

DRAFT

2018-2019 National Housing Trust Fund Annual Allocation Plan

Revision Date: March 21, 2018



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General Overview

The National Housing Trust Fund (HTF) is a new affordable housing program to increase and preserve the supply affordable housing for extremely low-income (ELI) and very low-income households (VLI). HTF, established under Title I of the Housing and Economic Recovery Act of 2008, will be distributed through the U.S. Department of Housing and Urban Development (HUD) on a formula basis to the states.

The Arizona Department of Housing (ADOH) is the designated grantee of HTF for Arizona. ADOH will directly fund projects by eligible recipients in accordance with this Allocation Plan. ADOH expects to receive approximately \$3,000,000 in HTF funds for the program year July 1, 2018 through June 30, 2019. ADOH will distribute HTF in Arizona on a competitive basis in accordance with the following:

- 1. Housing Trust Fund Interim Rule (24 CFR Parts 91 and 93);
- 2. State of 2015-2019 Consolidated Plan (SP 10 Geographic Priorities and SP 25 Priority Needs); and
- 3. 2018-2019 National Housing Trust Fund Annual Allocation Plan.
- 4. 2018 Qualified Allocation Plan

HOME funds will be combined with HTF to fund Eligible Projects under this Allocation Plan.

The ADOH is responsible for the administration of HTF for the State of Arizona, including the development of this Allocation Plan which defines the process by which HTF funds are distributed in Arizona. The ADOH Director may make minor modifications deemed necessary to facilitate the administration of the HTF or to address unforeseen circumstances. Further, the ADOH Director is authorized to waive any conditions not mandated by federal statute or regulation on a case by case basis for good cause.

The Plan promotes activities outlined as priorities in the State of Arizona Consolidated Plan. The 2015-2019 Consolidated Plan (SP-25 Priority Needs) lists Rental Development and Rehabilitation for Extremely-Low Income as a priority need. The 2017-2018 Annual Action Plan (AP-20 Annual Goals and Objectives) lists HTF as a funding source for the Construction and Rehabilitation of Rental Units.

This Plan was developed with input from our partners and stakeholders solicited from a public hearing and a 30-day public comment period.

Eligible Activities

"Eligible Activities" for Arizona HTF are ten percent (10%) for ADOH Administration and ninety percent (90%) for construction and rehabilitation of affordable rental housing developments for Households with extremely low income (thirty percent (30%) of the HUD Area Median Income adjusted for family size with utility costs deducted). Rental assistance for the 30% units must be

provided from one of the following sources: 1) Project Based Vouchers from a local Public Housing Authority; 2) VASH Vouchers from a local Public Housing Authority; 3) Rental Assistance from a Regional Behavioral Health Authority. Only rehabilitation that results in new units is eligible.

Eligible Project

Eligible Activities undertaken by Eligible Recipients are "Eligible Projects." Eligible Projects may have efficiency (zero (0) bedroom), one (1) bedroom, two (2) bedroom and three (3) bedroom units.

Eligible Recipients

"Eligible Recipients" are public housing agencies, for-profit entities or non-profit entities.

Geographic Distribution

The 2015-2019 Consolidated Plan (SP-10, Geographic Priorities), does not target specific geographic areas but directs funding in accordance with performance criteria listed below under "Priority Funding Objectives" and in a manner consistent with state and federal certifications to affirmatively further fair housing.

Method of Distribution

HTF will be distributed as "gap" financing to projects that obtain an allocation of Low Income Housing Tax Credits (LIHTCs) through the 2018 LIHTC competitive round. Projects that have units set aside (with project based rental assistance) for Extremely Low Income households will be eligible for HTF funding, but only those projects that score the highest and meet the criteria defined in the 2018 QAP will be funded.

Priority Funding Objectives

The scoring criteria in the QAP incorporates the Priority Funding Objectives listed below.

