsidy layering analyses. The written agreement must capture the project and financing terms that result from the underwriting process.
- Construction must begin within twelve months of project commitment (written agreement signature) and the projects must be completed within four years of funding commitment. Any project that is not completed in this timeframe will be terminated and HOME funds would be repaid.

- If the housing is not occupied by eligible tenants within six months following the date of project completion, the Consortium must obtain marketing information and a marketing plan from the owner and provide to it to HUD. If the HOME units remain vacant after 18 months from the date of project completion, the Consortium will repay the HOME funds invested in those units and require the owner to reimburse the Consortium for the repaid funds.

Tenant Protections

- Tenants must be offered written leases for a period of not less than one year, unless by mutual agreement between the tenant and the owner a shorter period is specified.
- Lease terms must be consistent with the tenant protections set forth in the HOME Rules, 24 CFR § 92.253 (HOME Lease Addendum).
- Owners of rental housing must comply with the affirmative marketing requirements pursuant to 24 CFR § 92.351(a). Owners must have a written affirmative marketing plan that conforms with Skagit County Affirmative Marketing Requirements, found in [Section IX](#) of this manual. Owners must follow their plan.
- The owner must adopt and follow written tenant selection policies and criteria consistent with 24 CFR § 92.253(d).

Recordkeeping

One of the owner's responsibilities is to keep adequate records, to be able to demonstrate compliance with HOME requirements. The owner should keep both project and tenant records.

- Project records should include documentation to back-up rent and utility allowance calculations. If the project's HOME-assisted units are "floating," the owner should also keep records to show how HOME occupancy targets were met (for example, rental logs to show that as units were vacated or tenants became over-income, HOME-assisted units were properly replaced). General rental housing records must be kept for five years after the conclusion of the Consortium's period of affordability.
- Tenant files should include the documentation necessary to demonstrate that each HOME-assisted unit is properly occupied by an income-eligible tenant. Such documentation includes: the tenant's application, initial income verification documents, subsequent annual income recertification documents, and the tenant's lease. Tenant income, rent and inspection information must be kept for the most recent five years, until five years after the HOME affordability period.

Project Monitoring

Project owners must submit information on tenant incomes and rents annually on the form provided by the Consortium.

With advance notice to the project owner, Skagit County staff will conduct an on-site inspection of HOME properties at least as frequently as follows throughout the HOME affordability period:

- Annually: Projects with 26 or more HOME-assisted units
- Every two years: Projects with 5 – 25 HOME-assisted units
- Every three years: Projects with 1 – 4 HOME-assisted units

Skagit County will inspect at least 15 percent to 20 percent of the HOME-assisted units in a project, and a minimum of one unit in every building to ensure compliance with property standards. Skagit County will also ask to see a sample of the files of residents of HOME-assisted units to review income documentation, rent calculations, HOME lease provisions and compliance with other HOME regulations. A detailed monitoring plan can be found in [Appendix C](#).

VIII. HOMEBUYER ASSISTANCE PROGRAMS

The Consortium may fund homebuyer assistance programs that provide first-time homebuyer financial assistance. The program is administered by participating nonprofit agencies (subrecipients). 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 and these policies and procedures. Subrecipients are also required to comply with all documentation and reporting requirements of applicable federal regulations.

The following policies and procedures apply to any subrecipients' homebuyer assistance program that uses Consortium HOME funds.

The Consortium Homebuyer Assistance Program provides assistance to low- and moderate-income persons and families to purchase a home that is to be used as the primary residence. The objective of the program is to:

- Provide thorough knowledge of homeownership responsibilities through homebuyer education and counseling,
- Ensure that the applicant buyer is ready to acquire housing and can financially sustain homeownership, and
- Assist with funding deficiencies at time of purchase by providing down payment and closing cost assistance.

These objectives are accomplished by working with local lenders through The Community Reinvestment Act (CRA), Federal Housing Administration (FHA), and United States Department of Agriculture (USDA).

Eligible Locations: any property purchase supported must be located inside Skagit, Whatcom, or Island County boundary, within Washington State. Since the City of Bellingham administers its own HOME program, properties within the City of Bellingham are not eligible.

Funding Availability: Funds are processed and disbursed on a first-come, first-serve basis to eligible applicant buyers until program funding is depleted. The Consortium will reserve funds for a specific borrower when Consortium staff receives information and documentation and determines that the applicant is an "Eligible Applicant" and a "Suitable Borrower" and that the property is an "Eligible Property." Funding reservations will be held for a maximum of four months, with a possible two-month extension.

Any other funding sources used in the purchase transaction must have a firm, written commitment, and must be disclosed on the offer to purchase contract or other approved written documentation with all terms and conditions disclosed.

Eligible Applicants

The applicant buyer must be a first-time homebuyer, a displaced homebuyer, or cannot have owned a home within the last three years – (24 CFR 572.5).

- **A first-time homebuyer** is an individual or, if married, an individual and his or her spouse, who has not owned a home during the past three years. The term includes an individual who is a "displaced homemaker" or "single parent" as defined below. An individual shall not be excluded from consideration as a first-time homebuyer on the basis that the individual owns or owned, as a principal residence during the three-year period, a dwelling unit whose structure is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations or is not in compliance with state, local, or model building codes, or other applicable codes, and cannot be brought into compliance with the codes for less than the cost of constructing a permanent structure.
- **A displaced homemaker** is an adult individual who:
 - Has not worked full time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and
 - Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.
- **A single parent** is an individual who:
 - Is unmarried or legally separated from a spouse; and
 - Has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

U.S. Residency Rules

All household members must be legal residents of the United States in order to receive federal housing assistance. Residency must be verified and documented for any members of the household receiving assistance. There may be cases where a household with mixed immigration status (some members eligible, others not) seeks assistance. A household with mixed status may receive assistance as long as the applicant is a citizen or eligible noncitizen, and the housing assistance is prorated based on the family members who are either citizens or eligible immigrants.

Amount of Assistance

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.

Determining Assistance Amount

Based upon an underwriting review of all documents required, the subrecipient shall establish the amount of financial assistance necessary to meet the objectives of this program. Their consideration shall include these factors:

- Applicant buyer financial resources
- Contract purchase price

- Debts
- Other source funding availability
- Loan program type
- Seller contribution
- Loan discounts/fees
- Housing to Debt Ratios

Suitable Borrower

Each loan application must comply with the applicable HUD regulations. The purpose of the underwriting analysis is to reduce the risk of loan default to the Consortium and to ensure that the borrowers will be able to maintain their home after purchase. Underwriting standards for the HOME program must address housing debt, overall household debt, the appropriateness of the amount of assistance, recurring household expenses, assets available to acquire the housing, recurring monthly expenses of the household, and financial resources available to the household to sustain homeownership. Overall housing debt includes PITI (principal, interest, taxes, and insurance) and other fees. Monthly expenses include car loans, student loans, credit cards, other installment and revolving debt that appears on a credit report, alimony, child support, etc. Any expense on the credit report, extending a repayment period more than 10 months, will be evaluated in the debt-to-income ratios.

