



2017 National Housing Trust Fund Allocation Plan

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National Housing Trust Fund Allocation Plan For Federal Fiscal Year 2017

The State of Maryland (the “State”) will receive \$3,017,109 in National Housing Trust Funds (HTF) from the U.S. Department of Housing and Urban Development (HUD) for Federal Fiscal Year 2017 (FFY 2017), which runs from October 1, 2017 through September 30, 2018. It is expected that HTF will continue to be funded by HUD in future years.

The Maryland Department of Housing and Community Development (the “Department”) is the State Agency that will administer HTF. The Department is required to ensure that the HTF Program is administered in compliance with all HTF requirements established by HUD. The policies below will govern the use of HTF funds administered by the Department for FFY 2017.

The Department is required to develop this HTF Allocation Plan, which will be included as a component of the State of Maryland’s Consolidated Plan.

In addition to the State’s policies outlined in this document, HTF Funds will be administered in compliance with all applicable Federal rules, including the Housing Trust Fund Interim Rule (attached as Exhibit A), published on January 30, 2015 and codified at 24 CFR Part 93, as well as HUD Notice CPD 17-05-: Guidance for HTF Grantees on Fiscal Year 2017 Housing Trust Fund (HTF) Allocation Plans, published on June 21, 2017.

1 Introduction

The Department administers a variety of State and federal programs that finance the development of affordable rental housing. These programs include, but are not limited to, the Low Income Housing Tax Credit Program (LIHTC), the Rental Housing Financing Program (RHFP), which is a combination of the state-funded Rental Housing Program and the federally-funded HOME Investment Partnership Program, Rental Housing Works (RHW), and the Multifamily Bond Program (MBP). The Department may, from time to time, establish new development financing programs to advance its mission.

While there are variations between these programs based on the underlying source of funds, State and federal requirements applicable to specific funding sources, and State and federal policy goals, the

Department seeks to align many of its administrative processes that accompany these programs. This alignment makes these programs more user-friendly and contributes to operating efficiencies for the Department and its partners, including owners, investors, and managers of properties financed by these various resources. The Department seeks to include its HTF in these alignment efforts.

2 General Requirements

2.1 Priority Housing Needs of the State/Eligible Populations Served

The Department has determined that a broader set of priorities is necessary to ensure the availability of important resources to all areas and populations in the State. Additionally, it has been determined that the established priorities should serve to guide -- not limit -- funding awards by the Department. The criteria outlined in this HTF Allocation Plan provide incentives for developments that meet these priorities.

Accordingly, the Department has established the following set of priorities to guide the award of NHT funding:

- 1. Family Housing in Communities of Opportunity**
- 2. Housing in Community Revitalization and Investment Areas**
- 3. Integrated Permanent Supportive Housing Opportunities**
- 4. Preservation of Existing Affordable Housing**
- 5. Elderly Housing in Rural Areas of the State Outside Communities of Opportunity**
- 6. Housing for the Homeless**

It is the Department's intent to ensure that Maryland's affordable housing development resources, including HTF funding, are fairly deployed in a manner that best serves Maryland residents; including families, seniors, and persons with disabilities or special needs, and the continuing demand for quality, affordable rental housing across the State.

Funds available through the HTF Program will be targeted to provide permanent rental housing to extremely low income (ELI) households. The need for permanent rental housing for ELI households in Maryland is significant, with the latest estimates indicating that there are over 180,000 households in the State with incomes at or below 30% AMI, and 86% of these households pay in excess of 50% of their

income for housing. Additionally, ELI households in Maryland have a high occurrence of disabilities and other special needs.

The HTF Program priority will be to increase the supply of decent, safe and sanitary affordable housing for ELI households, including homeless families. HTF funds may be used for the production, preservation and rehabilitation of affordable rental housing through the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities.

2.2 Income Level to be Served

The HTF Program will serve ELI households. ELI households are defined as households with incomes at the greater of:

- 30% of the applicable Area Median Income (AMI); or
- Households with incomes at or below the poverty line.

2.3 Method of Distribution

Ninety percent (90%) of the HTF annual allocation will be used for the production, preservation and rehabilitation of affordable rental housing through the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities. The Department will retain ten percent (10%) of the HTF annual allocation for allowable administrative and planning expenses.

The HTF program requires the Department to commit funds within 24 months of HUD's execution of the HTF grant Agreement.

2.4 Forms of Assistance

HTF funds may be used as broadly and flexibly as is permitted by federal regulations to address the unique underwriting needs of each project and the number of ELI tenants to be served. Forms of assistance may include:

- Equity Investments;
- Interest-bearing loans or advances;
- Non-Interest bearing loans or advances;
- Deferred payment loans;
- Grants; or
- Other forms of assistance approved by HUD.

2.5 Application and Award Process

HTF projects will be selected by the Department for funding consideration, subject to availability of funds. Applications will be reviewed for eligibility and evaluated using the Threshold Criteria set forth below. HTF funds will be awarded to eligible projects through a non-competitive, first-ready first-served basis and will be used to complement and in conjunction with on-going Department housing programs to leverage other project funding, make projects financially feasible and increase the number of ELI households served in state-funded projects. HTF funds may be used in projects utilizing RHFP, LIHTC, MBP, Shelter and Transitional Housing Grant Program (STHGP) and any other programs administered by the Department. HTF may also be used with projects receiving non-Department housing program funds such as other state, federal, local/public or private sources. HTF may not be used with any funding sources that cannot be combined with HTF (e.g., Public Housing per 24 CFR §93.203). HTF funds may be requested by a Sponsor as part of a project application or Department staff may, in consultation with a sponsor, propose the use of HTF funds during project review and underwriting. Successful recipients will receive a Notice of Award, which will state the Department's intent to award HTF funds.

3 Eligibility Requirements

3.1 Eligible Activities

HTF funds may only be used for the following eligible costs:

- Development hard costs;
- Acquisition costs;
- Related soft costs; and
- Relocation costs.

The Department will require that all applications for HTF funds must contain a description of the eligible activities to be conducted with the HTF funds.

HTF projects must also comply with Site and Neighborhood Standards requirements as established in the HTF interim rule published by HUD (Exhibit A). The Site and Neighborhood Standards at § 93.150 apply to new construction of rental projects receiving HTF funds.

All rehabilitation projects must meet the applicable HTF rehabilitation standards and the requirements of 24 CFR §93.301(b).

Due to the limited amount of the FFY 2017 HTF Program fund allocation, HTF funds will not be used for operating cost assistance and operating cost assistance reserves at this time. The Department will consider this eligible cost in the future. The Department will not use HTF funds for refinancing of existing debt.

3.2 Eligible Recipients

HTF funds may be allocated to for-profit or non-profit organizations, or other entities which have the demonstrated financial capacity and experience to complete and meet ongoing compliance requirements. A recipient must:

- a. Provide a certification to the Department that it will comply with the requirements of the HTF program during the entire period that begins upon the selection of the recipient to receive HTF funds, and ending upon the conclusion of all HTF-funded activities,
- b. Demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity;
- c. Demonstrate its familiarity with requirements of other federal, state, or local housing programs that may be used in conjunction with HTF funds to ensure compliance with all applicable requirements and regulations of such programs; and
- d. Have demonstrated experience and capacity to conduct an eligible HTF activity as evidenced by its ability to own, construct, rehabilitate, manage and operate an affordable multifamily rental housing development.

3.3 Minimum Threshold Requirements

DHCD staff will review all applicants to ensure compliance with the minimum threshold requirements as outlined in Section 3.3. If an application does not meet all of the minimum threshold requirements the application will not be considered for financing.

3.3.1 Market Assessment: A market assessment of the housing needs of ELI individuals to be served by the project must be submitted as part of the application. The assessment should review the neighborhood and other relevant market data to determine there is a current demand for the type and number of housing units being developed.

3.3.2 Site Control: Sponsors must have sufficient site control to allow projects to move forward if they receive an award of HTF funds. At the time of application, site control should extend for at least one-hundred and eighty (180) calendar days after the date of the application (including extension options). Acceptable evidence of site control includes deeds, contracts of sale, leases,

purchase options, Land Disposition Agreement and other similar agreements from a local government, or other evidence at the Department's discretion.

3.3.3 Capital Needs Assessment (For projects acquiring an existing property): To ensure that the proposed rehabilitation of the project is adequate and that the property will have a useful life that exceeds the affordability period; a Capital Needs Assessment (CNA) of the property by a competent third party shall be submitted with the application. A CNA shall identify any work that must be complete immediately to address health and safety issues, violations of federal or state law, violation of local code, or any work necessary to ensure that the building can continue to operate as affordable housing.

3.3.4 Phase I Environmental Site Assessment: Each project must comply with applicable requirements of local, State, and federal environmental laws and regulations. As part of the Application Submission Package, an environmental assessment checklist or environmental report, if available, must be included. Environmental assessments must not be more than one (1) year old as dated from application submission. For acquisition/rehabilitation projects, the Phase I environmental Assessment must include lead-based paint and asbestos testing.

3.3.5 Utility: Evidence that public water, sewer, electric, gas, telephone, internet, and cable services are at project sites or will be available during the construction or rehabilitation period must be provided. Acceptable evidence of utility availability may include a letter from the Development Team's civil engineer, the utility company providing the service, a responsible local official, or, for existing buildings, copies of recent utility bills. Alternatively, the applicant may provide a certification in a form to be approved by the Department.

3.3.6 Zoning: Sites must be properly zoned for their intended use. If a zoning change, variance, or exception is required, sponsors must provide the following information in the application:

- Documentation illustrating the present status of the proposed zoning change and the local planning and zoning process;
- Contact information for a local official familiar with the project and responsible for the approval process; and
- A detailed schedule with projected dates for obtaining the required approvals corresponding to the project schedule in the Application Submission Package.

3.3.7 New Construction - Priority Funding Areas (PFA): All projects involving any new construction must be located in a Priority Funding Area (PFA) under Maryland's Smart Green and Growing Initiative. PFAs include:

- All incorporated municipalities including Baltimore City, with some exceptions related to water, sewer, and density for areas annexed after January 1, 1997;
- All areas between the Baltimore beltway and the Baltimore City limits and the Washington, DC beltway and the Washington, DC boundary;
- All areas designated as Sustainable Communities, as defined by the Maryland Annotated Code, Housing and Community Development Article, Section 6-201(l);
- Federal and State enterprise zones;
- All areas designated by county governments as PFAs, including rural villages designated in county comprehensive plans as of July 1, 1998; and
- Certified heritage areas within locally designated growth areas.

All applications for projects involving any new construction must include a letter from the local government that certifies the project is located in a PFA. Information regarding PFAs may also be found at the link below:

<http://www.mdp.state.md.us/ourproducts/pfamap.shtml>

3.3.8 Timeliness and Readiness to Proceed: The readiness of the proposed project to proceed with construction or rehabilitation activities will also be a critical factor in the determination of the award of HTF funds. The Department will consider the status of other financing (firm written financial commitments for other financing is required prior to the commitment of HTF funds), the local approval process, and other relevant factors in establishing the readiness of a project to proceed. As part of the Application Submission Package, sponsors must complete the Anticipated Development Schedule. This schedule should be consistent with the Department's underwriting and construction review process. If a project is approved it is expected to meet the development schedule as proposed. In cases where a zoning change, variance, or exception is necessary, schedules must be consistent with the analysis provided by the Development Team's zoning attorney or engineer. In all cases, the Anticipated Development Schedule should reflect the project's readiness to proceed. Additionally, all projects must be financially feasible in accordance with the Department underwriting standards and generally accepted industry practices.

3.3.9 Underwriting Standards: All HTF-assisted projects must be consistent with regulatory requirements outlined in 24 CFR §93.300(b). All HTF-assisted must also conform to the following underwriting standards:

3.3.9.1 Vacancy. All projects will be underwritten with a minimum vacancy rate of 5%. Additionally, the Market Study must fully support the proposed vacancy level. The Department reserves the right to reject as infeasible any project that requires a vacancy rate of 10% or more.

3.3.9.2 Operating Expenses. Annual operating expenses, including all real estate taxes but excluding replacement reserve deposits, should be no less than \$4,000 per unit per year and no more than \$7,000 per unit per year. Waivers may be requested for small projects of up to forty (40) units, projects with master-metered (i.e. project paid) utilities, or other unusual circumstances.

3.3.9.3 Reserves for Replacement. All projects must budget at least \$300 per unit per year in reserves for replacement (RFR) deposits. Additionally, RFR deposits must be adequate to support the project as determined by a CNA prepared by a qualified third party. The Department reserves the right, in its sole discretion, to require a new CNA every five (5) to ten (10) years and adjust RFR deposits based upon such new CNA.

3.3.9.4 Operating Reserves. Each project must establish an operating reserve equal to between three (3) and six (6) months of underwritten operating expenses, debt service payments, and required deposits to other reserves. At a minimum, capitalized operating reserves must remain in place until the project has achieved a minimum 1.15 debt service coverage ratio, economic break-even operations for one complete fiscal year as confirmed by the project's annual audit, and reached and sustained 90% occupancy for twelve (12) consecutive months. In the discretion of the Department, the operating reserve may be released over the next three (3) years provided the project continues to achieve economic break-even operations and sustains 90% occupancy. Upon release, operating reserves generally may be used to pay any outstanding deferred Developer's Fee, reduce any State loan, fund other reserves, fund project betterments, or otherwise be applied as approved by the Department.