- 1. demand;
- 2. capacity, experience and past performance of applicant;
- 3. extent to which units are affordable to extremely-low income individuals and families (HTF units must have project based rental assistance);
- 4. proximity of proposed project to transit, services and amenities;
- 5. project readiness;
- 6. sustainable development (energy efficiency);
- 7. the duration of the affordability period; and

Eligible Project Costs

Costs allowed for Eligible Projects are "Eligible Project Costs". Eligible Project Costs are the following:

- 1. development hard costs;
- 2. acquisition costs;
- 3. related soft costs;
- 4. staff and overhead costs for ADOH not to exceed ten percent (10%) of the annual allocation; and
- 5. relocation costs.

State Assisted Units

The number of HTF Units within each Eligible Project is determined in accordance with Notice CPD 98-2 which provides the formula for designating "State Assisted Units".

Eligible Forms of Assistance

HTF will be distributed in Arizona by ADOH directly to Eligible Recipients in the form of loans to partially (Gap Financing) or fully fund (Primary Financing) Eligible Projects. Loans will be low to no interest loans with minimum payments or deferred forgivable for terms of at least thirty (30) years. Financing will be made available only to the extent it is needed as determined by the underwriting guidelines as outlined herein.

Maximum per Unit Development Subsidy (subject to change)

Arizona Maximum per Unit Development Subsidies are based on the actual costs of constructing Permanent Supportive Housing in both urban and rural (outside of Maricopa and Pima Counties) Arizona.

Project Area in Arizona	Cost per unit for 0 bedroom	Cost per unit for 1 bedroom	Cost per unit for 2 bedroom	Cost per unit for 3 bedroom
Balance of State (rural)	\$183,030	\$202,671	\$243,777	\$265,525
Urban Area	\$183,030	\$202,671	\$243,777	\$265,525

Period of Affordability

HTF Units in Eligible Projects must be affordable for a period of at least thirty (30) years. Affordability will be secured through a Deed of Trust and CC&Rs recorded against the property.

Funding Agreement

HTF funds will be provided to Eligible Recipients through a Funding Agreement entered into between

ADOH and the Eligible Recipient. The Funding Agreement will contain the following:

- 1. certifications by the Eligible Recipient to comply with all HTF requirements and associated federal and state laws and regulations;
- 2. performance goals and benchmarks consistent with ADOH proposed accomplishments (Scope of Work);
- 3. restrictions to use funds for Eligible Project Costs (Budget); and
- 4. requirement for completing Eligible Project in timely manner (Schedule of Completion).

Construction and Rehabilitation Standards

Rehabilitation projects must adhere to Arizona Department of Housing National Housing Trust Fund Rehabilitation Standards attached to this plan as Attachment 1 and posted on the ADOH website at: https://housing.az.gov/sites/default/files/documents/files/ADOH-HTF-Rehabilitation-Standards-10-06-16.pdf. The following provisions from 24 CFR part 93 apply to all HTF Eligible Projects.

<u>UPCS</u>

Eligible Projects must follow property standards which include all inspectable items and inspectable areas specified by HUD based on the HUD physical inspection procedures, known as the Uniform Physical Condition Standards (UPCS) prescribed by HUD pursuant to 24 CFR Part 5.705.

Lead Paint Hazards

Eligible Projects must mitigate lead hazards in accordance with the applicable provisions of 24 CFR part 35.

Accessibility

Eligible Projects must provide accessibility in accordance with the applicable provisions of 24 CFR part 8 (implementing section 504 of the Rehabilitation Act of 1973) and Titles II and III of the Americans with Disabilities Act implemented at 28 CFR parts 35 and 36. Eligible Projects that are "covered multifamily dwellings," as defined at 24 CFR 100.205, standards must require that the housing meets the design and construction requirements at 24 CFR 100.205

Disaster Mitigation

Where relevant, construction design will mitigate the potential impact of potential disasters (i.e. earthquakes, hurricanes, floods and wildfires) in accordance with state or local codes, ordinances and requirements or such other requirements that HUD may establish.

State and Local Codes, Ordinances and Zoning Requirements

Eligible Projects must meet all applicable state and local codes, ordinances and requirements. In the absence of state or local building codes, the housing must meet the International Building Code of the International Code Council.