The goal of the HOME program is to help eligible homebuyers become successful homeowners. To accomplish this goal the Consortium has developed criteria to determine suitability. These “suitability requirements” apply to the borrower(s) that will occupy the unit. If there is a non-occupant co-signer on the primary loan, the occupant-borrower(s) must meet these requirements:

- The borrower(s) must complete a HUD-approved home buying course and provide certification of achievement (See [Homebuyer Education & Approved Counseling](#)).
- The borrower’s income must be steady, reliable, verifiable, and sufficient to cover all debt, living expenses, and all other financial obligations (See [Income Requirements Section](#)).
- The borrower must be able to obtain approval from a primary lending institution for the purchase of the home. Prior to reservation of funds and final eligibility approval, applicant must show evidence of approved funding from primary lender.
- The borrower must have a minimum average FICO score sufficient to secure a loan commitment from a primary mortgage lender.
- As evidence of the borrower’s financial participation, the borrower must make a minimum contribution of at least \$1,000 to be used towards the purchase of the property.
- The borrower must meet the following debt ratio requirement.
 - a) Back-end ratio (total debt ratio): The PITI plus all other routine or revolving debt cannot exceed 41% of gross income. The Consortium has the discretion, in limited circumstances, to increase the back-end ratio to 43% based on additional credit information such as history of successfully paying debt on time, higher than average credit scores, etc.
Note: If there is a non-occupant co-signer, the debt ratios also apply to the occupant-borrower(s).
- The borrower(s) must not have had:
 - a) A foreclosure within the five years immediately prior to loan closing; or

- b) A bankruptcy (date discharged) within the two years immediately prior to loan closing.

Underwriting for the HOME program will be completed by the subrecipient on behalf of the Consortium. Before approving the assistance, Consortium staff will review all underwriting, documentation, applicant information, etc.

Income Requirements

For the Homebuyer Assistance Program, The HUD Part 5 definition of annual income will be used. *Annual income* is defined as the gross amount of income for all adult household members anticipated to be received during the coming 12-month period. Income sources used for establishing the annual gross income of the applicant buyer's household shall be determined in accordance with the *Code of Regulations 24 CFR 5.609* (which also lists income "Inclusions" and "exclusions").

Income Limits

Total household income should be more than 60% but 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.
- Use of the [HUD Exchange CPD Income Eligibility Calculator](#) is the preferred method for subrecipients to determine and document income eligibility.

Determining Income

Income eligibility shall be determined using the income for all persons over the age of 18 who intend to reside at the home. All persons, whether 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 statements
- Subsidy checks

Tax returns are not acceptable documentation for determining income for the Homebuyer's 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.

Assessment of Applicant Buyer's Ability to Purchase

Credit Risk

The applicant buyer must be a reasonable credit risk. The current lending market and lending institutions dictate credit score requirements.

Collection Accounts

Collections, judgments, liens, and charge offs must be less than 2 years old, and must be paid prior to closing. The applicant buyer must provide documentation that the debt has been satisfied.

Payments and/or payoff of medical collections are contingent upon lender requirements.

Chapter 7 and 13 Bankruptcy

Chapter 7 bankruptcies must be discharged for 2 years from the date of program application, and the applicant buyer must have re-established credit. Chapter 13 bankruptcy can be within the repayment time with no missed payments with written approval from the bankruptcy court.

Foreclosure Requirements

Applicant buyers' affected by foreclosure must wait three years from completion of the foreclosure and must have no deficiency balance; written explanation and re-established credit are also required.

Repossessions

Applicant buyers with repossessions are required to have at least a 12-month history with no deficiency balance.

Debt-to-Income (DTI) Guidelines

Housing Debt Expense – Front-End Ratio: The standard guideline for housing debt expense is 30%. The front-end ratio is calculated by dividing the gross income by the new and/or anticipated PITI mortgage payment (consisting of the principal, interest, taxes, insurance, and Homeowners Association (HOA), if applicable).

Overall monthly Debt-to-Income (DTI) Expense

Determining the back-end ratio: The standard guideline for overall monthly debt (consisting of the monthly debt expense and housing debt) is 41%. In certain circumstances, the applicant buyer's net income can exceed the maximum DTI upon review and approval be extended to 43%. This factor is calculated by dividing the gross income by the sum of the new PITI mortgage payment and the minimum monthly payments from the applicant buyer's liabilities. The typical debts used to determine the qualifying back-end ratios are the sum of the minimum required monthly payments on all the following types of debts:

- Student loans
- Auto loans
- Consumer loans
- Lines of credit
- Credit cards
- Housing debt

Recurring Household Expenses

Current market conditions dictate that necessary and reasonable household expenses are equal to or less than 25-30% of the applicant buyer's gross income. If the lender wishes to use a greater percentage, prior review and approval are required by program staff.

Compensatory Factors

In the event that the applicant buyer exceeds the 30/41% DTI ratio, other compensating factors may be taken into consideration to determine eligibility. If the criteria are met, ratios may be increased by 1-2%. Applicant buyers must meet each of the criteria listed below:

- 700+ credit score,
- 2 month reserves (of the PITI payment amount),
- Monthly PITI may not to exceed the current rent payment amount by more than 125%.

Homebuyer Education & Approved Counseling

All applicant buyers must receive housing counseling from a HUD-certified counselor before receiving Homebuyer Program Funding (CFR 24 CFR §92.254(a)(3)), and a homebuyer education class offered by the Washington State Housing Finance Commission is required for everyone who will be listed on the Deed of Trust. If the client has already completed the class, certificates are only good for two years, and the applicant buyer must maintain the certificate as proof of attendance. The Washington State Housing Finance Commission maintains a [website resource](#) with information about Homebuyer education and counseling.