3.3.9.5 Trending. In evaluating the long term viability of the project, the Department requires that rents and other revenue from the project be projected to increase by no more than 2% annually. Operating expenses (including property taxes) must be projected to increase by not less than 3% annually.

3.3.9.6 Debt Service Coverage Ratio. All projects must be underwritten to a minimum debt service coverage ratio (DSCR) of 1.15 in the first year of stabilized operations. The DSCR will be calculated including all must-pay debt service payments.

3.3.9.7 Market Analysis. All applications must provide a Market Study commissioned by the applicant that must demonstrate the need for affordable rental housing in the local market and must meet the following criteria:

- The Market Study must be prepared by an independent professional who has experience with affordable multifamily rental housing in Maryland and whose firm who have undergone peer review by the National Council of Housing Market Analysts (NCHMA).
- The Market Study shall be not more than six (6) months old as dated from application submission;
- The Market Study must meet the requirements of the HOME Rule at §92.250(b)(2) and provide a concise executive summary of the data, analysis , and conclusions of the report covering; a detailed description of the project including the proposed number of units by number of bedrooms, unit size in square feet, utility allowances for tenant paid utilities and rents; a geographic definition of the primary market area (PMA) and secondary market area (SMA) in including maps; and a complete and accurate description of the site and the immediate surrounding area. The Market Study must also assess the market for the planned units and determine if there is sufficient demand to rent the assisted units within in 18 months of project completion (§92.252); evaluate the capture rate, absorption rate and analyze the completion in the market.

3.3.10 Developer Experience: The capacity of the applicant for HTF Funds is critical to the successful development and continuing operation of the project. In the allocation of HTF Funds, the Department will only fund projects with a strong development team meeting the requirements below. The Primary Development Team consists of the Developer/Owner, the project's general contractor, architect and property manager. Capacity will be based on the demonstrated relevant experience and qualifications of the Primary Development Team. The Department will evaluate the Primary Development Team based on their record of accomplishment during the past five (5) years with projects that are similar in size, scope, and complexity to the proposed project. Primary Development Team members without appropriate experience should establish partnerships with experienced entities.

3.3.11 Developer Financial Capacity: The Department will also review the financial capacity of the Developer/Owner and Guarantor to determine if the Developer/Owner has access to sufficient working capital to carry the project through pre-development and/or unexpected challenges and the net worth sufficient to provide applicable guarantees of project completion and operations. The financial capacity of the Developer, including the project sponsor, guarantor, and general partner/managing member with an ownership interest in the project's ownership entity whether such roles are held by individuals, corporate entities, partnerships, or limited liability companies will be reviewed.

Financial statements for the three fiscal years prior to the application and the interim financial statements through the previous quarter are required for the project sponsor, project owner, guarantor, and general partner/managing member with an ownership interest in the project's ownership entity whether such roles are held by individuals, corporate entities, partnerships or limited liability companies. Each financial statement must identify all contingent liabilities including guarantees on other developments in process, income taxes estimated or accrued, and operating deficits. The required financial statements must include calculations of Total Assets, Total Liabilities, Current Assets, and Current Liabilities. The Department will use these figures to assess the Developer's financial capacity, assessing whether the Developer has access to sufficient working capital to carry the project through pre-development and/or unexpected challenges, and net worth (net assets for nonprofit organizations) sufficient to provide applicable guarantees of project completion and operations. Upon written request and at the Department's sole discretion, the requirement for Audited Financial Statements may be waived.

3.3.12 Geographic Diversity: HTF Program funds will be available on a State-wide basis. Ideally, housing opportunities for ELI household will be reasonably dispersed across the state, allowing physical mobility based on a household's own needs and preferences, and in doing so, promoting social and economic mobility for those same households. Achieving this end requires that the State invest in improving neighborhoods that already serve low income residents and providing new housing options in historically less affordable communities that provide residents access to a broad array of jobs, services and amenities.

Some projects not only provide needed affordable housing, but provide synergy, contributing to and expanding upon broader State and local community development investments. In order to

ensure that HTF funds are reasonably dispersed across the State, an eligible HTF project must be located within one of the areas below:

1. NHT funds may be awarded to any elderly or family project, new construction or rehabilitation, in a Qualified Census Tract (QCT) or Difficult Development Area (DDA) (this does not include any State-designated DDA under the authority granted in §42, more commonly referred to as a “state-designated basis boost”) that contributes to a concerted community revitalization plan.

To qualify for points in this category, a concerted community revitalization plan must meet the following requirements:

- a) Officially adopted or endorsed by a Local Government or created with Local Government involvement;
- b) Established to increase investment in the community or build from an existing community asset;
- c) Developed and approved in accordance with local planning requirements;
- d) Includes evidence of community and stakeholder engagement;
- e) Has a defined geographic boundary, that includes the proposed site or is focused within a single municipality, jurisdiction, or targeted area;
- f) If there is a housing component in the plan, the plan should include rehabilitation or new construction of rental housing as a goal for the community;
- g) Includes details of implementation measures along with specific time frames for the achievement of such policies and housing activities; and
- h) Provides a list of other investment occurring or planned within the immediate area.

A community revitalization plan will be considered ineligible if it:

- a) Was formulated solely by a Development Team member. This requirement shall not exclude a plan which included Development Team member(s) as a participant in the planning process;

- b) Is a comprehensive plan, consolidated plan, municipal zoning plan or land use plan; unless such plan includes a neighborhood-based or other location specific strategy that articulates where development may occur; or
- c) Is not relevant to current neighborhood conditions.

Documentation must be submitted as part of the Application Submission Package that supports each of the elements above, including:

- a) Certification form executed by both the applicant and the local government through the local planning department or zoning board that demonstrates that the plan meets the requirements of the Department;
 - b) A copy of the full revitalization plan; and
 - c) A map of area targeted by the plan identifying location of project.
2. NHT may be awarded to family projects with reasonable access to jobs, quality schools, and other economic and social benefits, as demonstrated by meeting at least one (1) of the following two (2) criteria:

- 1. Be located in a “Community of Opportunity” as shown on the Maryland QAP Comprehensive Opportunity Maps posted to the Department’s Web site at:

<http://www.dhcd.state.md.us/GIS/multifamily/index.html>

The Communities of Opportunity designated on the Maryland QAP Comprehensive Opportunity Maps are based on a “Composite Opportunity Index” developed by the Department. The Composite Opportunity Index uses publicly-available data and is based on three major factors: community health, economic opportunity, and educational opportunity. To be designated a Community of Opportunity, and mapped as such to the Maryland QAP Comprehensive Opportunity Maps, the community must have a Composite Opportunity Index that it is above the statewide average.

The three major indicators that comprise the Composite Opportunity Index are:

- Community Health. The community health indicator represents the wealth and quality of life in a community relative to the State average.

The community health indicator has six (6) components, as follows:

- o Median household income obtained from the U.S. Census’ American Community Survey (ACS) 2007-2011, five-year estimate.

Household income is positively correlated with community health. Higher household incomes support a more diversified economic base and enhance the tax basis and services of its local government.

- Ratio of owner-occupied to all occupied housing units (a proxy for homeownership rate) obtained from the ACS 2007-2011, five-year estimate. A higher homeownership rate indicates the economic stability of a community, which is positively correlated with community health.
- Median value of owner-occupied housing units obtained from the ACS 2007-2011, five-year estimate. This statistic indicates the strength of a community's real estate market relative to the average statewide market condition and is highly correlated with community health.
- Population growth between 2010 and 2012 obtained from the Economic and Social Research Institute (ESRI) 2012 community profile. A component of population growth is the number of people relocating to a community so this measures the quality of life in a community and is positively correlated with community health.
- Poverty rate, obtained from the ACS 2007-2011, five-year estimate. The poverty rate highlights the detrimental impact of concentrated poverty on quality of life in a community. This variable is inversely correlated with community health.
- Property vacancy rate obtained from the ESRI 2012 community profile. An elevated property vacancy rate negatively impacts community health. Vacant property is often correlated with higher crime and depreciation of property values in a community.
- Economic Opportunity. Economic opportunity measures the extent to which a community provides employment opportunity and mobility to its residents. Employment opportunity is measured by the following variables:

- o Prevailing unemployment rate obtained from the ACS 2007-2011, five-year estimate. This variable, which measures employment opportunity in a community, is inversely related with economic opportunity.
 - o Median commute time to work obtained from the ACS 2007-2011, five-year estimate. The commute time measures proximity to regional employment opportunities and is inversely related with economic opportunity.
 - Educational Opportunity. Educational opportunity measures the outcomes of student performance and educational attainment in the community. This indicator is measured by the following variables:
 - o Maryland School Assessment (MSA) scores, proficient and advanced, for elementary, middle, and high school students obtained from Maryland Department of Education for the 2011/2012 academic year. These scores play a key role in determining educational advancement as well as opportunities available to students. The MSA scores are positively correlated with educational opportunity.
 - o Percent of population with a college degree (both undergraduate and graduate degrees) obtained from the ACS 2007-2011, five-year estimate. This variable is positively related to educational opportunity.
 - o Percent of population with no high school diploma, obtained from the ACS 2007-2011, five-year estimate. This variable is inversely related with educational opportunity.
2. Be located in a geographic area defined by applicable law as a community of opportunity for affordable family housing or identified as such by an order or consent decree entered by a federal or State court of competent jurisdiction or by a settlement agreement to which the Department or a local government in Maryland is a party. As of the publication of this Guide, the Department is aware of two such settlements:

- 1) Baltimore City: The case of *Thompson v. HUD*. The following link provides information on census tracts designated as Communities of Opportunity in the *Thompson* case:

<http://www.brhp.org>

- 2) Baltimore County: The Conciliation Agreement among HUD, several complainants, and Baltimore County to designate 116 census tracts in Baltimore County as Communities of Opportunity. These census tracts are outlined in Exhibit F of the Conciliation Agreement found at the following website:

<http://www.baltimorecountymd.gov/Agencies/planning/fairhousing/hudconciliation.html>

3. NHT funds may also be awarded to a project that is located in one of the following:

- Be located in a rural area. For purposes of this section, a rural area includes any area eligible under the U.S. Department of Agriculture's Rural Development programs or any area in Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico, or Worcester Counties that are not otherwise Community Development Block Grant (CDBG) entitlement communities or HOME Participating Jurisdictions. Or
- Be located in any of the following: Certified Heritage Areas within county designated growth areas; Sustainable Communities; Empowerment Zones; Federal or Maryland Enterprise Zones; Main Street/Maple Street Maryland communities; or rural villages designated in county comprehensive plans as of July 1, 1998 and where there is evidence of other recent public investment in the plan area.
 - The Sustainable Communities Program is a place-based designation offering a comprehensive package of resources that support holistic strategies for community development, revitalization, and sustainability. The following link provides a list of approved Sustainable Communities:

<http://dhcd.maryland.gov/Communities/Pages/dn/default.aspx>

3.3.13 Duration of Affordability Period: HTF-assisted units must meet the affordability requirements for a period of 40 years, which begins at project completion. The affordability requirements will be imposed by a Regulatory Agreement or other similar document recorded in accordance with State recordation laws. The affordability restrictions may be terminated upon foreclosure or transfer in lieu of foreclosure. Each application must include a project pro forma to cover the 40 year HTF affordability period and include rents that are affordable to the ELI household.

4 Priority Criteria

The following factors will also be evaluated by the Department in its review of applications for HTF funding:

1. **State Housing Priority Needs:** The HTF is primarily a production program meant to add units to the supply of affordable housing units for ELI household. The extent to which the project proposed to meet this objective will be evaluated by the number of ELI units proposed along with the merits of the application in meeting the priority housing of the locality where the project is located such as accessibility to transit or employment centers, housing that includes green building and sustainable development features or housing that serves special needs populations;
2. **Project-Based Funding:** The Department will provide a priority for projects with project-based rental subsidies for all of the HTF-assisted units in the project. Documentation from the local Public Housing Authority or other entity must be provided to show that the project-based subsidies will be in place for the term of at least five (5) years with renewal provision. The project-based assistance may be federal, state, or locally funded. Other forms of project-based assistance will be reviewed on a case by case request. For Example: If the Department receives two equal applications, the one with documented project-based rental assistance will be given priority.¹

¹ Public comments received requested DHCD not score the applications received.

3. **Leveraging:** In the award of HTF Funds, the Department will provide a priority for projects which leverage non-Federal funding sources. For this purpose, non-Federal funding sources will include equity raised from the sale of Low Income Housing Tax Credits, as well as loans funded from the proceeds of tax-exempt bonds. The Department will evaluate the percentage of total development costs funded by non-state resources. For purposes of this section State resources, in accordance with the chart below, include:

- All equity generated from competitive LIHTC awards from the State's LIHTC ceiling except any LIHTC awarded as the result of a federally or state designated basis boost;
- Department-administered rental housing resources, including, but not limited to, RHFP, RHW, HOME, NHT, CDBG, the Community Legacy Program, Demolition Funds, and the Partnership Rental Housing Program.

Leveraged funding may include:

- Equity from a federal or state basis boost;
- Equity from non-competitive 4% LIHTC awards;
- The proceeds of MBP financing;
- Local contributions (as described below);
- Locally-controlled federal resources such as HOME, CDBG, or State Small Cities CDBG;
- Other non-Department State funding;
- Private financing; and
- Private or philanthropic funding.