Capital Needs Assessment

A Capital Needs Assessment (CNA) must be submitted with an application package involving rehabilitation (including adaptive reuse projects). The CNA must be completed by a competent, independent third party acceptable to ADOH such as a licensed architect or engineer, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs and improvements, pending repairs and existing or chronic physical deficiencies. The assessment will include a site visit and a physical inspection of the interior and exterior of all units and structures. The assessment must determine the work to be performed and identify the long-term physical needs of the project. The work to be undertaken must meet the State of Arizona National Housing Trust Fund Rehabilitation Standards.

The assessment must address Health and Safety issues identifying life-threatening deficiencies and must address major systems including structural support; roofing; cladding and weatherproofing (i.e. windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation and air conditioning. The assessment must provide an estimate (based on age and condition) of the remaining useful life of these systems, upon project completion of each major system.

The assessment will consider the presence of environmental hazards such as asbestos, lead paint and mold on the site. The assessment will include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. If the remaining useful life of any component is less than fifty percent (50%) of the expected useful life, immediate rehabilitation will be required unless capitalized. If the remaining useful life of a component is less than the term of the HTF loan, the application package must provide for a practical way to finance the future replacement of the component. The assessment will examine and analyze the following:

- 1. site including topography; drainage; pavement; curbing; sidewalks; parking; landscaping; amenities; water; sewer; storm drainage; and gas and electric utilities and lines;
- structural systems, both substructure and superstructure including exterior walls and balconies; exterior doors and windows; roofing system and drainage; and interiors including unit and common area finishes (carpeting, tile, plaster walls, paint).

Tenant Selection Policies

Tenant Selection Policies will be in compliance with all provisions of 24 CFR93.350 and 24 CFR 93.303 (d)(3).

Project Selection Methodology

ADOH staff will review the project applications and make funding awards. Only the projects with the highest competitive score that meet underwriting, threshold and eligibility requirements will qualify

for an award of HTF.

Scoring

As outlined in the 2018 QAP.

Underwriting (in accordance with the 2018 QAP)

A thirty (30) year pro forma financial projection for the property shall accompany the application using the income, expenses, replacement reserves and debt service as represented in the application. The rental income should reflect the vacancy rate as stated in the application.

The applicant must be able to demonstrate, as part of the application package, that the project would not be feasible without financial assistance from the HTF. This will be evaluated in terms of the gap between cost of construction and amount of debt the project can reasonably obtain and support. The applicant must provide information outlining both the short and long term financial feasibility of the project. Project proposals will be underwritten to achieve a target debt service coverage ratio of one point two zero (1.20).

The reasonableness of development costs and operating expenses in relation to other similar developments will be assessed in evaluating the financial feasibility of applications.

ADOH will review development costs, permanent financing sources and amounts, public funding amounts, Developer Fees, projected rents, projected Operating Expenses and vacancy rates. ADOH restricts costs in the operating budget to the costs directly associated with operating the Project.

Rental Analysis

Project rents shall undergo verification against area rents with any adjustments to rent made during the underwriting process to be in line with the market.

Vacancy

ADOH will underwrite to a vacancy rate no greater than ten percent (10%).

Replacement Reserves

ADOH underwrites replacement reserves for new construction of Housing for Older Persons Projects at the rate of \$250 per Unit per year and other new construction projects and all acquisition/rehabilitation projects at \$350 per Unit per year.

Annual Operating Expenses

ADOH underwrites annual Operating Expenses for new construction Projects at \$4,200 per Unit per year and for acquisition/rehabilitation Projects at \$4,500 per Unit per year.

Replacement Reserves

ADOH underwrites replacement reserves for new construction of Housing for Older Persons Projects

at the rate of \$250 per Unit per year and other new construction projects and all acquisition/rehabilitation projects at \$350 per Unit per year.

Project Pro forma/Cash Flow Analysis

Revenues and expenses shown on the pro forma must increase annually at two percent (2%) and three percent (3%) respectively. Annual replacement reserve obligations must increase at three percent (3%) per year.

Debt Service Requirement

The amount of the primary loan shall be fully amortized for no less than twenty-five (25) years, with a loan term of no less than the Period of Affordability, written at a competitive market rate of interest, and the annual debt service coverage ratio ("DSCR") shall be no less than one point two zero (1.20) for each year of operation during the Period of Affordability.