Effective August 1, 2020, new Homebuyer Education & Counseling requirements will go into place. All housing counselors will be required to take and pass the Housing Counseling Certification Examination offered by HUD. For any home purchase closing on or after August 1, 2020, the following education and counseling will be required:

- All adult householder members who will hold title and be party to the senior loan must complete a HUD certified pre-purchase homeownership counseling course within the last two years;
- The counseling must consist of all applicable topics under the HUD Housing Counseling Rule, and must be delivered by a HUD-certified counselor working for a HUD-approved Housing Counseling Agency;
- HUD maintains a list of approved housing counseling agencies on [its website](#). In person, phone, and internet-based (or a combination thereof) are acceptable forms of education and counseling as long as they meet the HUD Housing Counseling Rule requirements.

While the HOME statute prohibits participating jurisdictions from using HOME funds to administer a homebuyer counseling program, costs related to counseling a HOME-assisted homebuyer may be charged as eligible project-related soft costs in accordance with §92.206(d)(6), or administrative costs in accordance with §92.207(b). Housing counseling expenses may only be charged as project-related soft costs if the counseled homebuyer ultimately receives HOME assistance, and the cost of housing counseling when added to the amount of HOME assistance does not exceed the HOME maximum per-unit subsidy limit.

Agencies may charge reasonable fees to homebuyers in accordance with §92.214(b)(1)(ii). Any fee charged to a potential homebuyer for the cost of housing counseling must be reasonable and not create an undue burden or impediment to low-income families seeking assistance.

Subsidy Layering Review

When the homebuyer is using more than one form of external homeownership assistance, then a subsidy layering evaluation must be prepared. The subrecipient must determine that no more than the necessary amount of HOME funds, (in combination with other governmental funds), are invested in homeownership purchases. The procedure for making this determination is the subsidy layering review.

Subsidy layering applies to homebuyer units with multiple government funding awards. The Skagit County Consortium requires agencies providing purchase assistance to conduct subsidy layering screening and loan underwriting for first-time homebuyers, using the following procedures. To ensure conformance with the subsidy layering requirement of HOME, the subrecipients must review the identified sources of funding as compared to monthly housing costs. The goal is to provide sufficient down payment assistance to keep the homebuyer's monthly housing cost within Underwriting Criteria described below. Use the Layering Analysis Described below.

Upon verification of the reasonableness and necessity of all costs within the included Template, the user can experiment with the amount of funds in the Home Assistance cell, to determine the optimal project subsidy layering contribution. Funding more than the minimum amount necessary means the purchase is over-subsidized. Funding less than the minimum amount necessary means that in the absence of additional funding, the homebuyer may have inadequate funds to sustain successfully the costs of homeownership. [Worksheet A](#) is a subsidy layering worksheet that can help complete this review.

Applicant Buyer Funding Contributions

The applicant buyer must have a minimum of \$1,000 toward the purchase transaction. Applicant buyer funds will be applied toward pre-paid closing cost expenses (taxes, insurance costs, homeowner association dues) first. Program funds cannot be used toward any pre-paid expenses.

Asset Limitation

Applicant buyers with liquid assets in excess of \$20,000 are ineligible to receive Homebuyer Program Assistance.

Liquid Assets: The Asset Limit refers to the applicant's personal (non-business) liquid assets. Liquid assets are defined as cash and assets that can be readily converted to cash.

- Liquid assets include checking and savings accounts, certificates of deposit, money market accounts, stocks, bonds and profit sharing accounts (if funds can be withdrawn without penalty).
- Liquid assets do not include retirement accounts/plans such as 401k, IRA, 457, or pension plans.

To be eligible for the HOME loan, the borrower must not have liquid assets after closing in excess of ten thousand dollars (\$10,000). Borrowers who have additional liquid assets in excess of \$10,000 must use those prior to utilizing HOME funds, but a borrower may submit a request in writing to the subrecipient seeking an exception. In turn, the subrecipient will forward the request to the Consortium staff, which

shall consider the request and make a decision of whether to increase the maximum limit of liquid assets, at the Consortium’s sole discretion.

The borrower may receive cash back at closing only if:

- At least \$1,000 of the borrower’s funds remain in the purchase; and
- The borrower’s liquid assets after closing do not exceed \$10,000.

Other Assets: The Borrower cannot have any interest in other real estate or in a business other than the borrower(s) source of income.

Seller Contributions

Seller contributions may go toward any prepaid expenses exceeding the \$1,000 that the applicant buyer/buyer is required to provide. The maximum seller contribution is 6% of the sales price. All seller funds must be applied to pre-paid expenses first.

Gift Funds

Gift funds may be used and are acceptable only from the applicant buyer(s)’ immediate family members. Gift funds may not exceed \$5,000. Gift funds require a letter from the donor stating the amount, date and name of the donor. It must also contain a statement confirming that the funds do not require repayment. The donor must document the source of gift funds.

Financial Reserves/Financial Resources to Sustain Homeownership

Although not required, it is strongly recommended that the applicant buyer have a 2-month reserve of mortgage payments as a safe-guard for sustainability in the event of crisis.

Underwriting Criteria

For homebuyer assistance activities funded by the Skagit County Consortium, the following underwriting standards shall apply:

Eligibility Factor	Requirement
Income Eligibility*	60-80% AMI
Front End Ratio**	30%
Back End Ratio**	41% (exceptions up to 43%)
Primary Loan	Fixed rate, 30 year, fully amortized loan at interest rate commensurate with credit worthiness of the purchaser.
Minimum Down Payment	3%

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Eligibility Factor	Requirement
Minimum Buyer Contribution	\$1,000
HOME Assistance Amount	The minimum amount of HOME assistance required to render the acquisition in conformance with the 30% front end ratio requirement when HOME funds are combined with the buyer down payment, other sources, and the primary loan
Form of HOME Assistance	Deferred Payment Loan
Amount of HOME Assistance	\$1,000 minimum to \$39,999 maximum
Maximum Purchase Price	Evaluated based on primary loan commitment, buyer down payment, and HOME assistance in conformance with the 30% front end ratio, but in no event to exceed the HUD maximum 95% of median purchase price limit for newly constructed housing or for existing housing, as applicable.
Homebuyer Education & Counseling	Buyers are required to complete homebuyer education and counseling .

** The lower 60% ratio is recommended, but can be waived based on the review of credit worthiness of the applicant.
**The back end ratio can increase by 2% subject to review on a case-by case basis in instances where the applicant has exceptional credit history or no debt obligations.*

Forms of Homeownership

To qualify for assistance, buyers must select a single-family property to acquire as follows:

- Fee simple title to the property
- Ownership of 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. Specific requirements vary by whether the manufactured home is new or used:
 - New manufactured home: As stated in the *Code of Federal Regulations 24 CFR 92.251(e)* newly constructed manufactured housing and housing that replaces an existing substandard unit must be on a permanent foundation (see *24 CFR 203.43f(c)(i)*).
 - Existing manufactured home: Existing unit foundations must be inspected and meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances (See *24 CFR 92.251(a) (1)*).