Projected equity from federal Historic Tax Credits (HTC) is also considered leveraged funding. To qualify the applicant must (i) provide evidence that the Part 1-Historic Preservation Certification Application has been submitted to the Maryland Historical Trust (MHT); (ii) document that MHT has recommended approval of the Part 1 Application or documents that the project building(s) is already listed in the National Register; and (iii) certify that the applicant will complete the HTC application process and diligently pursue HTC equity investment.

All calculations for this section will be based on Department underwriting of a project which may include adjustments to LIHTC equity based on Department assumptions about credit pricing as announced by the Department. Additionally, for projects with market rate (i.e. non-income restricted) units and mixed-use projects, the Department will consider only leveraged funds applicable to the affordable units by

prorating both sources and uses to remove non-residential and market rate components of the project. Residential costs will be prorated based on the project's Applicable Fraction (as defined in the Internal Revenue Code) unless the Department determines that market rate and affordable units are not comparable in which case the Department, in its sole discretion, may require greater itemization of costs to allocate sources and uses to the affordable portion of the project.

Finally, because projects in rural areas have higher fixed transaction costs due to their relatively smaller size and have less access to locally controlled sources of leverage, the Department will calculate percentages for rural projects, as defined below, on a higher scale than for non-rural projects. Additionally, because family projects located in Communities of Opportunity are an important priority of the Department, percentages will be calculated on a higher scale as well.

For purposes of this section, a rural area includes any area eligible under the U.S. Department of Agriculture's Rural Development programs or any area in Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, Washington, Wicomico, or Worcester Counties that are not otherwise CDBG entitlement communities or HOME Participating Jurisdictions.

DIRECT LEVERAGING (Sec. 4.5.1 of the Guide)	0
Project Located in QCT/DDA or 9%LIHTC Area of Opportunity? choose one:	
If "yes," enter acquisition credit, if any, amount: (See Form 202, Tax Credit tab)	
Is project considered a rural transaction?	
Is project a Family Project located in a Community of Opportunity?	
1. Tax Credit Subsidy	
Annual LIH Tax Credits (allocated credits only) Note: do not include automatic 4% LIHTC	
Less Adjust for QCT 130% Qualified Census Tract Table Generator	\$ -
Credit Period	10
Total LIH Tax Credits	\$0
Imputed Raise-Up	0.94
LIH Tax Credit Subsidy	\$0
2. Total DHCD Subsidy	
Rental Housing Funds Note: include DHCD, but not Local, HOME funds	\$0
PRHP	\$0
Other DHCD Funds Note: do not include Tax-Exempt or Taxable Bonds	\$0
Total State Funds	\$ -
Tax Credit Subsidy	\$0

Total DHCD Subsidy	\$0
3. All Project Costs	\$0
4. Adjusted Costs	
# Affordable BRs	0
Total BRs	0
% Affordable	0%
All Project Costs	\$0
Adjusted Costs	\$0
5. Leverage Evaluation	
Total DHCD Subsidy	\$0
Adjusted Costs	\$0
% DHCD Funds	0.00%
% Leveraged Funds	100.00%

Percentages will be calculated as follows:

Leveraged Funding: Family Projects Located in a Community of Opportunity	Leveraged Funding: Rural	Leveraged Funding: All Other Projects
40%+	45%+	50%+
35% to <40%	40% to <45%	45% to < 50%
30% to <35%	35% to <40%	40% to <45%
25% to <30%	30% to <35%	36% to <40%
20% to <25%	25% to <30%	33% to < 36%
15% to <20%	20% to <25%	30% to <33%
10% to <15%	15% to <20%	27% to <30%
5% to <10%	10% to <15%	24% to <27%
3% to <5%	5% to <10%	22% to <24%
2% to <3%	3% to <5%	20% to <22%
<2%	<3%	< 20%

Priority will be given to projects that demonstrate the highest leverage percentage of non –Department resources, including HTF to other private resources.

5 Additional Program Requirements

5.1 Affirmative Fair Housing Requirements

The State of Maryland has a compelling interest in creating fair and open access to affordable housing and promoting compliance with state and federal civil rights obligations. Fair Housing requirements apply to the full spectrum of housing activities including but not limited to outreach and marketing, the qualification and selection of residents and occupancy.

Eligible applicants must include a certification that the project will develop and implement an Affirmative Fair Housing Marketing Plan (AFHMP) using form HUD-935.2A.

To provide the greatest access to housing opportunities by Maryland's residents, all AFHMPs must include, at a minimum, the following provisions:

- Prohibit income requirements for prospective tenants under the Section 8 Tenant-based Assistance: Housing Choice Voucher program, VASH, HOME Tenant-based Rental Assistance or similar voucher programs;
- Eliminate local residency preferences;
- Ensure access to leasing offices for persons with disabilities;
- Provide flexible application and office hours to permit working families and individuals to apply;
- Encourage credit references and testing that take into account the needs of persons with disabilities, special needs or homeless families; and
- Give prompt written notification to any rejected applicant describing the ground for any rejection.

An owner of HTF-assisted rental housing must comply with the affirmative marketing requirements above, and adopt and follow written tenant selection policies and criteria that:

- Limit the housing to income eligible families;
- Are reasonably related to the applicant's ability to perform the obligations of the lease;
- Limit eligibility or give preference to a particular segment of the population if permitted in its written agreement with the grantee (and only if described in the grantee's consolidated plan) and preference is established in accordance with the requirements further detailed in this section;

- Do not exclude applicants with vouchers under the Section 8 Tenant-based Assistance: Housing Choice Voucher Program or HOME Tenant-based Rental Assistance; and
- Provide for the selection of tenants from a written waiting list in the chronological order of their applications, insofar as is practicable.

5.2 Tenant Selection

There must be a written lease between the tenant and owner of HTF-assisted rental housing for a period of not less than 1 year, unless a shorter period is mutually agreed upon. The lease may not contain any of the following provisions:

- Agreement to be sued;
- Treatment of property;
- Excusing owner from responsibility;
- Waiver of notice to be sued;
- Waiver of legal proceedings;
- Waiver of a jury trial;
- Waiver of right to appeal court decision;
- Tenant chargeable with cost of legal actions regardless of outcome; and
- Mandatory supportive services.

5.3 Other Additional Requirements:

HTF projects must also meet the following requirements:

- Initial Rents and Utility Allowances. The Department will establish maximum monthly allowances for utilities and services and annually review and approve rents proposed by HTF-assisted project owners;
- Tenant Income and Over-Income Tenant. Project owners must determine tenant eligibility by calculating the household's annual income using the definition of income, 24 CFR part 5.609. Income determinations are conducted at initial occupancy and the project owner must re-examine each tenant's annual income each year during the period of affordability. For HTF units that also receive project-based rental assistance, annual income must be reexamined based on the rules applicable to the project-based assistance. HTF –assisted units continue to qualify as affordable housing despite a temporary non-compliance caused by increases on the income of the existing tenants. When that occurs, grantees must make every effort to bring the units back into income compliance as soon as it is feasible; and

- Fixed and Floating HTF Units. In a project containing both HTF-assisted and other units, the grantee will designate fixed or floating HTF units at the time of project commitment in the written agreement between the grantee and the recipient. The actual HTF units must be identified not later than the time of project completion. Fixed units remain the same throughout the affordability period and floating units are changed to maintain compliance with the requirements of 24 CFR §93.302(g) during the affordability period.

6 Development Quality

6.1 Property Standards

Projects are eligible for HTF funds only if the housing will meet the applicable property standards upon completion. All HTF – assisted projects must meet all applicable State and local codes, ordinances and zoning requirements. In the absence of those codes, the housing must meet the International Residential Code or International Building Code (as applicable). All HTF - assisted projects (both new construction and rehabilitation) must meet the following requirements:

- The accessibility requirements of 24 CFR part 8, Titles II and III of the Americans with Disabilities Act implemented at 28 CFR Parts 35 and 36; and 24 CFR 100-205 as applicable; and other improvements that are not required by the regulations or statute that permit use by a person with a disability;
- The energy efficiency standards established pursuant to Section 109 of the Cranston-Gonzalez National Affordable Housing Act;
- Where relevant, the housing must be constructed or rehabilitated to mitigate the impact of the potential disasters, in accordance with applicable State and local codes, ordinances, and requirements, or other requirements established by HUD.
- The Department will review and approve written cost estimates and ensure that construction contracts and work will meet the all applicable standards; and
- The Department will conduct initial, progress and final inspections to ensure work is done in accordance to work write-ups/ architectural specification.
- The Department will determine the useful life of major system through a capital needs assessment and require a replacement reserve when the useful life of systems is less than the affordability period
- The housing must meet the lead-based paint requirements at 24 CFR part 35;

- All housing must be decent, safe, sanitary, and in good repair as described at 24 CFR 5.703. HUD will establish the minimum deficiencies that must be corrected under these rehabilitation standards based on inspectable items and inspectable areas from the HUD prescribed physical inspection procedures (Uniform Physical Condition Standards) pursuant to 24 CFR 5.705

6.1.1 Health and Safety Violations

Health and safety violations can be divided into non-life threatening and exigent, life threatening conditions. Non-life threatening violations include items such as pavement and walkway problems that create the potential for tripping and falling; missing or non-functioning sinks and bathroom components in individual units that impair human sanitation; missing exterior doors; and floor covering damage. Such violations must be addressed within thirty (30) days.

If the housing is occupied at the time of the rehabilitation, exigent health and safety and fire hazards must be addressed immediately (within 72 hours) because of their life-threatening potential. Exigent health and safety violations include exposed electrical wires or water leaks on or near electrical equipment; propane /natural gas/methane gas detected; emergency/fire exits that are blocked; unusable fire escapes; gas or oil fired hot water heaters with missing or misaligned chimneys that pose carbon monoxide hazards. Fire safety hazards include missing or inoperative smoke detectors; fire extinguishers expired or window security bars preventing egress from a building.

In addition, all rehabilitation projects must meet the NHT, and HOME rehabilitation standards (attached as Exhibit B).

6.2 Maximum Per-Unit Development Subsidy

As a Housing Credit Agency (HCA) and the administrator of HOME funds for over twenty-five years for the state of Maryland, DHCD is charged with determining project cost reasonableness on an annual basis. This is achieved by aggregating expenditures per historical cost certification data of completed projects for FY 2016 as illustrated in the chart below. Construction and land costs serve as a benchmarking mechanism and are categorized by geographical area. Some of the unique features of NHT, such as low-income targeting, have no impact on rental housing development costs in Maryland. Based on unit size/number of bedrooms, the maximum per-unit development subsidy amount will be the lesser of DHCD's 2016 Actual Per Unit Cost and the 2016 Maryland HOME Subsidy Limit (effective

May 24, 2017). At no time will the per-unit development subsidy exceed the 2016 Maryland HOME Maximum Subsidy Limits (effective May 24, 2017); these limits are:

Unit Size/Number of Bedrooms	Washington, DC and Baltimore PMSA 2015 Actual Per Unit Cost	Other Areas of State 2015 Actual Per Unit Cost	2016 HOME Subsidy Limit (effective May 24, 2017)
0	\$134,415	\$115,347	\$141,088
1	\$166,099	\$138,415	\$161,738
2	\$199,318	\$166,099	\$196,672
3	\$239,182	\$199,319	\$254,431
4	\$286,797	\$238,998	\$279,285



**Maryland Department of Housing and Community Development
7800 Harkins Road, Lanham, Maryland 20706**

The Maryland Department of Housing and Community Development (DHCD) has established the following rehabilitation standards as the primary document for identifying and correcting sub-standard conditions in dwellings being rehabilitated with National Housing Trust and/or HOME funds.

**REHABILITATION STANDARDS
FOR DHCD MULTIFAMILY HOUSING PROGRAMS INCLUDING NHT AND
THE HOME PROGRAM**

“Rehabilitation” is defined as “the process of restoring a property to the greatest degree of usefulness, through repair or upgrade, creating an energy efficient contemporary use while preserving those portions and features of the property which are significant to its historic, architectural and cultural values.”

The purpose of these standards is to establish minimum guidelines when the Department of Housing and Community Development (DHCD) undertakes a rehabilitation project funded in whole or part with NHT and/ or HOME (State or Federal) funds.

DHCD requires that all housing units and building exteriors receiving rehabilitation work be brought up to the Maryland Building Performance Standard (COMAR 05.02.07), or county codes whenever more restrictive, and meet minimum livability codes. All work must be performed within industry standards and be of acceptable quality. Upon completion of any project all major systems must have a remaining useful life of a minimum of twenty (20) years, if not; replacement of components will be required. Major systems include structural framing, roofing, cladding and weatherproofing (e.g., windows, doors, siding, gutters), plumbing, HVAC, electrical and elevators.

All materials used in connection with DHCD financed projects are to be new, above Builder Grade quality and without defects.

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I. GENERAL REQUIREMENTS

Working Hours

All work at the site, unless otherwise agreed upon as part of the Construction Contract, shall be performed during regular/business working hours. Regular/normal, or otherwise, working/business hours will be specified in the Construction Contract between the Owner(s) and the General Contractor.

Guaranties and Warranties

General Contractor shall guarantee the work performed for a period of one year from the date of Substantial Completion, as represented by a fully executed AIA Document G704 Certificate of Substantial Completion with a 2.5% of Construction Contract dollar volume Latent Defect, or Maintenance, Bond. Upon notification by the property owner and at the contractor's sole expense, the contractor will correct any and all defects due to unacceptable workmanship and/or materials and/or damages resulting thereby. Contractor shall furnish the property owner with Operation & Maintenance (O&M) Manuals minimally containing all manufacturers and supplier's written guarantees and warranties, as applicable, covering materials and equipment furnished under the construction contract.