Development Budget - Form 3

Applicants shall disclose all uses of development funds. Costs are limited to those that are necessary to build the Project.

Construction Contingency

Applications shall include a minimum hard cost contingency of five percent (5%) of the Total Direct Construction Cost line item for New Construction and seven percent (7%) of the Total Direct Construction Cost line item for all other project types.

Developer Fee Limits

For the purpose of the limits in the table below, the Developer Fee also includes overhead and profit, construction management fees, non-profit fees and consultant fees as part of the total Developer Fee. The total amount of Developer Fee shall be limited as set forth in the table below.

Developer Fee Limits as A Percent Acquisition, Direct Construction, Professional		
Fees and Construction Financing		
Number of Units	Percent Allowed	
1 - 30	Seventeen percent (17%)	
31 - 60	Fifteen percent (15%)	
61+	Fourteen percent (14%)	

Builder Profit, Overhead and General Requirement Limits

These limits are calculated as a percentage Direct Construction Costs:

Builder's Profit, Overhead and	
General Requirements	Percent of Costs

Project size in Units	1 - 15	16 - 30	31 - 45	46 - 60	61+
Builder's profit	06.00	05.75	05.50	05.25	05.00
Builder's overhead	03.00	02.75	02.50	02.25	02.00
General requirements	06.00	05.75	05.50	05.25	05.00
Total maximum percentage	15.00	14.25	13.50	12.75	12.00

Architectural and Engineering Fees

Architectural and engineering fees, including design and inspection costs shall be limited to \$4,500 per Unit for acquisition/rehabilitation and the limits in the following table for new construction, acquisition/demolition/new construction or adaptive re-use.

Architectural and Engineering Fee Limits for New Construction, Acquisition/		
Demolition/New Construction and Adaptive Re-use Projects		
Number of Units	Per Unit Allowed	
1 - 30	\$9,000	
31 - 60	\$8,000	
61+	\$7,000	

Capitalized Reserve Requirements

The Development Budget must include capitalized reserves as follows:

<u>Lease-up Reserve:</u> Four (4) months of Operating Expenses plus four (4) months of primary debt service must be shown in the Development Budget.

<u>Operating Reserve:</u> Four (4) months of operating expenses plus four (4) months of primary debt service must be shown in the Development Budget.

<u>Replacement Reserve</u>: The Development Budget may include an annual replacement reserve in the following amounts: \$250 per Unit per year for new construction of Housing for Older Persons Projects and \$350 per Unit per year for other new construction and all acquisition/rehabilitation and adaptive/re-use Projects.

<u>Subsidies:</u> The application package must include a signed certification as to the full extent of all federal, state and local subsidies that are expected to apply to the property.

Threshold

In accordance with the 2018 QAP.

Project Based Rental Assistance

All projects must provide Project Based Rental Assistance using Section 8, VASH, private or other sources that meet the definition of Rental Assistance in the most recent QAP. Applicants will be

required to provide a narrative describing the source of the Project Based Rental Assistance.

Audited Financial Statements

Eligible Applicants must provide audited financial statements.

Beneficiary Income Limits

Thirty percent (30%) of the area median income adjusted by family

Tenant Parameters

Rents on the State-assisted units do not exceed thirty percent (30%) of the HUD Area Median Income adjusted for family size with tenant-paid utilities deducted. Applicant must provide written, acceptable Tenant Selection Policies and Criteria with formal adoption by the applicant's governing body in the form of a motion or resolution.

For permanent housing, applicant must provide an acceptable tenant lease agreement which complies with the provisions of the Arizona Residential Tenant Landlord Act and the Fair Housing Act. Applicants must provide a completed Supportive Service Plan.

For projects consisting of five (5) or more units, applicant must complete and provide an acceptable Affirmative Fair Housing Marketing Plan. Applicant must provide an acceptable Management Plan. Applicants must provide an acceptable Fair Housing Accessibility Checklist fully completed and signed by the project architect.