Maximum Purchase Price Limits

The value of any property purchased with Homebuyers Assistance Program funds may not exceed 95%

of the median purchase price for new construction or existing properties for the area, as published by HUD. Current program homeownership value limits are available by contacting Consortium program staff.

Program Limitations

Homebuyers Assistance Program funds used in conjunction with other programs (*example: Washington State Housing Finance Commission's Down Payment Program*) is permissible but must be disclosed at time of application and the subrecipient must determine that it does not result in over-compensation.

Required Inspections

Home Inspection

At minimum, a home inspection must be performed by a qualified and licensed home inspector. The purpose of this inspection is to carry out a noninvasive examination of the condition of a home to advise the prospective buyer of any visible code, structural or other deficiencies or safety hazards on the property. The inspection report may also advise if other more specialized problems may require a more in-depth inspection, such as asbestos, mold, lead paint, septic tank and field, or other concerns. In these instances, additional inspection types may be appropriate. Problems identified in the inspection report that make a home untenable must be addressed prior to completing the purchase. This is typically done by requesting that the seller make the necessary corrections at no cost to the buyer. If the buyer and seller cannot agree to correct critical deficiencies, the home purchase may end up being cancelled.

Lead-Based Paint Inspection

Current regulations (24 CFR Part 35, Subpart A) require that purchasers of homes constructed prior to 1978 must be notified of the hazards of lead-based paint and their right to an inspection. Before a purchaser is obligated under any contract to purchase a house, the seller must permit the purchaser a 10-day period (unless the parties mutually agree in writing, upon a different period of time) to conduct a risk assessment or inspection for the presence of lead-based paint and /or lead-based paint hazards. A purchaser may waive the opportunity to conduct the risk assessment or inspection by indicating so in writing .

If the lead hazard evaluation indicates that lead-based paint and/or lead-based paint hazards are found, the buyer has the right to cancel the contract. However, this right does not exempt the buyer from any costs of cancellation if the right to cancel is not made clear in the contingency to the sales contract.

Asbestos/Pest/Mold/Septic Inspections

Inspections for asbestos, pests, mold, septic and similar specialized concerns are eligible expenses and may be covered by program funds.

Covering Costs For Inspection and Work Required

Most inspections require payment at time the report is completed, or even when the inspection is performed. Further, unless the seller is willing to make the necessary corrections in response to inspection findings, the buyer may be faced with costs many weeks prior to a completed home

purchase. These factors should be explained to the buyer in the counseling process well in advance of their making an offer. Subrecipients can encourage homebuyers to consider:

- Asking the seller to perform the inspections and any required work. It is in the seller's interest to have these done to give confidence to any buyer that issues have been identified (if any) and taken care of (if seller is willing).
- Screening properties carefully by age and condition. Newer properties generally have fewer defects. Once the initial inspection is done, if it calls for additional inspections or has a costly list of deficiencies, consider withdrawing the offer unless the seller will fully cover the follow-up inspections along with all work identified to make the property habitable.
- Since inspections are eligible costs under the program, but funds do not flow until the closing occurs, see if the buyer or a family member can cover the inspection costs temporarily before closing.

Environmental Documentation Requirements

The Homebuyer Assistance Program is subject to environmental review requirements under NEPA. This occurs at two levels. Tier one review is completed by Skagit County at time of first allocating the funding to the down payment program for the Consortium. Tier Two (also called "site-specific") reviews must then be done each time a down payment assistance payment is considered as it is site specific and is done with a specific property has been selected for purchase.

HUD has determined that the down payment assistance program is broadly not subject to NEPA and is eligible for a categorical exclusion (see 24 CFR 58.35), subject to documentation and also compliance with two other federal environmental laws. To fulfill the environmental requirements, a HUD form (Determination of Categorical Exclusion Not Subject to Section 58.5) must be prepared, signed and placed in project files.

Examples of this form can be found from [HUD](#), or [here](#) (Airport Runway Clear Zones Disclosure template is found at [Appendix D](#)). This form requires a signature by the Certifying Officer of the Responsible Entity, who is currently the Director of Skagit County Public Health Department. The last part of this form could require detailed research.

FEMA Flood Insurance Program

The first consideration applies to the FEMA Flood Insurance program. The property's location with respect to flood plain zones must be documented, and if it is in a documented flood plain, the property owner must participate in the National Flood Insurance Program throughout the economic life of the property or HUD assistance is not permissible. Typically, the local county planning office would be able to assist in the documentation of flood plains with respect to any parcel.

Airport Runway Clear Zones Disclosure

If the property is within a civil or military airport clear zone, this must be disclosed to the purchaser and the disclosure documented with a form, signatures and record keeping. See: 24 CFR 51.303. Typically, the local airport operator (civil or military) would be able to assist in the documentation of clear zones with respect to any parcel.)

Coastal Barriers Resources Act

This environmental provision applies in several states, but not in Washington.

Loan Terms and Conditions

Loan Terms

Program preference is for applicant buyers to obtain a thirty-year (30) term, fixed-rate mortgage. The applicant buyer must qualify on their own credit. All co-applicant buyers must be listed on the mortgage loan.

Loan fees in excess of 1% are not acceptable except for FHA and VA loans. No buy downs for lower interest are permissible.

Loan Types

The Homebuyer Program may be used with conventional, FHA, USDA, and VA loans.

First Mortgage Loan Conditions

The Consortium supports the expansion of fair and equitable home ownership opportunities. The goal of program staff is to ensure that fund expenditures are reasonable and necessary, and the objective of the program is to ensure that applicant buyers are ready to acquire housing and are able to sustain homeownership. To discourage predatory lending practices, which are inconsistent with such opportunities, the Consortium has established the following anti-predatory lending policy with respect to residential mortgage loans used in conjunction with the Homebuyers Assistance Program Funding.

Mortgage loans must comply with applicable federal, state, and local anti-predatory lending laws and other similar credit-related consumer protection laws, regulations, and orders designed to prevent abusive and deceptive lending practices and loan terms (collectively, "Anti-Predatory Lending Laws").

In addition, no creative financing, such as variable rate, adjustable rate, and interest rate only, balloon payment, and/or 80/20 split, will be allowed. Any practices deemed as predatory that are not listed above are subject to review and approval by Consortium staff (24 CFR §92.254(f)).