Permits

The General Contractor must apply for and have issued all required grading or trade permits prior to the start of any work. Building permits are by Owner. Permits for specific trades must be obtained prior to the specific trade starting work. Contractor is responsible for securing all required permits unless otherwise stated in the scope of work.

Safety

The contractor will be responsible for all safety precautions and programs in connection with the work. The contractor must take all necessary precautions for the safety of, and provide all necessary protection to prevent damage, injury or loss to (i) residents, employees and other persons who may be affected; (ii) the work and all materials and equipment whether in storage on or off the site; and (iii) other property at or adjacent to the site, including trees, shrubs, lawns, walks, pavements, roadways, structures and utilities not slated for removal, relocation or replacement during the course of construction. The contractor must comply with all applicable laws, ordinances, regulations and order of any public authority having jurisdiction for the safety and protection of persons or property. The contractor must establish and maintain all necessary safeguards for the duration of the contract. This shall include posting of signage and other warnings against hazards, disseminating safety regulations, and

notifying the Owner and residents of the posting. Materials identified as toxic waste such as, but not limited to, lead and asbestos, must be removed or remediated in accord with applicable federal, state and local regulations by companies licensed to do so.

Subcontractors

Subcontractors will be bound by the terms and conditions of the Construction Contract insofar as it applies to their work. The General Contractor is directly responsible to the owner for the proper completion of all work under the contract and shall not be released from this responsibility by any arrangement they may have with any subcontractor(s).

II. GENERAL SITE CONDITIONS AND EXTERIOR BUILDING CRITERIA (for specific information refer to Building Evaluation Report (BER) and/or Environmental Site Assessment (ESA))

SITE CRITERIA

Positive Drainage

All drainage on a site to drain away from building(s). Slope shall have a 6 inch drop within 10 feet. Drainage should be toward a street, alley, or easement, and be facilitated by elevation around structures or design to include the construction of swales.

Cleanup

At all times the premises must be kept in a clean and well-organized manner free from construction materials and waste. All debris, trash, waste and surplus materials including excess dirt, tree and shrubs, etc., must be removed from the job site and shall be disposed of by legal means by recycling where feasible, or, to a proper land fill. Remove any temporary containers or structures that are located on site and legally dispose of all debris resulting from construction activities. At a minimum, exterior spaces shall be yard raked and free of all construction related debris before ground is seeded/stabilized and/or sodded.

Trees

Trees that are too close to the structure or threaten the structure shall be trimmed or removed. Otherwise, shade trees shall be preserved whenever possible.

Landscaping

Refer to contract documents for landscaping scope of work. Where soil is disturbed for installation of water and sewer, or to remove unneeded sidewalks or outbuildings, etc., plantings or grass seed and straw shall be provided to cover bare soil.

Paving and Walks

Deteriorated, cracked or unlevelled essential walkways, such as accessible route, will be removed and replaced. Non-essential paving such as unnecessary sidewalks will be removed and appropriately landscaped.

Any areas of failed paving to be removed and replaced under the supervision of Soils Technician. Paving to be milled and overlain or resurfaced as recommended in BER.

Soil Treatment

Play Areas: Bare soil play areas frequented by children under the age of six years shall be tested for arsenic, lead content. Any bare soil over 400 parts per million (ppm) of lead shall be covered per Maryland Department of the Environment (MDE) regulations, or, minimally, with a reinforced landscape cloth and impermanent surface covering e.g. gravel, bark, sod, or artificial turf with no lead content. Loose impermanent covering such as bark or gravel shall be applied in a thickness of not less than 6 inches.

Other Bare Soil: Bare soil outside of play areas shall be tested for lead content. Bare soil over 1200 ppm of lead and totaling more than 6 square feet per property shall be covered with a reinforced landscape cloth or other impermanent surface covering, an interim control measure which prevents children access to the bare soil. Soil lead levels above 5000 ppm of lead require abatement of the soil. Abatement shall include removal and replacement of soil or covering with concrete or other permanent barrier considered to have a life span of 20 years or more.

Outbuildings

Repair Standard

Unsafe and blighted structures, including outbuildings, sheds, garages and barns, will be removed if it is not financially feasible to complete the repairs required to make them structurally sound and weatherized with lead hazards stabilized.

Replacement Standard

No removal/replacement of outbuildings is allowed unless the work is reviewed and approved by DHCD on a case-by-case basis.

Lifts

Lift requirements shall be determined based on mobility needs of proposed tenants. Manufacturer's installation instructions, specifications, and all necessary components, including but not limited to, required permits/inspections, to complete the project will be followed. Contractors licensed by the State of Maryland to perform the work will perform all work within industry standards.

Repair Standard

Unsafe or inoperable lifts will be repaired, if components are able to be repaired according to Manufacturer's instructions, specifications, including but not limited to, required permits/inspections, to complete the project will be followed. Contractors licensed by the State of Maryland to perform the work will perform all work within industry standards.

Replacement Standard

Unsafe or obsolete lifts will be replaced, if any components are unable to be repaired according to Manufacturer's instructions, specifications, including but not limited to, required permits/inspections, to complete the project will be followed. Contractors licensed by the State of Maryland to perform the work will perform all work within industry standards.

EXTERIOR BUILDING CRITERIA

Access

All access to residential structures must meet accessibility requirements in 24 CFR part 8 including any additional local code requirements and accessibility standards.

Exterior Paint

Any exterior painting must meet lead-based paint requirements at 24 CFR 35.

Repair Standard

All lead paint shall be stabilized using lead-safe practices and performed by contractor(s) licensed by the State of Maryland to perform lead paint remediation work.

Replacement Standard

Leaded components shall be replaced, encapsulated and/ or the paint removed by Lead Safe certified contractors to create a lead-free exterior using lead-safe practices and following all Maryland Historic Trust (MHT) and Local Preservation Office's requirements.

Exterior Cladding

Repair Standard

Siding and trim will be intact and weatherproof. All exterior wood components shall have a minimum of two continuous topcoats of exterior grade paint and one coat of back prime. All exterior painted surface will be free of any peeling, flaking or deteriorated paint.

Replacement Standard: Minimum Useful Life: 10 Years

Durable siding over house wrap, or replacement of original materials with in-kind materials and design, where cost-effective.

Exterior Porches

Repair Standard

Unsafe or unsightly porches will be repaired to conform closely to historically accurate porches in the neighborhood or with in-kind material and design approved by the MHT. Porch repairs will be structurally sound, with smooth and even decking surfaces.

Replacement Standard: Minimum Useful Life: 10 Years

Deteriorated wood porches shall be rebuilt with preservative treated structural lumber using manufacturer's recommended fasteners and suitable exterior decking material. Masonry elements shall be rebuilt with masonry.

Exterior Steps and Decks

Repair Standard

Steps, stairways, and porch decks will be structurally sound, reasonably level, and trip free with smooth, even surfaces.

Replacement Standard: Minimum Useful Life: 20 years

New steps and stairways shall be constructed of preservative treated lumber using manufacturer's recommended fasteners in conformance with local code, or of masonry. Porch decks shall be replaced with suitable exterior decking material.

Exterior Railings

Repair Standard

Handrails will be present on one side of all interior and exterior steps or stairways with more than four risers, and guard railings are required around porches or platforms over 30 inches above ground level. Railing repairs will be historically sensitive. All handrails shall be easy to grasp and shall have 'returns' to wall surface at each end of the handrail.

Replacement Standard: Minimum Useful Life: 15 Years

Exterior Hardware

Replacement Standard

Every dwelling unit will have a mailbox, or mail slot, and minimum Grade 2 exterior door hardware.

Concrete, Steps and Landings

Repair Standard

Steps, stairways, and porch decks will be structurally sound, reasonably level, with smooth and even surfaces with no slip, trip or fall issues.

III. FOUNDATION CRITERIA

Any exterior painting must meet the lead-based paint requirements at 24 CFR 35.

Foundations

Repair Standard

Foundations will be sound, reasonably level, and free from movement and subject to an engineering review if determined by DHCD.

Replacement Standard:

Must meet state and local building code.

Stability

The foundation must be structurally sound and the top of foundation - at base of structure - must not be significantly out of level.

The foundation may be constructed of concrete block, stone, piers or solid concrete on footing designs in accord with state and/or local regulation.

Reconstruction of foundations must adhere to state and/or local foundation design code including depth, installation of rebar, etc. Lack of stability beyond a reasonable level that would create an unsafe condition will preclude rehabilitation being undertaken. The type of foundation construction may vary (i.e. brick, solid concrete, stone, concrete block or piers) for geographic regions throughout the State but all must be structurally sound and meet the State and Local Building Codes.

Collapsed Sections

Collapsed sections of foundations must be reconstructed as prescribed by state/local code or a stamped engineer's blueprint including engineer's recommended sequence of construction. Consideration should be given to the degree to which the remaining foundation meets minimum standards.

Cracks

Inspect and evaluate foundations to identify cracks. All cracks must be filled with non-shrink grout or other appropriate materials. All cracks with more than a 1/4 inch spread shall be investigated by a licensed engineer and have an appropriate treatment applied.

Foundation, Vent

All foundations with a crawl space must be adequately vented to meet code requirements. Foundation vents must be screened, louvered and operational. Flood vents are required for properties located in FEMA designated flood zones.

Spalling Foundation

Spalling refers to the condition exemplified by crumbling or, weak, localized areas of concrete. Where these conditions exist, foundations must be reviewed by a licensed contractor, and if necessary, corrected with a design provided by a Structural Engineer licensed in the State of Maryland.

IV. STRUCTURAL INTEGRITY CRITERIA

Defined

Structural Integrity means that the foundation, roof, walls and floor system must not show any significant signs of movement or deterioration/damage. The foundation shall be intact without any signs of leaning, sagging, etc. Shell and foundation shall be of standard construction and be covered by durable, weather-tight and appropriate building exterior material.

Bearing Walls

Identify and inspect bearing walls, beams, supports for proper construction and structural integrity. Repair or replace with in-kind material, or, by accepted industry standard, to maintain integrity of the structure. No bearing walls may be removed when undertaking rehabilitation unless appropriate alternative construction support design is installed per all state/local regulations to permit a safe working environment and compensate for the structural removal.

Existing Additions

All additions to residential structures must be permitted, be on a properly constructed foundation and must not evidence separation from the original structure.

Structural Walls

Repair Standard

Structural framing and masonry shall be free from visible deterioration, rot, or termite/insect damage and be adequately sized for current loads. Prior to rehab, all sagging floor joists or rafters will be visually inspected to determine cause. Repair by replacing or by sistering as required. Significant structural damage and its cause must be identified and corrected.

Replacement Standard

Newly constructed structural walls must meet State and Local building code and be inspected prior to close-in.

Firewalls

Repair Standard

Party walls shall be maintained without cracks and finish deterioration. Removal/replacement of wall surface to be 5/8 inch type X gypsum, glued and screwed to studs equal to UL rated 2-hour fire rating.

Replacement Standard: Minimum Useful Life: 10 Years

V. BUILDING ENVELOPE CRITERIA

Any repairs must meet the lead-based paint requirements at 24 CFR 35.

Siding Material

All siding must be weather tight and in good condition. If the siding has a remaining useful life of less than 5 years it should be repaired or replaced with in-kind materials wherever possible and be approved by the State Historic Preservation Office where applicable.

Existing asbestos siding in good condition is not inappropriate as a siding material. Repair/replace broken, detached or fraying siding by a licensed contractor per Maryland Department of the Environment (MDE) regulations.

Asphalt siding is considered to be an inappropriate material by the Fire Marshal. In accord with state and local regulations, a fire retardant siding material may cover this material when rehabilitation is undertaken.

Paneling, untreated plywood, sheetrock and other materials that are not rated for exterior application are deemed inappropriate and must be removed.

All siding must be installed in accordance with manufacturer's recommendations. The installation of any air sealing or weatherization shall be performed per Building America Best Practices, Vol. 4 and/or state and local code.

Painting and Exterior Walls

Correct chipping, cracking and deteriorating paint using Lead Safe certified contractor per federal, state and local regulations. If the structure was built prior to 1978, the local or state regulations may require that a lead-based paint analysis be conducted. Lead-based paint hazard reduction work may only be performed by qualified contractors that meet all EPA, MDE requirements.

Historic Considerations

All structures in historic districts or those with architectural features that exemplify unique architectural characteristics must be given special consideration. The State Historic Preservation Office shall be involved in making specific decisions affecting these projects.

VI. ROOFING CRITERIA

Roofing Specifications

Remove and dispose of all existing roof material and defective sheathing using CDX plywood, or other roof deck material of matching thickness.

Install new ridge vent, preformed aluminum drip edge, and vent pipe boots. Replace all flashing. Valleys and eaves shall have ice and water shield; fasten 15 lb. felt, or synthetic underlayment, and install fiberglass asphalt shingles with a 30-year warranty. Install shingles over ridge vent. No roof shall exceed two layers of asphalt shingles.

Trusses and Supports

Install engineered trusses 24" on center to match existing profile, 5/8" CDX plywood sheathing and 30-year fiberglass asphalt shingles over 15 lb. felt. Extend the chimney and plumbing vents, through a 5/8" plywood roofing deck.