Site Parameters

Applicant must provide evidence it has legal control of the property by submitting a recorded deed (if already owned), a fully executed ninety-nine (99) year leasehold on the property (fifty (50) years for tribal land), contract for purchase or lease, option for purchase or lease or an approved and executed governmental resolution and other documentation indicating the intent to sell to the applicant. Applicants must submit a preliminary site plan and elevations drawings. Applicants must acquire land and buildings for the project from unrelated third parties in arms-length transactions.

<u>Utilities Availability</u>

Evidence must be provided to demonstrate that appropriate utilities (water, sewer, electricity, natural gas) will be available to the project site and will have adequate capacity (i.e. a letter from a utility company or city official stating appropriate utilities are in place or forthcoming).

Applicant must provide a letter from the unit of local government indicating whether the property is appropriately zoned for the intended use. The letter must not be older than sixty (60) days from the date of submission deadline for the application.

A Preliminary Title Report must be provided for the proposed property dated within sixty (60) days of the date of the application for each property. For projects on tribal land, a title report must be received

from the Bureau of Indian Affairs ("BIA").

If the project involves acquisition of real property, an appraisal conducted within the last six (6) months must be provided indicating the value of the real property to be acquired. This includes both vacant land and land with existing buildings and improvements. If no acquisition is to take place, an appraisal is not necessary.

Applicant must provide a Phase I and/or II Report that meets the standards of ASTM E1527-13 (not older than one (1) year at time of application).

Applications in which a property is currently inhabited by tenants must submit a relocation/temporary relocation plan that is in accordance with the requirements of the Uniform Relocation Act (URA) even if the applicant does not anticipate temporary relocation. All costs associated with relocation/temporary relocation of tenants must be reflected in the development budget. Prior to application, all current tenants must be notified that the applicant intends to apply for funding in conformance with the URA and must be notified regarding the potential acquisition in writing.

For projects intending to rehabilitate or demolish buildings, if asbestos is found present in the Phase I and/or II Report, an asbestos assessment report and Operations and Maintenance Plan must be provided, complying with Federal and State requirements.

For projects intending to rehabilitate or demolish pre-1978 buildings, applicant must provide a Leadbased Paint Analysis with an Operations and Maintenance Plan in accordance with 24 CFR Part 35.

For projects proposing to rehabilitate/preserve affordable housing with existing project-based rental assistance (i.e. Section 8 or Rural Development rental assistance), a copy of the rental assistance contract must be provided indicating the amount of assistance and number of rental units to be served/preserved. A confirmation letter must be provided from HUD or RD insuring the rental assistance will remain with the rehabilitated units once they are completed.

Development Team Ability

The development team must demonstrate the ability to develop, own and operate the property in accordance with the requirements of this Allocation Plan and the HTF program. Eligible applicants must demonstrate that all members of the development team have the experience, ability and financial capacity, in their respective roles, to undertake, maintain and manage the property, as well as comply with all federal cross-cutting requirements of this Allocation Plan. Applicants with limited experience in the development, ownership and management of multi-family rental property using federal programs are encouraged to partner with an experienced developer or sponsor.

Applicants who have been convicted of, enter an agreement for immunity from prosecution for or plead guilty, including a plea of nolo contendere, to a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records are ineligible. Applicants who have been debarred from any

ADOH or federal program are ineligible. Applicants having an Identity of Interest with any debarred entity may not be eligible at the sole discretion of ADOH.

Applicants who are currently under contract with ADOH for other projects

All project contract and/or annual reporting required by ADOH is up to date. All ADOH monitoring findings have been cleared. All fees payable to ADOH are paid.

Applicant Team is compliant with all current contracts. Applicant Team has no existing contracts in which individual activity, project completion or closeout reports and data have not been submitted and accepted by ADOH within sixty (60) days of a final draw. Applicant Team has no current contract in which funds have not been drawn for six (6) months. Applicant Team has no outstanding or unresolved contractual, property or beneficiary-related compliance issues.