Period of Affordability

The typical affordability period for HOME-assisted home purchases is ten years (\$15,000 to \$39,999 of HOME funds) but is five years if assistance provided is less than \$15,000. The down payment and closing costs assistance is forgiven on a pro-rata basis for the period of time the homeowner has owned and occupied the dwelling, which is calculated against the required affordability period.

For a 10-year period of affordability, 10% of the HOME assistance is forgiven/satisfied each year. For a 5-year period of affordability, 20% is forgiven/satisfied each year.

Instruments Securing Program Assistance

Program funds are secured by the Deed of Trust, Loan Agreement, and Promissory Note, all of which are signed by the applicant buyer at closing and notarized. At the completion of closing, the Deed of Trust and the Loan Agreement are recorded and filed at the County Register of Deeds for the applicable county where the home is located. A copy of all documents will be placed in the applicant buyer's file, and the original documents are retained for cancellation of record purposes.

Federal Housing Administration (FHA) Loans

The FHA program will allow for 3.5% down payment assistance, with the remainder of the funds going towards closing costs less pre-paid items. The standard amount for FHA loans at this time is 3.5%. If additional funding is needed, the lender must contact the Consortium for approval.

United States Department of Agriculture (USDA) Loans

For USDA mortgage loans, Consortium funding may be used for closing costs only. The USDA Guarantee may be an eligible cost, but will be evaluated on a case-by-case basis and will require prior approval.

United States Department Of Veterans Affairs (VA) Loans

The VA program requires no down payment, thus Consortium funding may be used for closing costs only. The VA mortgage initiation fee may be an eligible cost, but not more than 1%.

Eligible Expenses and Closing Costs

Typical closing costs include, but are not limited to:

- Financing fees
- Credit reports
- Title binders and insurance
- Appraisal
- Recording fees including transactions taxes
- Home and specialty inspections
- Home warranty (case-by-case basis – prior approval is required)

Ineligible Expenses

Program funds cannot be used to pay the applicant buyers pre-paid items, which include, but are not limited to:

- Escrow of taxes
- Insurance
- Interim interest

Surplus or Deficient Funds at Closing

The borrower may receive cash back at closing only if at least \$1,000 of the borrower's funds remain in the purchase; and the borrower's liquid assets after closing do not exceed \$10,000. If there is a funding deficiency for closing, the applicant buyer may have to bring additional funds to closing.

Declining Assistance

Every effort will be made to address issues well in advance of closing, however, the Consortium or subrecipient managing the Homebuyer Assistance Program reserves the right to postpone a scheduled closing date or deny program assistance due to any of the following circumstances:

- Falsification and/or alteration of documents
- Reported Minimum Housing Code violations that are not properly addressed
- Failed lead-based paint inspection

- Predatory loans and/or fees
- Incomplete/missing paperwork
- Scheduling conflicts
- Insufficient processing time allowed for program funding (check request)
- Not receiving prior approval on any required items/matters
- Other issues that conflict with program policy or federal regulations

Loan Requirements after Closing

Refinancing

Applicant buyers may refinance, but must contact program staff before doing so. Consideration for loan subordination is subject to staff review and approval, and is completed only when the new loan terms are reasonable. No cash may be withdrawn as part of the refinancing. Refinancing does trigger repayment of the balance of HOME funds unless the Consortium agrees to subordination. Contact Consortium Program Staff for payoff amount and terms.

Recapture Provision

The down payment and closing costs assistance must be recaptured on a pro-rata basis. Ten or 20 percent is forgiven/satisfied each year, for the period of time the homeowner has owned and occupied the dwelling, which is measured against the required affordability period.

Net Proceeds

Recapture requires that all or a portion of the program funds provided to the homebuyer be recaptured from the net proceeds of the sale. Net proceeds are defined as the sale price minus loan repayment (other than HOME funds) and any closing costs. When recapture is triggered by foreclosure of the housing unit and there are no net proceeds or the available net proceeds are insufficient to repay the HOME Investment due, the Consortium can only recapture the available net proceeds.

Foreclosure

For those applicant buyers facing foreclosure, but are actively working with a lender to restructure or refinance the loan in order to remain in the home, Consortium Program Staff must be notified and will assist the applicant buyer with resources and discuss how this action will impact terms and conditions of program funding.

Loan Requirements and Monitoring After Closing

A property purchased with HOME funds must be occupied as the buyer's principal residence throughout the life of the loan. The HOME funds must be repaid in full upon title transfer, sale, or default or if the borrower no longer occupies the home.

- Renting a unit in its entirety is not permitted. Deed restrictions will reflect this requirement.
- Real property taxes and hazard insurance must be current at all times.
- Such certificate of insurance shall identify the borrower as insured and shall include the Skagit County Consortium as a Mortgagee/Loss Payee.
- The home may not be used for any activities prohibited by law.

Monitoring

Annually throughout the affordability period, the Consortium monitors homebuyers to ensure compliance with residency requirements. This monitoring may include:

- Certifying through utilities and other County systems that the homebuyer is still residing in the home.
- Sending a letter to homebuyer requesting current insurance and certification that homebuyer is still in the house. In certain situations, the Consortium may require the homebuyer to demonstrate they are still occupying the property as their primary residence.

A detailed monitoring plan for the Consortium can be found in [Appendix C](#).

Homebuyer Program Guidelines for Resale

The 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.

Resale Requirements During Affordability Period

The resale policy is enforced for the affordability period and is based upon the amount of HOME funds invested in the home. See the [Period of Affordability Section](#). If more than one type of funding is used to assist the homebuyer, the home may be subject to multiple affordability periods. When 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.

Enforcement of Resale & Fair Return

The [Enforcement of Resale Provisions](#) and [Fair Return at Resale](#) Policies for the Homebuyer Assistance Program are the same as those stated in the Development of Homeowner Program Section of this manual. Rather than restate them, the relevant sections have been linked above.

Provision of Assistance

Skagit County will provide downpayment assistance at the close of escrow. The subrecipient will compile a request-for-funds 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 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

- Copy of Ground Lease (if applicable)

Records Retention

After closing, the subrecipient must provide copies of the recorded deed of trust. Consortium HOME Loans and documentation are required to be kept for five years from the date of final reimbursement or closure of the loan due to conclusion of the affordability period, or loan closure due to other factors (resale, sale, default, etc.).