Unless otherwise specified, all material shall match existing as closely as possible for material, style, color and method of installation. Seal all edges. Flash and caulk all adjoining surfaces and make weather tight. Replace all flashing, roofing accessories and nails using rust-resistant material. Install all roofs in one continuous operation. .

Slope Requirements

Minimum roof pitch shall be four inch to one-foot rise for shingled roofs. Roof areas not having minimum slope should be considered for reconstruction or replaced with standing seam, membrane, or other suitable roofing product. Installation shall be to code and manufacturer's recommendations.

Pitched Roofs

Repair Standard

Missing and leaking shingles and flashing shall be repaired on otherwise functional roofs. Slate roofs shall be repaired in-kind.

Replacement Standard: Minimum Life: 30-Years

Fiberglass asphalt, three-tab, weighing 220-240 lbs., 30-year warranty shingles with continuous ridge vent stopping one foot from both ends. Energy-Star rated wherever feasible.

Flat and Low Slope Roofing

Repair Standard

Remove and replace any localized damage, or area of leak, with in-kind material by a certified roofing company.

Replacement Standard: Minimum Useful Life: 10 Years

Fully adhered EPDM over insulation board. Or Install a 3-ply built-up fiberglass roof of one coated glass base sheet and two plies of Type IV fiberglass, hot mopped. Install gravel stop, flashing and vent collars with .019 aluminum. Flood coat & embed aggregate. Or Install 90 lb. mineralized fiberglass roll roofing using a 4" minimum overlap, fastened per manufacturer's specs.

Fascia and Soffit Board

Fascia shall be 2x dimensional lumber wrapped with pre-bent vinyl clad aluminum fascia. Replace damaged, worn and/or aged soffit material. Install vented vinyl soffit that simulates beaded T&G soffit material. Include all trim accessories.

Chimneys

Install brick chimney, on the original footing, including one 8" x 8" terra cotta flue liner and cement wash at top. Install or replace chimney cap with a 2' x 2' metal or precast concrete cap cemented in place.

Repair Standard

Structurally unsound chimneys shall be repaired or removed and replaced by a licensed contractor. When chimneys are to be used for combustion ventilation, they shall be relined. Repair chimney above roof area by cutting out mortar at least ½", removing all loose material and repointing using Portland cement mortar or equivalent. Saturate joints with water before applying mortar. Match color as closely as possible. Replace all missing or defective materials with matching materials. Clean mortar and other debris from adjoining surfaces and gutter.

Replacement Standard: Minimum Life: 20 Years

Fireplace flues may not be reconstructed in this program. Replacement furnace flues shall be metal double- or triple-walled as recommended by the furnace manufacturer.

Gutter/Downspout

Gutters and downspouts must be in good condition. Gutters and downspouts are to be installed to direct storm water away from residence. All standard gutters to be .027 gauge thicknesses, 5 inch "K" style, seamless. Downspouts and elbows are to match gutters and be properly fastened with preformed straps and pop rivets. Properly angled concrete splash blocks or extensions are to be installed at the end of each downspout. Install downspouts at each corner and major offsets with straps 3' on center. Gutter guards are not permitted unless the residence is located in an extensively wooded setting and the owner is not physically capable of maintaining the gutters.

VII. INTERIOR COMPONENT CRITERIA

Any interior repairs must meet the lead-based paint requirements at 24 CFR 35.

Interior Standards Lead-Containing Components

Repair Standard

Particular attention must be considered in dwelling units built in and before 1978. Deteriorated lead-based paint on walls, trim, doors, and cabinets must be stabilized using lead-safe work practices. A liquid encapsulate can be applied on components when the surface is deemed suitable for such coatings, otherwise, other encapsulate methods may be used. All work to be performed by contractor(s) licensed by the State of Maryland to perform lead paint remediation work.

Replacement Standard

When funding is sufficient, lead-containing walls, trim, doors and cabinets identified during a lead-paint inspection can be replaced or enclosed as appropriate.

Flooring

Repair Standard

Bathroom and kitchen floors shall be rendered smooth and cleanable using polyurethane or by being covered with water-resistant vinyl flooring or ceramic tile. Damaged wood floors may be repaired with in-kind material. Basement floors shall, minimally, be continuous concrete.

Replacement Standard: Minimum Life: 6 Years

Baths shall receive vinyl sheet goods over plywood underlayment or ceramic tile over cement bed. Kitchens shall be vinyl composition tile over plywood or ceramic tile over cementitious underlayment. New basement slabs shall be at least 4" standard reinforced slab on grade.

Closets

Repair Standard

All bedrooms shall have closets with a door, clothes rod, and shelf.

Replacement Standard: Minimum Life: 15 Years

All bedrooms shall have a minimum of one 4' long by 2' wide closet with swing, or sliding, doors and wire shelf.

Interior Walls and Ceilings

Repair Standard

All holes and cracks shall be repaired to create a continuous flat surface and any deteriorating paint should be stabilized using lead-safe measures. Minimum height for habitable rooms is 7' 6".

Replacement Standard: Minimum Life: 10 Years

Walls shall be plumb, ceilings level with a smooth finish on at least ½" (5/8" type X for ceilings) gypsum and/or plaster.

Additional Reference: American Gypsum Association

Hazardous Materials

Repair Standard

Asbestos, lead paint, and other hazards, when identified, shall be addressed in conformance with applicable local, state, and federal laws. If lead abatement or asbestos remediation is part of the project, rehabilitated properties shall be cleaned to pass a lead dust clearance test to the levels prescribed by federal, state and local regulations.

Lead Paint

A lead-based paint analysis should be conducted on houses constructed prior to 1978 that evidence chipping, flaking, cracking and otherwise deteriorating paint. If testing reveals the existence of lead-based paint surfaces, they must be removed or covered as prescribed by federal, state and local Lead-Based Paint regulations. All housing must meet the lead-based paint requirements at 24 CFR 35.

Fire Barriers

Five-eighth inch Type X sheetrock is required under joist in garages that have a living area above them and on walls in garages adjoining living quarters. Five-eighth inch Type X sheetrock is also required when another structure is within five feet of the wall being reconstructed as part of the rehabilitation activity. No cardboard materials, paper materials, tarpaper, or exterior insulation materials, such as fiberboard, will be permitted in for use at interior walls.

Damaged Interior Walls

Holes in sheetrock must be repaired and precautions taken to prevent future damage by installation of doorstops, blocking, or other necessary measures. Water damaged sheetrock must be removed and replaced once inspection to determine cause is complete. In bathrooms, waterproof green, or blue sheetrock or other similar drywall material must be utilized. Interior walls with decayed sheetrock must be repaired by removal and replacement with new sheetrock followed by appropriate level of finish.

Ceilings

All cracked or deteriorating ceilings require an inspection to determine the cause. Correct underlying problem before the ceiling is repaired. Cracks must be properly repaired with finish restored and the ceiling completely repainted when treated.

Bath and Shower Areas

When there is decaying ceramic wall tile or plastic tile in bath or shower areas, the deteriorated finishes and substrate must be removed. Water proof sheetrock – or cement backer board, at ceramic tile – must be installed and reused or new tile installed, grouted, sealed and edges caulked.

Stairwell

Stairs shall have no slip/trip hazards.

All stairways must have continuous handrails on at least one side of stairwell, 34 to 36” from top of nosing and handrail grip shall be at least 1-½ inches in width.

VIII. KITCHEN FACILITIES CRITERIA

Minimum Cabinet Requirements

All kitchens must have sufficient base cabinets/countertops to house a kitchen sink and provide sufficient usable countertop area and upper cabinets to optimize kitchen storage areas. Replace all Unsanitary or nonfunctional cabinets. Replacement cabinets must be of mid-grade quality, plywood box construction.

Counter Tops

All countertops showing evidence of wear, water damage, delamination of surface material, etc. must be replaced. New counter tops, minimally, shall be laminate Formica type material and shall include back splash, finished ends or approved equal.

Faucets

All kitchen plumbing must be inspected by a licensed plumber to ensure that faucets and drainpipes work properly. Installation of new countertops requires sink removal and, with few exceptions, new sinks and faucets must be provided. All new sinks must be vented as prescribed by the Uniform Plumbing Code (UPC). New faucets shall be Water Sense rated fixtures.

Flooring

Worn flooring with delaminating, or, missing tiles, and/or cracked, peeling areas, etc., require new flooring be installed. Worn carpeting may not show trip/fall hazard and must be replaced where these condition occur. The use of indoor/outdoor carpeting is discouraged. Replacement of carpet with 10-year warranty vinyl or laminate floor covering is acceptable.

Lighting and Electrical

GFCI outlet receptacles will be installed as required to meet National Electric Code (NEC). Minimum lighting in kitchen will consist of one lighting fixture in the kitchen/cooking area and one lighting fixture in an adjoining eating/dining area. The use

of Energy Star rated light fixtures is recommended at replacement locations, fluorescent lighting is an acceptable alternative.

IX. BATHROOM CRITERIA

Minimum Requirements

The minimum standard in a residential structure is as follows: One functional toilet, lavatory, towel rack, ring or hook and either a shower or a bathtub. Any additional bathrooms in a house, at minimum, must contain a toilet, towel rack, ring or hook and a sink.

Sinks

All faucets must have sufficiently accessible hot and cold water levers and must be in good functioning condition. The sink must have a proper drain with P-trap and be vented to the outside as prescribed by the Uniform Plumbing Code. A shut-off valve at the water line connection is required when replacements are made. Use Water Sense rated fixtures for all plumbing fixture replacements. Inspection of bathroom plumbing by a licensed plumber to be conducted in conjunction with the above.

Ventilation

All bathrooms must have an operational window or a functional electric exhaust vent fan vented to the exterior.

Doors

All bathroom doors must be functional.

Flooring

Existing bathroom flooring must be inspected at the base of the toilets to ensure that leaking is not occurring. When leaking has occurred and sub floor has rotted, the sub floor must be removed and replaced in-kind, or, minimally, by 3/4" plywood. Whenever a toilet is removed or installed for any purpose, new toilet wax-ring gaskets must be used. Finish flooring material that permits water to seep into the sub floor is unacceptable. Finish floor shall be sealed ceramic tile on proper setting bed or 10-year warranty sheet goods installed continuously and properly sealed at all termination points.

Bathroom Lighting

All bathrooms must have at least one light that can be switched from the inside. Lights switched from the outside generally do not need to be relocated, unless the room is being rewired. Any electrical outlet installed or upgraded must be GFCI outlet receptacles and installed as required to meet NEC.

X. BEDROOM CRITERIA

Closets

All bedrooms must have access to closets for storage or clothing. On existing housing, closets in adjoining hall areas are acceptable.

Lighting

All bedrooms must have one switchable light fixture, preferably in the interior of the bedroom next to the entrance.

Outlets

Use of extension cords is discouraged and additional outlets should be provided whenever possible to avoid their use. Any new bedroom receptacle circuits shall have ARC protection circuit interruption protection with receptacles located according to building code as well as NEC requirements.

XI. GENERAL ELECTRICAL CRITERIA

A licensed electrician shall inspect all wiring, motors, fixtures and devices for proper function, shorts, defects, etc. Adhere to NEC for compliance. Non-functioning and dangerous equipment shall be replaced with new Energy Star rated equipment. Wiring, devices and fixtures, where replaced, shall be replaced with appropriately sized code-compliant wire, outlets, devices and fixtures with Energy Star rated products where applicable.

Electric Service

Repair Standard

Main distribution panels shall be adequate to safely supply power to all existing and proposed electrical devices and meet NEC and local codes.

Replacement Standard

If electrical demand requires a heavy-up, or replacement, the new service panel shall conform to the Current NEC and local code. Upgrades shall be 200 amp, main

disconnect, 110/220 volt, 32 circuit panel board, and, if required, meter socket, weather head, service cable and ground rod and cable. Seal exterior service penetration.

Knob and Tube Wiring

Knob and tube wiring in attics is not acceptable when insulation covers the wires. This type of wiring needs to expel heat through the insulation and is considered to be a potential fire hazard when covered by insulation. Knob and tube wiring in attics must be replaced with code-compliant wire whenever replacement is undertaken. Knob and tube wiring may be left intact in walls where insulation is not to be accomplished. Consult a licensed electrician to ensure code compliance and safety.

Ground Faults

Ground fault electrical outlets must meet local code and NEC.

Alarms

Smoke Detector: Install a UL approved ceiling mounted fire/smoke/carbon monoxide detector interconnect and permanently wire into a receptacle box or provide a lithium battery operated fire/smoke/carbon monoxide detector on all floors to code.

Carbon Monoxide Detector: While all dwellings should have a carbon monoxide detector, any dwelling heated by fossil fuel must have one.

Safety Considerations

No hanging wires are permitted. All light fixtures should be inspected to ensure that they are solidly hung and that the electrical connections have not been loosened. All electrical fixtures that evidence wear must be replaced with new fixtures. All electrical outlets, switches and/or junction boxes must have cover plates. Any switches or outlets which are non-functional must be inspected by a licensed electrician and be repaired or terminated. Provide light switches to basement areas, particularly when there is an open staircase. Exterior lighting shall be weather proof.

Exterior Electric

Repair Standard

All entrances will be well lighted and either switched at the interior side of the door, or the light will be controlled by a photoelectric cell. Motion activated security lighting will be installed at the rear and sides of properties where indicated to increase safety. All dwelling units will have at least one exterior, GFCI protected, electrical receptacle.