Additional Eligibility

The applicant is an eligible party to apply for funding through ADOH. The activity, project and property type is eligible. HTF and HOME are budgeted for eligible uses. The proposed beneficiaries are eligible. The amount of HOME invested per unit does not exceed the program limits and is at least \$1,000/unit. Applicant has certified that all development or rehabilitation will meet, at a minimum, all local building codes and the property is properly zoned for the proposed use and meets local ordinances. The applicant (and all of its team members) is not included on the Federal Excluded Parties List located at www.sam.gov. All funding sources (loans, grants, fee waivers, land donations, etc.) must be secured with written binding commitments at application and the project must be scheduled to start within ninety (90) days of executing a Funding Agreement with the ADOH.

Self-Scoring

The applicant must provide a self-scoring of the project proposal as part of the application package. The self-scoring assessment should indicate the number of points being sought in each scoring category as well as a brief explanation of the project proposal's eligibility for those points.

Federal Cross-Cutting Requirements

Environmental Review

The environmental effects of each project carried out with HTF funds must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321). All new construction, acquisition, or acquisition/rehabilitation activities must meet the applicable environmental requirements specified in 24 CFR Part 93.301(f) for historic preservation, archaeological resources, farmland, airport zones, Coastal Barrier Resource System, coastal zone management, floodplains, wetlands, explosives and hazards, contamination, noise, endangered species, wild and scenic rivers, safe drinking water and sole source aquifers. Applicants should refer to 24 CFR Part 93.301(f), as well as CPD Notice 16-14.

Section 3

Section 3 of the Housing and Urban Development Act of 1968 requires, in the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, that opportunities for training and employment be given to lower-income persons residing within the unit of local government or the non-metropolitan county in which the project is located and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part, by persons residing in the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3. Applicants should refer to 24 CFR Part 135.

ADA and Section 504

Housing assisted with HTF funds must meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 and Titles II and III of the Americans with Disabilities Act, implemented at 28 CFR Parts 35 and 36, as applicable. "Covered multi-family dwellings", as defined at 24 CFR Part 100.201, must also meet the design and construction requirements at 24 CFR Part 100.205, which implements the Fair Housing Act.

Energy Efficiency New Construction

The Project must comply with the latest local building and energy code. Compliance with this code shall be determined in accordance with applicable Sections of the local code. In addition, projects must comply with the following ADOH standards.

<u>Insulation</u>: Insulation must be installed so that there are no gaps, voids, air intrusion or compression of the insulation. The insulation and a rigid air barrier (i.e. gypsum board) must be continuously in contact and aligned in all cases. Slab edge insulation shall be installed in accordance with the IECC 2012 or later requirements.

Minimum HVAC efficiencies by Energy Code:

- a. AC: 14 SEER
- b. Heat Pump: 14 SEER and 8 HSPF
- c. Combustion furnace: eighty percent (80%) AFUE in IECC Climate Zones 1 and 2; ninety percent (90%) AFUE in IECC Climate Zones 3 and higher.
- d. Size heating and cooling equipment in accordance with the Air Conditioning Contractors of America Manual, Parts J and S, ASHRAE handbooks or equivalent software.

Electric resistance heating can be used only if the owner documents, in accordance with IECC Section R405 Simulated Performance Alternative approach, that the utility costs for the structure are equal to or less than the IECC standards design of like architectural characteristics. The analysis will be completed utilizing a combustion furnace for the standard design with an

efficiency value of eighty percent (80%) AFUE.

Air Distribution Systems:

- a. All joints in the air distribution system shall be sealed with duct mastic or approved equivalent to comply with IBC, IRC or IMC.
- b. For duct systems located outside the conditioned envelope, leakage to outdoors shall be less than or equal to two (2) CFM per 100 square feet of conditioned floor area (CFA) or a total leakage less than or equal to four (4) CFM per 100 square feet of CFA when tested at a pressure differential of twenty-five (25) Pa across the entire system, including the manufacturer's air handler enclosure. If the air handler is not installed, leakage to outdoors shall be less than or equal to one (1) CFM per 100 square feet of CFA or a total leakage less than or equal to three (3) CFM per 100 square feet of CFA.
- c. If the entire system, including the manufacturer's air handler enclosure, is located entirely within the building thermal envelope, duct leakage testing is not required.
- d. Airflow to each room will match design airflow calculations to within +/- ten percent (10%).