Skagit County Consortium
HOME Investment Partnership Program Policies and Procedures Manual

Worksheet A: Skagit County HOME Consortium Layering Analysis Worksheet

Homeowner(s) name:			
Home Address:			
ITEM			
Sale price of home	\$	265,000.00	
Plus estimated closing costs and pre-pays	\$	12,500.00	
Equals total cost of acquisition	\$	277,500.00	
Total cost of acquisition			
Minus homeownership HOME assistance layer	\$	(30,000.00)	Show as negative value.
Minus 2nd homeownership assistance layer	\$	(5,000.00)	Show as negative value.
Minus 3rd homeownership assistance layer	\$	-	Show as negative value.
Minus homebuyer contribution	\$	(5,000.00)	Show as negative value.
Minus seller's contributions			Show as negative value.
Total amount to be financed			
Monthly mortgage principal and interest payment	\$	1,086.12	Use HP12C calculator emulator with loan terms. (See https://epxx.co/ctb/hp12c.html)
ITEM			
Monthly mortgage principal and interest payment	\$	1,086.12	Annual
Mo. Homeowners insurance	\$	59.00	\$ 600.00
Mo. Flood insurance	\$	83.33	\$ 1,000.00
Mo. Property taxes	\$	166.67	\$ 2,000.00
Mo. Ground lease fee	\$	-	\$ -
Mo. Common area maintenance fee	\$	-	\$ -
Mo. Estimated utilities	\$	20.83	\$ 250.00
Mo. Maintenance Reserves	\$	8.33	\$ 100.00
Estimated total mo. housing costs			
	\$	1,424.29	
Total monthly household income adjusted for family size.			
	\$	4,750.00	From Underwriting Review, Section 2.7.3
Monthly housing costs as percentage of income			
		30%	
	Green HOME Subsidy is correct amount		
	Pale Green HOME Subsidy is allowable in some cases.		
	Red HOME Subsidy is too high.		
Grey cells are auto-calculated.	Yellow HOME Subsidy is too low		

IX. AFFIRMATIVE MARKETING REQUIREMENTS

Statement of Policy

In accordance with the regulations of the HOME Investment Partnerships Program (24 CFR 92.351), and in furtherance of Skagit County's commitment to nondiscrimination and equal opportunity in housing, Skagit County has established these policies and procedures to affirmatively market units in HOME-assisted projects of five or more units. These procedures are intended to further the objectives of Title VIII of the Civil Rights Act of 1968 and Executive Order 11063.

Skagit County believes that individuals of similar economic levels in the same housing market area should have access to a similar range of housing choices regardless of their race, religion, color, national origin, sex, familial status, or ability/disability. The purpose of this policy is to promote fair access to HOME-assisted housing units by requiring outreach to all potentially eligible households and special measure to reach those least likely to apply for assistance.

Skagit County is committed to the goals of affirmative marketing, which will be implemented in the HOME Investment Partnerships Program through the procedures described below.

Obligations of Skagit County

As Lead Agency for the Consortium, the County will inform potential and current owners/sponsors/developers of their obligations under Affirmative Marketing and Fair Housing through periodic workshops on HOME requirements, dissemination of this policy document, and the HOME Investment Partnership Program Policies & Procedures Manual. The County will collaborate with its development partners to inform the public, potential tenants, and homebuyers through owners/sponsors/developers undertaking the procedures below.

Project sponsors should provide for costs associated with these requirements in their planned operating budgets. Project sponsors must create an Affirmative and Fair Housing Marketing Plan that addresses the procedures that they use for initial outreach upon project completion and ongoing outreach as vacancies arise. Project sponsors must provide Skagit County with their Affirmative and Fair Housing Marketing plans each time they are updated and each time they are monitored.

Skagit County incorporates a sponsor's obligations under Affirmative Marketing and Fair Housing in the Skagit County Funding Agreement. Failure to comply with the terms of the Agreement may be considered a default of the Agreement, and Skagit County may require repayment of the Grant/Note, plus take any other measures allowed by law, including but not limited to disqualifying the sponsor from applying for future HOME funds. Throughout the HOME affordability period, Skagit County will verify that the project sponsor continues to comply with Affirmative Marketing and Fair Housing requirements as part of periodic HOME compliance monitoring of the project.

General Outreach to Prospective Tenants

Sponsors will provide outreach to tenants through a variety of methods, including, but not limited to, advertising via newspaper, notice boards, Craigslist, and other public venues. All homeless set-aside units

must be filled exclusively from the local coordinated entry system of the community in which the project is located.

Special Outreach to Hard-to-Reach Populations

Project sponsors must take active steps beyond general outreach to the public to notify hard-to-reach populations of vacancies and solicit applications. Specific efforts should be made to conduct outreach to the following populations:

- People of color who have historically faced discrimination when accessing public services and housing
- People of limited English proficiency
- People with disabilities
- People experiencing homelessness
- Members of the LGBTQ+ community

Skagit County requires that, at a minimum, project sponsors use the following special outreach methods to reach the populations described above:

- Project sponsors who ordinarily advertise rental property or opportunities to purchase available single-family homes must place advertisements through KSVR radio station or other news outlets that primarily serve the Latino population.
- Project sponsors should send information to outreach centers, community service organizations, housing authorities, local behavioral health organizations, and other similar organizations informing of the availability of new housing and encouraging them to share this information with their constituents.
- Translate marketing materials and housing applications into Spanish.
- Work with minority-owned print media, radio and television stations.
- Partner with community & faith-based organizations that serve hard-to-reach groups.
- Market at adult education training centers or English as Second Language (ESL) classes.

Sponsors of rental projects must begin their special outreach activities immediately upon learning that a vacancy will occur. Sponsors of homebuyer projects must begin special outreach activities during the homebuyer selection process for available single-family homes. If feasible, sponsors of rental projects should request a 30-day notification from tenants intending to move to allow time for special outreach.

Projects Serving Limited Populations

If the Skagit County Funding Agreement permits limiting tenant eligibility or having a tenant preference in accordance with 92.253(d)(3), the following marketing procedures and requirements apply:

- General outreach outlined above may be modified if HOME-assisted units are limited to a specific group, such as people experiencing domestic violence. However, the Sponsor should follow the process outlined above to ensure all people within the limited population have the same opportunity to apply for housing units, regardless of protected class.

Recordkeeping

Skagit County requires that project sponsors keep records on the following:

- The racial, ethnic, and gender characteristics of tenants (or homebuyers, as applicable), as well as those of applicants in the 90 days following project completion as required by section 92.508(a)(6) and 93.351
- Activities they undertake to inform the general renter public, including copies of advertisements placed in the local newspaper
- Activities they undertake to inform potential homebuyers, including copies of advertisements placed in the local newspaper
- Activities they undertake for special outreach, including the dates of contact with relevant organizations and copies of advertisements in specialized newspapers

Project sponsors will be asked to provide, where possible, data on how applicants heard about the housing opportunities.