Replacement Standard: NA

Interior Electric Distribution

Repair Standard

Exposed knob and tube shall be replaced. Every room will have a minimum of two duplex receptacles, or, as stated in the NEC, placed on separate walls and one light fixture or receptacle switched

At each room entrance. Receptacles will be grounded where the source wiring circuit is accessible (i.e. first floor above basements, in gutted rooms, etc.). All switch, receptacle, and junction boxes shall have appropriate cover plates. Wiring shall be free from hazard and all circuits shall be properly protected at the panel. Floor receptacles shall be removed and a metal cover plate installed. All electrical systems shall be installed per NEC.

Replacement Standard: Minimum Life: 15 Years

When wall finish surfaces are removed, the room shall be rewired to the latest version of the National Electric Code (NEC).

Ground Fault and Arch Fault Circuits

Basement and kitchen receptacles within 6 feet of a sink, all bath receptacles and all exterior receptacles shall be protected by a GFCI.

Kitchen Electric Distribution

Permanently installed stoves, refrigerators, freezers, dishwashers and disposals, washers and dryers shall have separate circuits sized to NEC. Two separate alternating 20-amp counter circuits are required with each kitchen area.

Stairwell Lighting

All common halls and stairways between living space must be well lighted with a fixture controlled by 3 way switches at both ends of the hall or stairway.

XII. GENERAL PLUMBING CRITERIA

Plumbing System Water Supply

All fixtures must supply a flow rate of 3-gallons per minute.

All inoperable or leaky main shut off valves shall be replaced. Lead pipe and exposed galvanized pipe shall be replaced with copper pipe or CPVC pipes.

Drain, Waste, Vent Lines

Waste and vent lines must function without losing the trap seal. When replacement is required, lines shall be installed in accordance with the most recently approved mechanical codes.

Plumbing Minimum Equipment

Every dwelling unit shall have a minimum of one single bowl sink with hot and cold running water in the kitchen and at least one bathroom containing a toilet, a vanity with sink and a shower/tub unit, both with hot and cold running water.

Additional References: Local housing code.

Plumbing Fixtures

Repair Standard

All fixtures and faucets shall have all working components.

Replacement Standard: Minimum Life: 20 Years

Single lever, metal faucets and shower diverters with 15-year drip-free warranty. Ceramic toilets, double bowl stainless steel sinks, fiberglass tub surrounds and 5' fiberglass or steel enameled tubs. Replacement plumbing fixture to be Water Sense labeled.

Water Heaters

Repair Standard

Each dwelling unit shall have a hot water heater. The minimum capacity for units with two bedrooms or less shall be 30 gallons; larger units shall have a minimum capacity of 40 gallons. Insulation jackets shall be present unless manufacturer provided an internal insulation blanket. Water heaters shall have pressure relief valves with drip legs that extend to within one foot of the floor. Expansion tanks will be included with the installation of new water heaters.

Replacement Standard: Minimum Life: 8 Years

High efficiency, Energy Star rated water heaters with at least R-7 insulation and an 8-year replacement warranty, or combination with the same minimum capacity as noted above.

Type of Pipe

Unless otherwise specified, all materials shall be copper or CPVC for domestic water, PVC for waste. All items shall operate without leakage, noise, vibration or hammering. All penetration of building components shall be neat, sleeved and fire stopped. No solder containing lead shall be used in any pipe or fixture. Damage to structural members from

drilling or notching shall be repaired to the acceptance of the owner, Agency and to code. Plumbing must be done in accordance with the Uniform Plumbing code.

Venting

The Uniform Plumbing Code requires that all drains be vented. All drains that are changed as a result of replacing or installing fixtures must be vented in accordance with the Uniform Plumbing Code.

Faucets

If newly installed, replaced faucets should be mid-grade lever handle faucets of chrome or white ceramic.

The color and type are to be selected by the owner from stock samples.

Functional Sewer Lines

Each residential property must have its own functional sewer line. All houses with problems with sewage backup must be investigated and repairs made to the sewer line. The new water line shall be laid without joints from meter hub to main shut off valve inside structure. The utility trench is to be filled and mounded in anticipation of future earth settlement and the contractor is responsible for any required regrading within the one year warranty period. All galvanized lines should be replaced.

Shut-off Valves

All plumbing fixtures which are removed and replaced require the installation of new shut-off valves.

All gas appliances that are removed and replaced require a new gas shut-off valve that is to be installed by a licensed plumber.

Vent Stacks

All vent stacks must be at least one foot above the roof and appropriately sealed to prevent infiltration of water.

XIII. BUILDING WATER TIGHTNESS CRITERIA

Windows

Windows are not to be replaced unless they are inoperable and are permitting the infiltration of air, snow or rain. Any replacement or treatment of windows must meet the MHT requirements and any Historic Requirements of the local jurisdiction.

Rotted sills and trim are to be replaced . All windows should have locking devices for security. If new windows are required they must be Energy Star rated. All operable windows must have screens.

Repair Standard

All single glazed windows shall be replaced with Energy Star rated Double-glazed windows. Windows shall have a locking device and mechanism to remain partially open.

Dilapidated lead-containing windows should be replaced by certified Lead Safe contractor. All habitable rooms shall have a window for egress.

Replacement Standard: Minimum Life: 20 Years

Energy Star Rated Double-glazed, double or single hung. PVC, low E, one over one, with historically sensitive snap-in grids and a minimum for your region. All new construction windows shall meet 5.7sf net clear opening.

Basement, Egress

Any basement bedroom must have a code compliant window or door egress system.

Door

When doorjambes are in good condition or the doors are of unusual sizes, hollow core wood, prefinished or unfinished doors will be provided. All exterior doors should be provided with locking hardware.

Exterior Doors

Repair Standard

Doors shall be solid, weather stripped, operate smoothly, and include a peep site, a dead bolt, and an entrance lock set.

Replacement Standard: Minimum Life: 10 Years

All replacement doors at the front of the property will be historically sensitive and Energy Star rated. Steel six- panel doors may be installed at entrances not visible from the front street. Dead-bolt locks will be installed on all doors. All exterior entrance doors shall be minimum size of 36x80. Landings in front of exterior doors shall be minimum depth of 36”.

Interior Doors/Placement

Repair Standard

All bedrooms, baths and closets shall have operating doors.

Replacement Standard: Minimum Life: 10 Years

Hollow core, pressed wood product with bedroom lockset of suitable standard finish.

Wall Insulation:

When the framing is exposed during rehabilitation, insulation must be installed with a minimum value of R-13. Insulation installed for newly constructed homes shall be R-21.

Insulation

Repair Standard NA

Replacement Standard: Minimum Life: 15 Years

Attic areas and crawl space will be insulated. Attic insulation shall be R-49, and for crawl spaces R-19. Frame walls will be insulated with R-13 fiberglass batts if the wall finish is removed, and with high density cellulose otherwise. 6 mil Plastic vapor barriers will be placed over bare soil in crawl spaces. Crawl space shall have vents unless crawl space is conditioned. If crawl space is conditioned, must have sump-pump.

Attic Ventilation

Repair Standard NA

Replacement Standard: Minimum life: 20 Years

Attics will be ventilated with a minimum of 1 square foot of free vent for each 300 square feet of roof area.

Kitchen Ventilation

Range hoods or exhaust fans shall be exterior ducted; where it is possible.

Bath Ventilation

Repair Standard NA

Replacement Standard: Minimum Life: 5 Years

Exterior ducted 70 CFM. 20 some with separate switch in all full baths.

Basement/Crawl Space Insulation

Floor joist shall be insulated with a minimum value of R19 and crawl spaces shall have a vapor barrier of 6 mil plastic. Exception shall be determined on the age of the home and dimensional lumber used in that era.

Roof Insulation: All ceilings under attics or roofs must be insulated with a minimum value of R-49.

XIV. HVAC

Heating/Ventilation/Air Conditioning Plant

Repair Standard

Inoperative, hazardous or inefficient (less than 75% AFUE) heating plants (HVAC units) shall be repaired and altered to perform at least 85% efficiency, where feasible. Programmable thermostats are required.

Replacement Standard: Minimum Life: 20 Years

Gas- and oil-fired plants (HVAC units) shall be Energy Star rated. Heat pumps/HVAC units shall be rated at 16 SEER or better. Programmable thermostats are required. Replacement heating/HVAC equipment shall be properly sized in accordance with the ACCA's Manual J or other recognized methodology. Data for heat load/loss calculations shall be based on post-rehabilitation conditions.

Distribution System

Repair Standard

Energy Star rated Heat-pump (or equal) integrated HVAC system heating unit capable of safely and adequately heating (or cooling as applicable) a conditioned space is defined (in relevant part) as an area in a building provided with heating or cooling systems or appliances capable of maintaining 68 Deg. F during the heating season or 80 Deg. F during the cooling season.

To include all vents, vent covers, returns, ducts, and concrete (or comparable) pad for exterior condenser/heat exchanger, electrical and plumbing connections as per code. Programmable thermostats are required.

All ductwork shall be well supported, sealed with mastic and insulated in unconditioned spaces.

Replacement Standard: Minimum Life: 20 Years

XV. DISASTER MITIGATION

Any rehabilitation or replacement of homes will include all necessary local codes/state codes and/or federal requirements in order to mitigate any damage that may have occurred as a result of a disaster and as well as addressing any future disaster.

Flood Plain Requirements

When the project is in a flood zone (floodplain): the following surveys will be required.

CDA requires the completion of a survey by a registered surveyor for all projects. The survey must include the required information and be accompanied by the appropriate certificates.

The Survey must comply with the ALTA Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys (effective 2/23/2011). Table A must include all items except items 5, 10(b), 15 and 21. A full size copy of the survey must be provided to CDA and its counsel for review and approval prior to execution.

Upon completion of a project that involves adding buildings or other improvements, roads and/or sidewalks, an as-built survey which complies with the above requirements must be provided. CDA at its discretion may require an as-built survey for other types of projects.

The survey needs to include the following items:

- Lot lines and set-back lines
- Location of all existing easements, rights of way, improvements on or encroachments upon, over, to or from the property
- Location of all items that will be listed in Schedule B, Part II of the lender's title policy.

Termite Treatment

Contractor will provide termite treatment including adjacent soil treatment and foundation barrier cap. Treatment shall be done upon foundation completion and prior to main floor construction.

XVI. LEAD BASED PAINT

All properties must meet the lead –based paint requirements at 24 CFR 35. All properties built prior to 1978 may be subject to a Lead Paint Testing Assessment Report prepared for the property owner by an approved Risk Assessor.

Bidders must be Renovation, Repair and Painting (RRP) Certified by Environmental Protection Agency (EPA), or State of Maryland Lead Safe Certified for lead safe work practices for this project or any home built prior to 1978. Prior to work beginning, the contractor shall provide evidence of all required certificates and accreditations.

In addition, prior to starting work, each owner is to be provided a copy of the EPA “Protect Your Family from Lead in Your Home” pamphlet.

All lead-based paint operations are to be performed in accordance with all State, County, City and Federal regulations.

XVII. ENERGY CONSERVATION

All new construction and rehabilitation projects shall be energy efficient and follow current International Energy Efficiency Code (IEEC) as adopted by the State of Maryland.

Examples of Green building practices

WEB SITE REFERENCES:

ENERGY STAR
www.energystar.gov

Ventilation
www.ashrae.org

NOTE: All projects requiring rehabilitation must meet the following requirements:

1. Plans and specifications prepared by an accredited Architect;
2. A Capital Needs Assessment prepared by a third party (Architect, engineer, etc.) documenting the remaining useful life of all major systems and components outlined below.
If the remaining life of a component is less than the affordability period, the component must be repaired or replaced; an adequate replacement reserve must be established and underwriting must include regular payments to the reserve account.
3. DHCD Construction staff must review prepared Plans and specifications against the Capital Needs Assessment along with a site inspection of the property to confirm all required rehabilitation work conforms with required mitigation outlined below.