Room Pressure:

Under normal operating conditions, an air handler cannot create a differential pressure greater than +/- three point zero (3.0) Pascals between room and any area outside the room, anywhere in the unit.

Indoor Air Quality:

- a. Exhaust hoods above ranges must be vented to the outside. Install power vented fans or range hoods that exhaust to exterior.
- b. Install Energy Star labeled bathroom fans that exhaust to the outdoors and are connected to a switch or timer.
- c. Clothes dryers must exhaust directly to the outdoors.
- d. Unvented combustion appliances (fireplaces, heaters or gas logs) are not allowed.
- e. A carbon monoxide detector, hardwired, shall be installed in all units with an attached garage or with any combustion appliance located in the conditioned space.
- f. Applicant must install a ventilation system for the dwelling unit, providing adequate fresh air per ASHRAE 62.1-2007 for buildings over three (3) stories or ASHRAE 62.2 for single family and low rise multi-family.
- g. All particleboard and MDF must be certified compliant with ANSI A208.1-2009 Particleboard and ANSI A208.2-2009 NDF for Interior Applications. All adhesives shall comply with Rule 1168 of the South Coast Air Quality Management District. Caulks and

sealants must comply with Regulation 8, Rule 51 of the Bay Area Air Quality Management District.

- h. All interior paints and primers must comply with current Green Seal standards for low VOC limits.
- i. Seal all registers and any open duct work during construction and perform an extended occupancy flush (run all ventilation fans with the windows open) for forty-eight (48) hours prior to occupancy. The forty-eight (48) hours do not need to be contiguous.

Energy Efficiency Rehabilitation

All additions, alterations or renovations shall comply with latest local building and energy code. Perform an energy analysis of existing building condition, estimate costs of improvements and implement measures that will improve building energy performance by a minimum of fifteen percent (15%) from pre-renovation figures. Applicant shall provide a ten percent (10%) unit sampling by an independent Building Performance Institute certified professional to determine the scope of work for energy improvements. The sampling must include all unit sizes. A RESNET certified Home Energy Rater must perform the analysis. All work must be completed to the Department of Energy Standard Work Specifications.

In addition, the following ADOH standards must be met:

HVAC replacements and new installations shall include:

- a. Sealing of all accessible duct connections including the drywall to boot connections with duct mastic or approved equivalent.
- b. Installation of new duct systems that comply with the new construction Energy Conservation Air Distribution Systems standard.
- c. Room pressures shall comply with the new construction Energy Conservations standard.

Insulation:

a. Insulation must be installed such that there are no gaps, voids, compression or wind intrusion of the insulation. The insulation and air barrier (i.e. gypsum board) must be continuous and aligned in all cases.

Uniform Relocation Act

The development of housing with HTF assistance is required to follow the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. The Act applies to persons both temporarily and permanently relocated as a result of the HTF-assisted project. Applicants should see 24 CFR Part 93.352 for additional detail regarding the Uniform Relocation Act.

Lead Based Paint

Housing assisted with HTF funds is subject to the regulations at 24 CFR Part 35, subparts A, B, J, K, and R.

Affirmative Marketing

Each HTF recipient must adopt and follow affirmative marketing procedures and requirements for rental projects containing five (5) or more HTF-assisted housing units. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. If a grantee's written agreement with the project owner permits the rental housing project to limit tenant eligibility or to have a tenant preference in accordance with 24 CFR Part 93.303(d)(3), the grantee must have affirmative marketing procedures and requirements that apply in the context of the limited/preferred tenant eligibility for the project. Applicants should see 24 CFR Part 93.350 and HUD Form 935.2 for additional detail regarding the Affirmative Marketing requirements of the HTF program.

Eminent Domain

No HTF funds may be used in conjunction with property taken by eminent domain, unless eminent domain is employed only for a public use, except that, public use shall not be construed to include economic development that primarily benefits any private entity.

Davis-Bacon

The Davis-Bacon and Related Acts do not apply to the HTF program.

Application Process

In accordance with the 2018 QAP

Attachment I: ADOH National Housing Trust Fund Rehabilitation Standards