Assessment and Corrective Action

The affirmative marketing efforts of project sponsors will be assessed by Skagit County during periodic on-site monitoring visits as follows:

- To determine if good faith efforts have been made: Records required of project sponsors will be examined and compared with required actions. If the required actions have been carried out as specified, Skagit County will assume that project sponsors made a good faith effort to carry out these procedures.
- To determine results: Skagit County will assess whether or not persons targeted by the special outreach efforts have, in fact, become tenants or homebuyers in the HOME-assisted units. If they have, the County will assume that the procedures have been effective. If the identified persons are not represented, the County will review the affirmative marketing procedures to determine what changes might be made to make the marketing efforts more effective.

Skagit County will take corrective action if it finds that a project sponsor has failed to carry out the required procedures or failed to maintain the records on applicants and tenants or homebuyers.

- If problems are evident, Skagit County will discuss ways to improve a project sponsor's efforts prior to taking corrective action.
- The reporting of all vacancies by the sponsor of a rental project on a continuing basis may be required to determine whether project sponsors are following the prescribed procedures.
- The reporting of all unsold single-family homes by the sponsor of a homebuyer project on a continuing basis may be required to determine whether project sponsors are following the prescribed procedures.
- If a project sponsor fails to make a good faith effort to carry out the affirmative marketing procedures after fair warning and an opportunity to correct identified deficiencies, the project sponsor's participation in the program will be terminated and the repayment of the grant/loan required, as stated in the Skagit County Funding Agreement. The project sponsor will not be eligible for future participation in the program.

X. APPENDIX A: GLOSSARY

Action Plan: The one-year portion of the Consolidated Plan (see below). It includes the Participating Jurisdiction's annual application for HOME funds.

Adjusted Income: Adjusted income is annual (gross) income reduced by deductions for dependents, elderly households, medical expenses, handicap assistance expenses and childcare (these are the same adjustment factors used by the Section 8 Program). Adjusted income is used in HOME to compute the actual tenant payment in TBRA programs and the low HOME rent in rental projects in which rents are based on 30% of a family's adjusted gross income.

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

Annual Income: The HOME Program allows the use of two definitions of annual income, depending on the type of program: Section 8 annual income and adjusted gross income as defined for reporting on IRS Form 1040. More information about the appropriate income standard to use can be found in in [Chapter III](#).

Commitment: Commitment means one of three things: (1) The participating jurisdiction has executed a legally binding agreement with a State recipient, subrecipient, or contractor to use a specific amount of HOME funds to produce affordable housing or provide tenant-based rental assistance; or (2) has executed a written agreement reserving a specific amount of funds for a CHDO; or (3) has met requirements to commit to a specific local project as defined below.

Commitment to a specific local project. Commitment to a specific local project means that a legally binding agreement was executed meeting one of the following sets of requirements: (1) For rehabilitation or new construction projects, the participating jurisdiction (or other entity) and the project owner will execute an agreement for an identifiable project under which construction can reasonably be expected to start within 12 months of the agreement date. If the project is owned by the participating jurisdiction or state recipient, the project must be set up in the disbursement and information system and construction reasonably expected to start within 12 months of the set-up date. (2) If the project consists of acquisition of standard housing by the participating jurisdiction, the agreement must be a binding contract for the sale of an identifiable property, and the property title must be transferred to the participating jurisdiction (or other entity) within six months of the date of the contract. (3) If the project involves the acquisition of standard housing and the participating jurisdiction is providing HOME funds to a purchaser, under the agreement, the title of the property must be transferred to the purchaser within six months of the agreement date. (4) If the project consists of TBRA, the participating jurisdiction or subrecipient must enter into a rental assistance contract with the owner or the tenant in accordance with the provisions of 24 CFR Part 92.209.

Consolidated Plan: A plan prepared in accordance with the requirements set forth in 24 CFR Part 91, which describes community needs, resources, priorities, and proposed activities to be undertaken under certain HUD programs, including HOME.

Consortium: Geographically contiguous units of general local government consolidated to be in a single unit of general local government for HOME Program purposes when certain requirements are met.

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

Draw-Down: The process of requesting and receiving HOME funds. Participating jurisdictions and authorized state recipients draw down funds from a line of credit established by HUD.

Final Rule: The Final HOME Rule was published at 24 CFR Part 92 on September 16, 1996, and became effective on October 16, 1996.

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

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

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

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

Household: One or more persons occupying a housing unit.

Jurisdiction: A state or unit of general local government.

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

Match: Match is the Participating Jurisdiction's contribution to the HOME Program – the local, non-federal contribution to the partnership. The Participating Jurisdiction's match contribution must equal not less than 25 percent of the HOME funds drawn down for projects in that fiscal year.

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

Participating Jurisdiction: The term given to any state, local government or consortium that has been designated by HUD to administer a HOME Program. HUD designation as a Participating Jurisdiction occurs if a state or local government meets the funding thresholds, notifies HUD that they intend to participate in the program and has a HUD-approved Consolidated Plan.

Program Income: Gross income received by the Participating Jurisdiction, state recipient, or a subrecipient directly generated from the use of HOME funds or matching contributions.

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

Project completion: All necessary title transfer requirements and construction work have been performed; the project complies with all HOME requirements; the final draw-down has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD. For TBRA, project completion means the final draw-down has been disbursed for the project.

Reconstruction (also rehabilitation): The rebuilding, on the same lot, of housing standing on a site at the time of project commitment. The number of housing units on the lot may not be changed as part of the reconstruction project, but the number of rooms per unit may change. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing.

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

Subrecipient: A public agency or nonprofit organization selected by a Participating Jurisdiction to administer all or a portion of the Participating Jurisdiction's HOME Program. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient.

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

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

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

Source: [Building HOME: A Primer](#)

XI. Appendix B: Monitoring Plan & Procedures

Objectives

The objective of the Skagit Consortium HOME Monitoring Policy is to establish standards for evaluating and reporting all recipients' and subrecipients' compliance with program requirements. The Consortium/Skagit County will conduct either on-site or remote reviews to verify accuracy of records/documents, review program policies and procedures, conduct housing inspections, and evaluate overall administrative compliance to HOME and other relevant regulations.

HUD's requirement for thorough and periodic monitoring of HOME recipients and subrecipients is to ensure the proper use of federal funds consistent with the laws and regulations governing the HOME Investment Partnerships Program. Of note, as the Participating Jurisdiction for the Consortium, Skagit County is both responsible for an ongoing monitoring program of all subrecipients and contractors, but is also financially liable for the overall program, including all tiers of subrecipients, contractors and beneficiaries.