Appendix A: Uniform Physical Condition Standards for Multifamily Housing Rehabilitation – Requirements for Site

Inspectable Item	Observable Deficiency	Degree of Deficiency	Required Mitigation
Fencing and Gates	Damaged/Falling/Leaning	Level 1	Must be repaired or replaced
	Holes	Level 1	Must be repaired or replaced
	Missing Sections	Level 1	Must be repaired or replaced
Grounds	Erosion/Rutting Areas	Level 1	Must be repaired or replaced
	Overgrown/Penetrating Vegetation	Level 1	Must be repaired or replaced
	Ponding/Site Drainage	Level 1	Must be repaired or replaced
Health & Safety	Air Quality - Sewer Odor Detected	Level 1	Must be repaired or replaced
	Air Quality - Propane/Natural Gas/Methane Gas Detected	Level 1	Must be repaired or replaced
	Electrical Hazards - Exposed Wires/Open Panels	Level 1	Must be repaired or replaced
	Electrical Hazards - Water Leaks on/near Electrical Equipment	Level 1	Must be repaired or replaced
	Flammable Materials - Improperly Stored	Level 1	Must be repaired or replaced
	Garbage and Debris - Outdoors	Level 1	Must be repaired or replaced

	Hazards - Other	Level 1	Must be repaired or replaced
	Hazards - Sharp Edges	Level 1	Must be repaired or replaced
	Hazards - Tripping	Level 1	Must be repaired or replaced
	Infestation - Insects	Level 1	Must be repaired or replaced
	Infestation - Rats/Mice/Vermin	Level 1	Must be repaired or replaced
Mailboxes/Project Signs	Mailbox Missing/Damaged	Level 1	Must be repaired or replaced
	Signs Damaged	Level 1	Must be repaired or replaced
Parking Lots/Driveways/Roads	Cracks	Level 1	Must be repaired or replaced
	Ponding	Level 1	Must be repaired or replaced
	Potholes/Loose Material	Level 1	Must be repaired or replaced
	Settlement/Heaving	Level 1	Must be repaired or replaced
Play Areas and Equipment	Damaged/Broken Equipment	Level 1	Must be repaired or replaced
	Deteriorated Play Area Surface	Level 1	Must be repaired or replaced
Refuse Disposal	Broken/Damaged Enclosure-Inadequate Outside Storage Space	Level 1	Must be repaired or replaced
Retaining Walls	Damaged/Falling/Leaning	Level 1	Must be repaired or replaced
Storm Drainage	Damaged/Obstructed	Level 1	Must be repaired or replaced
Walkways/Steps	Broken/Missing Hand Railing	Level 1	Must be repaired or replaced
	Cracks/Settlement/Heaving	Level 1	Must be repaired or replaced
	Spalling/Exposed rebar	Level 1	Must be repaired or replaced

Appendix A: Uniform Physical Condition Standards for Multifamily Housing Rehabilitation – Requirements for Building Exterior

Inspectable Item	Observable Deficiency	Degree of Deficiency	Required Mitigation
Doors	Damaged Frames/Threshold/Lintels/Trim	Level 1	Must be repaired or replaced
	Damaged Hardware/Locks	Level 1	Must be repaired or replaced
	Damaged Surface (Holes/Paint/Rusting/Glass)	Level 1	Must be repaired or replaced
	Damaged/Missing Screen/Storm/Security Door	Level 1	Must be repaired or replaced
	Deteriorated/Missing Caulking/Seals	Level 1	Must be repaired or replaced
	Missing Door	Level 1	Must be repaired or replaced
Fire Escapes	Blocked Egress/Ladders	Level 1	Must be repaired or replaced
	Visibly Missing Components	Level 1	Must be repaired or replaced
Foundations	Cracks/Gaps	Level 1	Must be repaired or replaced
	Spalling/Exposed Rebar	Level 1	Must be repaired or replaced
Health and Safety	Electrical Hazards - Exposed Wires/Open Panels	Level 1	Must be repaired or replaced
	Electrical Hazards - Water Leaks on/near Electrical Equipment	Level 1	Must be repaired or replaced
	Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable	Level 1	Must be repaired or replaced
	Emergency Fire Exits - Missing Exit Signs	Level 1	Must be repaired or replaced
	Flammable/Combustible Materials - Improperly Stored	Level 1	Must be repaired or replaced
	Garbage and Debris - Outdoors	Level 1	Must be repaired or replaced
	Hazards - Other	Level 1	Must be repaired or replaced
	Hazards - Sharp Edges	Level 1	Must be repaired or replaced
	Hazards - Tripping	Level 1	Must be repaired or replaced
	Infestation - Insects	Level 1	Must be repaired or replaced

	Infestation - Rats/Mice/Vermin	Level 1	Must be repaired or replaced
Lighting	Broken Fixtures/Bulbs	Level 1	Must be repaired or replaced
Roofs	Damaged Soffits/Fascia	Level 1	Must be repaired or replaced
	Damaged Vents	Level 1	Must be repaired or replaced
	Damaged/Clogged Drains	Level 1	Must be repaired or replaced
	Damaged/Torn Membrane/Missing Ballast	Level 1	Must be repaired or replaced
	Missing/Damaged Components from Downspout/Gutter	Level 1	Must be repaired or replaced
	Missing/Damaged Shingles	Level 1	Must be repaired or replaced
	Ponding	Level 1	Must be repaired or replaced
Walls	Cracks/Gaps	Level 1	Must be repaired or replaced
	Damaged Chimneys	Level 1	Must be repaired or replaced
	Missing/Damaged Caulking/Mortar	Level 1	Must be repaired or replaced
	Missing Pieces/Holes/Spalling	Level 1	Must be repaired or replaced
	Stained/Peeling/Needs Paint	Level 1	Must be repaired or replaced
Windows	Broken/Missing/Cracked Panes	Level 1	Must be repaired or replaced
	Damaged Sills/Frames/Lintels/Trim	Level 1	Must be repaired or replaced
	Damaged/Missing Screens	Level 1	Must be repaired or replaced
	Missing/Deteriorated Caulking/Seals/Glazing Compound	Level 1	Must be repaired or replaced
	Peeling/Needs Paint	Level 1	Must be repaired or replaced
	Security Bars Prevent Egress	Level 1	Must be repaired or replaced

Appendix A: Uniform Physical Condition Standards for Multifamily Housing Rehabilitation – Requirements for Building Systems

Inspectable Item	Observable Deficiency	Degree of Deficiency	Required Mitigation
Domestic Water	Leaking Central Water Supply	Level 1	Must be repaired or replaced
	Missing Pressure Relief Valve	Level 1	Must be repaired or replaced
	Rust/Corrosion on Heater Chimney	Level 1	Must be repaired or replaced
	Water Supply Inoperable	Level 1	Must be repaired or replaced
Electrical System	Blocked Access/Improper Storage	Level 1	Must be repaired or replaced
	Burnt Breakers	Level 1	Must be repaired or replaced
	Evidence of Leaks/Corrosion	Level 1	Must be repaired or replaced
	Frayed Wiring	Level 1	Must be repaired or replaced
	Missing Breakers/Fuses	Level 1	Must be repaired or replaced
	Missing Outlet Covers	Level 1	Must be repaired or replaced
Elevators	Not Operable	Level 1	Must be repaired or replaced
Emergency Power	Auxiliary Lighting Inoperable (if applicable)	Level 1	Must be repaired or replaced
Fire Protection	Missing Sprinkler Head	Level 1	Must be repaired or replaced
	Missing/Damaged/Expired Extinguishers	Level 1	Must be repaired or replaced
Health & Safety	Air Quality - Mold and/or Mildew Observed	Level 1	Must be repaired or replaced
	Air Quality - Propane/Natural Gas/Methane Gas Detected	Level 1	Must be repaired or replaced
	Air Quality - Sewer Odor Detected	Level 1	Must be repaired or replaced
	Electrical Hazards - Exposed Wires/Open Panels	Level 1	Must be repaired or replaced
	Electrical Hazards - Water Leaks on/near Electrical Equipment	Level 1	Must be repaired or replaced
	Elevator - Tripping	Level 1	Must be repaired or replaced

	Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable	Level 1	Must be repaired or replaced
	Emergency Fire Exits - Missing Exit Signs	Level 1	Must be repaired or replaced
	Flammable Materials - Improperly Stored	Level 1	Must be repaired or replaced
	Garbage and Debris - Indoors	Level 1	Must be repaired or replaced
	Hazards - Other	Level 1	Must be repaired or replaced
	Hazards - Sharp Edges	Level 1	Must be repaired or replaced
	Hazards – Tripping Hazards	Level 1	Must be repaired or replaced
	Infestation - Insects	Level 1	Must be repaired or replaced
	Infestation - Rats/Mice/Vermin	Level 1	Must be repaired or replaced
HVAC	Boiler/Pump Leaks	Level 1	Must be repaired or replaced
	Fuel Supply Leaks	Level 1	Must be repaired or replaced
	General Rust/Corrosion	Level 1	Must be repaired or replaced
	Misaligned Chimney/Ventilation System	Level 1	Must be repaired or replaced
Roof Exhaust System	Roof Exhaust Fan(s) Inoperable	Level 1	Must be repaired or replaced
Sanitary System	Broken/Leaking/Clogged Pipes or Drains	Level 1	Must be repaired or replaced
	Missing Drain/Cleanout/Manhole Covers	Level 1	Must be repaired or replaced

Appendix A: Uniform Physical Condition Standards for Multifamily Housing Rehabilitation – Requirements for Common Areas

Inspectable Item Location	Observable Deficiency	Degree of Deficiency	Required Mitigation
Basement/Garage/Carport	Baluster/Side Railings - Damaged	Level 1	Must be repaired or replaced
Closet/Utility/Mechanical	Cabinets - Missing/Damaged	Level 1	Must be repaired or replaced
Community Room	Call for Aid - Inoperable	Level 1	Must be repaired or replaced
Halls/Corridors/Stairs	Ceiling - Holes/Missing Tiles/Panels/Cracks	Level 1	Must be repaired or replaced
Kitchen	Ceiling - Peeling/Needs Paint	Level 1	Must be repaired or replaced
Laundry Room	Ceiling - Water Stains/Water Damage/Mold/Mildew	Level 1	Must be repaired or replaced
Lobby	Countertops - Missing/Damaged	Level 1	Must be repaired or replaced
Office	Dishwasher/Garbage Disposal - Inoperable	Level 1	Must be repaired or replaced
Other Community Spaces	Doors - Damaged Frames/Threshold/Lintels/Trim	Level 1	Must be repaired or replaced
Patio/Porch/Balcony	Doors - Damaged Hardware/Locks	Level 1	Must be repaired or replaced
Restrooms	Doors - Damaged Surface (Holes/Paint/Rust/Glass)	Level 1	Must be repaired or replaced
Storage	Doors - Damaged/Missing Screen/Storm/Security Door	Level 1	Must be repaired or replaced
	Doors - Deteriorated/Missing Seals (Entry Only)	Level 1	Must be repaired or replaced
	Doors - Missing Door	Level 1	Must be repaired or replaced
	Dryer Vent -Missing/Damaged/Inoperable	Level 1	Must be repaired or replaced
	Electrical - Blocked Access to Electrical Panel	Level 1	Must be repaired or replaced
	Electrical - Burnt Breakers	Level 1	Must be repaired or replaced
	Electrical - Evidence of Leaks/Corrosion	Level 1	Must be repaired or replaced
	Electrical - Frayed Wiring	Level 1	Must be repaired or replaced
	Electrical - Missing Breakers	Level 1	Must be repaired or replaced

Inspectable Item Location	Observable Deficiency	Degree of Deficiency	Required Mitigation
	Electrical - Missing Covers	Level 1	Must be repaired or replaced
	Floors - Bulging/Buckling	Level 1	Must be repaired or replaced
	Floors - Floor Covering Damaged	Level 1	Must be repaired or replaced
	Floors - Missing Floor/Tiles	Level 1	Must be repaired or replaced
	Floors - Peeling/Needs Paint	Level 1	Must be repaired or replaced
	Floors - Rot/Deteriorated Subfloor	Level 1	Must be repaired or replaced
	Floors - Water Stains/Water Damage/Mold/Mildew	Level 1	Must be repaired or replaced
	GFI - Inoperable	Level 1	Must be repaired or replaced
	Graffiti	Level 1	Must be repaired or replaced
	HVAC - Convection/Radiant Heat System Covers Missing/Damaged	Level 1	Must be repaired or replaced
	HVAC - General Rust/Corrosion	Level 1	Must be repaired or replaced
	HVAC - Inoperable	Level 1	Must be repaired or replaced
	HVAC - Misaligned Chimney/Ventilation System	Level 1	Must be repaired or replaced
	HVAC - Noisy/Vibrating/Leaking	Level 1	Must be repaired or replaced
	Lavatory Sink - Damaged/Missing	Level 1	Must be repaired or replaced
	Lighting - Missing/Damaged/Inoperable Fixture	Level 1	Must be repaired or replaced
	Mailbox - Missing/Damaged	Level 1	Must be repaired or replaced
	Outlets/Switches/Cover Plates - Missing/Broken	Level 1	Must be repaired or replaced
	Pedestrian/Wheelchair Ramp	Level 1	Must be repaired or replaced
	Plumbing - Clogged Drains	Level 1	Must be repaired or replaced
	Plumbing - Leaking Faucet/Pipes	Level 1	Must be repaired or replaced

Inspectable Item Location	Observable Deficiency	Degree of Deficiency	Required Mitigation
	Range Hood /Exhaust Fans - Excessive Grease/Inoperable	Level 1	Must be repaired or replaced
	Range/Stove - Missing/Damaged/Inoperable	Level 1	Must be repaired or replaced
	Refrigerator - Damaged/Inoperable	Level 1	Must be repaired or replaced
	Restroom Cabinet - Damaged/Missing	Level 1	Must be repaired or replaced
	Shower/Tub - Damaged/Missing	Level 1	Must be repaired or replaced
	Sink - Missing/Damaged	Level 1	Must be repaired or replaced
	Smoke Detector - Missing/Inoperable	Level 1	Must be repaired or replaced
	Stairs - Broken/Damaged/Missing Steps	Level 1	Must be repaired or replaced
	Stairs - Broken/Missing Hand Railing	Level 1	Must be repaired or replaced
	Ventilation/Exhaust System - Inoperable	Level 1	Must be repaired or replaced
	Walls - Bulging/Buckling	Level 1	Must be repaired or replaced
	Walls - Damaged	Level 1	Must be repaired or replaced
	Walls - Damaged/Deteriorated Trim	Level 1	Must be repaired or replaced
	Walls - Peeling/Needs Paint	Level 1	Must be repaired or replaced
	Walls - Water Stains/Water Damage/Mold/Mildew	Level 1	Must be repaired or replaced
	Water Closet/Toilet - Damaged/Clogged/Missing	Level 1	Must be repaired or replaced
	Windows - Cracked/Broken/Missing Panes	Level 1	Must be repaired or replaced
	Windows - Damaged Window Sill	Level 1	Must be repaired or replaced
	Windows - Inoperable/Not Lockable	Level 1	Must be repaired or replaced
	Windows - Missing/Deteriorated Caulking/Seals/Glazing Compound	Level 1	Must be repaired or replaced
	Windows - Peeling/Needs Paint	Level 1	Must be repaired or replaced