Monitoring Type and Frequency

The Consortium staff will strive to monitor subrecipients on a frequency consistent with prior performance and other factors including changes in the subrecipients staffing and management and reasonable accountability. This is known as risk-analysis-based protocol (see p. 8 of HUD Monitoring Manual). Initially and annually thereafter, the staff must prepare a risk-based assessment of all subrecipients and activities in order to gauge how the resources applied to monitoring can identify the areas of highest vulnerability to fraud, waste, mismanagement, or lack of capacity.

In general, monitoring should occur at least annually for Consortium members, subrecipients, and contractors. Rental projects can vary between every one year to every three years, based on size and risk (see HUD guidance), but may be both increased and decreased as follows:

1. Reasons to increase monitoring frequency or use more all-purpose on-site monitoring
 - a. If prior reviews had adverse findings, more frequent monitoring acts as a follow-up to ensure the necessary changes have occurred
 - b. If the subrecipient has undergone significant turnover in either their direct staffing of supervision, or undergone organizational rearrangement
 - c. The project is complex and/or large in size and scope
 - d. If, during a remote or less in-depth monitoring effort, areas of concern are identified that suggest that monitoring should be more substantial
 - e. Other factors the Consortium documents as warranting more frequent monitoring, such as third-party or whistle-blower complaints
2. Reasons to decrease monitoring frequency or to use less intensive monitoring, such as limited-purpose or sample document monitoring
 - a. If at least two prior monitoring reviews or third-party audits under 2 CFR 200 Subpart F of the subrecipient had no significant findings
 - b. Follow-up monitoring to review a specific area of concern from a prior review

Since choosing a different monitoring type or frequency is based on judgement, the decision and the factors considered most informative should be documented in the risk-based monitoring plan and the reports that are generated from monitoring.

Entities Monitored

HUD requires that all entities that expend or engage in decisions concerning HOME funds shall be monitored. This includes the Lead Agency, other consortium members¹, all subrecipients at any tier, CHDOs, developers, and contractors.

Monitoring Format

A written report will be prepared and provided to the subrecipient following the completion of each monitoring review. The report will include the following information:

- An explanation of the purpose and scope of the review
- A list of findings, comments, recommendations, and corrective actions to be taken
- A summary of each individual interviewed, their position, and relevant information
- A list of the client files reviewed
- A list of the houses/units inspected
- A summary of project funds expended to date
- An evaluation of project performance to date
- A time frame for taking corrective action, if any

Monitoring Compliance

HOME activities (TBRA, CHDO, and Homeowner Buyer) will be evaluated on the following:

- Adherence to HOME guidelines, procedures, and regulations
- Subrecipient's administrative plan, scope of work, and program policies and procedures
- Overall administration and management expertise and organizational skills
- Fair Housing
- Housing Quality Standard Inspections
- Uniform administrative requirements of 2 CFR 200
- Davis-Bacon and Lead-Based Paint, if applicable
- Environmental Review compliance

Pre-Monitoring Preparation

Prior to an on-site monitoring visit, Skagit County will provide written notification by email or posted letter of the visit to the subrecipient. The notice will provide the following information:

- The date(s) and time(s) of the visit
- A copy of the monitoring checklist
- A list of the properties to be inspected and client files to be reviewed
- The subrecipient may be asked to provide the Skagit County Consortium with the following:
 - Disbursement and expenditure reports

¹ Not all members within the Skagit County Consortium will need to be monitored. The relevant consideration is whether they are involved directly in the decision-making or award of HUD HOME funding.

- Agreements/contracts
- Policy guidelines and procedures, administrative plans, and operation manuals
- Beneficiary and HMIS data
- Organizational chart
- Any tools, policy and procedures, databases used for conducting the program
- Third-party audits of their HOME Program activities in the prior three years
- Additional documentation as needed

Monitoring and Inspection Schedule for Development Projects

The Consortium staff will provide program monitoring over three phases:

1. *Contract Development Phase*
 - a. Ensuring that projects are consistent with the Consolidated Plan
 - b. Ensuring that all Environmental Review requirements have been met
 - c. Ensuring clients are income-eligible
2. *Development Phase*
 - a. Ensuring that project costs, budgets, and timelines are adhered to
 - b. Ensuring conformance to HOME standards through periodic property inspections
3. *Post-Development Phase (Long-Term)*
 - a. The duration and frequency of on-sight subrecipient monitoring and inspections is based on the length of the affordability period and the total number of project units

Duties of the Those Conducting Monitoring

The Consortium's duty to monitor is critical to both retaining eligibility for HUD financial assistance and to ensure that funds received are not subject to payback. The monitoring effort must be strong and effective in order to check for compliance and take action when warranted. HUD CPD staff should be sought out for guidance and advice if concerning circumstances are discovered. Finally, if fraud is discovered, parties are required to report this to the HUD Office of Inspector General at www.hudoig.gov/hotline.

Primary Monitoring Instructions, Forms, and Checklists

The primary guidance document for performing monitoring is the *HUD Monitoring HOME* guidebook, published September 2010. It contains a wealth of information regarding the requirements for an effective and comprehensive monitoring program for the several different types of HOME activities, including the different stages of projects, such as development and operations and the different types of partners (e.g., program focused, administrative, and specific housing activities). As HUD frequently provides updated regulations, guidance, and other supporting materials, those monitoring should seek new guidance when available.

Consortium staff conducting monitoring should avail themselves of this document as they begin to plan their monitoring effort, especially if they are new to the assignment of monitoring HOME participants. There is also a training module that accompanies this guidebook that would be useful:

[HUD Monitoring HOME guidebook](#)

[HUD Monitoring HOME Training Module:](#)

[HUD Integrity Bulletin, Summer 2016, Subrecipient Oversight and Monitoring – A Roadmap for Improved Results](#)

Title 2: Grants and Agreements, Part 200 UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS, Subpart D—Post Federal Award Requirements, [CFR § 200.331 Requirements for pass-through entities.](#)

XII. Appendix C: Match Credit Report

Match Credit Report

Skagit County Home Consortium

Match FFY Year: _____

Consortium Member: _____

Nonprofit Servicing Agency: _____

HEN Rental Assistance	HOME Eligible Only
October	\$
November	\$
December	\$
January	\$
February	\$
March	\$
April	\$
May	\$
June	\$
July	\$
August	\$
September	\$
FFY Total (Oct to Sep)	\$
October	\$
November	\$
December	\$
CY Total (Jan to Dec)	\$

Prepared by:

Name

Signature

Date

Note to Consortium Member: Please include copies of actual invoices with each quarterly match report.