Inspectable Item Location	Observable Deficiency	Degree of Deficiency	Required Mitigation
	Windows - Security Bars Prevent Egress	Level 1	Must be repaired or replaced
Health & Safety	Air Quality - Mold and/or Mildew Observed	Level 1	Must be repaired or replaced
	Air Quality - Propane/Natural Gas/Methane Gas Detected	Level 1	Must be repaired or replaced
	Air Quality - Sewer Odor Detected	Level 1	Must be repaired or replaced
	Electrical Hazards - Exposed Wires/Open Panels	Level 1	Must be repaired or replaced
	Electrical Hazards - Water Leaks on/near Electrical Equipment	Level 1	Must be repaired or replaced
	Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable	Level 1	Must be repaired or replaced
	Emergency Fire Exits - Missing Exit Signs	Level 1	Must be repaired or replaced
	Flammable/Combustible Materials - Improperly Stored	Level 1	Must be repaired or replaced
	Garbage and Debris - Indoors	Level 1	Must be repaired or replaced
	Garbage and Debris - Outdoors	Level 1	Must be repaired or replaced
	Hazards - Other	Level 1	Must be repaired or replaced
	Hazards - Sharp Edges	Level 1	Must be repaired or replaced
	Hazards - Tripping	Level 1	Must be repaired or replaced
	Infestation - Insects	Level 1	Must be repaired or replaced
	Infestation - Rats/Mice/Vermin	Level 1	Must be repaired or replaced
Pools and Related Structures	Fencing - Damaged/Not Intact	Level 1	Must be repaired or replaced
Trash Collection Areas	Chutes - Damaged/Missing Components	Level 1	Must be repaired or replaced

Appendix A: Uniform Physical Condition Standards for Multifamily Housing Rehabilitation – Requirements for Unit

Inspectable Item	Observable Deficiency	Degree of Deficiency	Required Mitigation
Bathroom	Bathroom Cabinets - Damaged/Missing	Level 1	Must be repaired or replaced
	Lavatory Sink - Damaged/Missing	Level 1	Must be repaired or replaced
	Plumbing - Clogged Drains, Faucets	Level 1	Must be repaired or replaced
	Plumbing - Leaking Faucet/Pipes	Level 1	Must be repaired or replaced
	Shower/Tub - Damaged/Missing	Level 1	Must be repaired or replaced
	Ventilation/Exhaust System – Absent/Inoperable	Level 1	Must be repaired or replaced
	Water Closet/Toilet - Damaged/Clogged/Missing	Level 1	Must be repaired or replaced
Call-for-Aid (if applicable)	Inoperable	Level 1	Must be repaired or replaced
Ceiling	Bulging/Buckling/Leaking	Level 1	Must be repaired or replaced
	Holes/Missing Tiles/Panels/Cracks	Level 1	Must be repaired or replaced
	Peeling/Needs Paint	Level 1	Must be repaired or replaced
	Water Stains/Water Damage/Mold/Mildew	Level 1	Must be repaired or replaced
Doors	Damaged Frames/Threshold/Lintels/Trim	Level 1	Must be repaired or replaced
	Damaged Hardware/Locks	Level 1	Must be repaired or replaced
	Damaged/Missing Screen/Storm/Security Door	Level 1	Must be repaired or replaced
	Damaged Surface - Holes/Paint/Rusting/Glass/Rotting	Level 1	Must be repaired or replaced
	Deteriorated/Missing Seals (Entry Only)	Level 1	Must be repaired or replaced
	Missing Door	Level 1	Must be repaired or replaced
Electrical System	Blocked Access to Electrical Panel	Level 1	Must be repaired or replaced
	Burnt Breakers	Level 1	Must be repaired or replaced

Inspectable Item	Observable Deficiency	Degree of Deficiency	Required Mitigation
	Evidence of Leaks/Corrosion	Level 1	Must be repaired or replaced
	Frayed Wiring	Level 1	Must be repaired or replaced
	GFI - Inoperable	Level 1	Must be repaired or replaced
	Missing Breakers/Fuses	Level 1	Must be repaired or replaced
	Missing Covers	Level 1	Must be repaired or replaced
Floors	Bulging/Buckling	Level 1	Must be repaired or replaced
	Floor Covering Damage	Level 1	Must be repaired or replaced
	Missing Flooring Tiles	Level 1	Must be repaired or replaced
	Peeling/Needs Paint	Level 1	Must be repaired or replaced
	Rot/Deteriorated Subfloor	Level 1	Must be repaired or replaced
	Water Stains/Water Damage/Mold/Mildew	Level 1	Must be repaired or replaced
Health & Safety	Air Quality - Mold and/or Mildew Observed	Level 1	Must be repaired or replaced
	Air Quality - Sewer Odor Detected	Level 1	Must be repaired or replaced
	Air Quality - Propane/Natural Gas/Methane Gas Detected	Level 1	Must be repaired or replaced
	Electrical Hazards - Exposed Wires/Open Panels	Level 1	Must be repaired or replaced
	Electrical Hazards - Water Leaks on/near Electrical Equipment	Level 1	Must be repaired or replaced
	Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable	Level 1	Must be repaired or replaced
	Emergency Fire Exits - Missing Exit Signs	Level 1	Must be repaired or replaced
	Flammable Materials - Improperly Stored	Level 1	Must be repaired or replaced
	Garbage and Debris - Indoors	Level 1	Must be repaired or replaced
	Garbage and Debris - Outdoors	Level 1	Must be repaired or replaced
	Hazards - Other	Level 1	Must be repaired or replaced

June 30, 2017 (draft)

Inspectable Item	Observable Deficiency	Degree of Deficiency	Required Mitigation
	Hazards - Sharp Edges	Level 1	Must be repaired or replaced
	Hazards - Tripping	Level 1	Must be repaired or replaced
	Infestation - Insects	Level 1	Must be repaired or replaced
	Infestation - Rats/Mice/Vermin	Level 1	Must be repaired or replaced
Hot Water Heater	Misaligned Chimney/Ventilation System	Level 1	Must be repaired or replaced
	Inoperable Unit/Components	Level 1	Must be repaired or replaced
	Leaking Valves/Tanks/Pipes	Level 1	Must be repaired or replaced
	Pressure Relief Valve Missing	Level 1	Must be repaired or replaced
	Rust/Corrosion	Level 1	Must be repaired or replaced
HVAC System	Convection/Radiant Heat System Covers Missing/Damaged	Level 1	Must be repaired or replaced
	Inoperable	Level 1	Must be repaired or replaced
	Misaligned Chimney/Ventilation System	Level 1	Must be repaired or replaced
	Noisy/Vibrating/Leaking	Level 1	Must be repaired or replaced
	Rust/Corrosion	Level 1	Must be repaired or replaced
Kitchen	Cabinets - Missing/Damaged	Level 1	Must be repaired or replaced
	Countertops - Missing/Damaged	Level 1	Must be repaired or replaced
	Dishwasher/Garbage Disposal - Inoperable	Level 1	Must be repaired or replaced
	Plumbing - Clogged Drains	Level 1	Must be repaired or replaced
	Plumbing - Leaking Faucet/Pipes	Level 1	Must be repaired or replaced
	Range Hood/Exhaust Fans - Excessive Grease/Inoperable	Level 1	Must be repaired or replaced
	Range/Stove - Missing/Damaged/Inoperable	Level 1	Must be repaired or replaced
	Refrigerator-Missing/Damaged/Inoperable	Level 1	Must be repaired or replaced

June 30, 2017 (draft)

Inspectable Item	Observable Deficiency	Degree of Deficiency	Required Mitigation
	Sink - Damaged/Missing	Level 1	Must be repaired or replaced
Laundry Area (Room)	Dryer Vent - Missing/Damaged/Inoperable	Level 1	Must be repaired or replaced
Lighting	Missing/Inoperable Fixture	Level 1	Must be repaired or replaced
Outlets/Switches	Missing	Level 1	Must be repaired or replaced
	Missing/Broken Cover Plates	Level 1	Must be repaired or replaced
Patio/Porch/Balcony	Baluster/Side Railings Damaged	Level 1	Must be repaired or replaced
Smoke Detector	Missing/Inoperable	Level 1	Must be repaired or replaced
Stairs	Broken/Damaged/Missing Steps	Level 1	Must be repaired or replaced
	Broken/Missing Hand Railing	Level 1	Must be repaired or replaced
Walls	Bulging/Buckling	Level 1	Must be repaired or replaced
	Damaged	Level 1	Must be repaired or replaced
	Damaged/Deteriorated Trim	Level 1	Must be repaired or replaced
	Peeling/Needs Paint	Level 1	Must be repaired or replaced
	Water Stains/Water Damage/Mold/Mildew	Level 1	Must be repaired or replaced
Windows	Cracked/Broken/Missing Panes	Level 1	Must be repaired or replaced
	Damaged Window Sill	Level 1	Must be repaired or replaced
	Missing/Deteriorated Caulking/Seals/Glazing Compound	Level 1	Must be repaired or replaced
	Inoperable/Not Lockable	Level 1	Must be repaired or replaced
	Peeling/Needs Paint	Level 1	Must be repaired or replaced
	Security Bars Prevent Egress	Level 1	Must be repaired or replaced

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



National Housing Trust Fund

Interim Rule Summary 24 CFR parts 91 and 93

Office of Affordable Housing Programs
6/19/2015

This document is a summary of the program requirements for the National Housing Trust Fund (HTF) and is provided as a resource. It does not contain a complete list of all the requirements applicable to the HTF. A full copy of the HTF Interim Rule can be accessed on the HTF website at, <https://www.hudexchange.info/htf>.

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EXECUTIVE SUMMARY

Purpose:

The National Housing Trust Fund (HTF) is a new affordable housing production program that will complement existing Federal, State, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income (ELI) and very low-income households (VLI), including homeless families.

Statutory Background:

The HTF was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 ([Public Law 110-289](#)). Section 1131 of HERA amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 *et seq.*) (Act) to add a new section 1337, entitled "Affordable Housing Allocation" and a new section 1338, entitled "Housing Trust Fund."

Publication of Program Rules:

HUD published the proposed HTF formula Rule ([FR-5246-P-01](#)) on December 4, 2009 and the proposed program Rule ([FR-5246-P-02](#)) on October 29, 2010. On January 30, 2015, HUD published an interim program Rule ([FR-5246-I-03](#)). The interim rule provides the guidelines for States to implement the HTF.

Grantees:

HTF is a formula grant program, which is to be administered by States. This includes the 50 States, Washington DC, the Commonwealth of Puerto Rico, and each of the insular areas. A State may choose to administer its own program or choose a qualified State-designated entity to administer the HTF funds on its behalf. A list of HTF grantees can be found on the [HTF website](#).

Program Requirements:

The HTF funds will be distributed by formula. Grantees are required to use at least 80 percent of each annual grant for rental housing; up to 10 percent for homeownership housing; and up to 10 percent for the grantee's reasonable administrative and planning costs. HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted rental housing must meet a minimum affordability period of 30 years. All HTF-assisted homeownership housing must meet the minimum affordability period of 10, 20 or 30 years based on the amount of HTF investment in the unit.

Eligible activities and expenses include:

- Real property acquisition;
- Site improvements and development hard costs;
- Related soft costs;
- Demolition;
- Financing costs;
- Relocation assistance;
- Operating cost assistance for rental housing (≤ 30 percent of grant); and
- Reasonable administrative and planning costs.

More Information:

HUD is developing guidance and training to assist grantees and program partners in designing and implementing their programs. For more information on HTF, visit <https://www.hudexchange.info/htf>.

24 CFR PART 93 SUBPART A- GENERAL

Overview- § 93.1

Each year, HUD will allocate the amount made available for the HTF based on the formula established in the interim rule. The amount available for allocation is the amount set aside by Fannie Mae and Freddie Mac for the HTF during their fiscal year (January 1- December 31). Deposits to the HTF are due within 60 days of the end of their fiscal year. HUD will publish a notice in the Federal Register announcing HTF allocations for the 50 States, the District of Columbia (DC), the Commonwealth of Puerto Rico (Puerto Rico), and each of the insular areas.

SUBPART B- FORMULA ALLOCATION

Formula Allocation and Factors- §§ 93.50-93.51

The amount to be allocated by formula to each State and DC is determined using the most recent U.S. Census Bureau data available for the same year for these geographic areas. Allocation amounts to the 50 States, DC, and Puerto Rico will be calculated using the sum of four need factors (weighted by priority) multiplied by the cost of producing housing in the State relative to the national average. The four need factors are:

- The ratio of the shortage of standard rental units both affordable and available to extremely low-income (ELI) renter households in the State to the aggregate shortage of standard rental units both affordable and available to ELI renter households in all the States (weight 0.5);
- The ratio of the shortage of standard rental housing both affordable and available to very low-income (VLI) renter households in the State to the aggregate shortage of standard rental units both affordable and available to VLI renter households in all the States (weight 0.125);
- The ratio of ELI renter households in the State living with either incomplete kitchen or plumbing facilities, more than one person per room, or paying more than 50 percent of income for housing costs to the aggregate of number of ELI households with these characteristics in all States (weight 0.25); and
- The ratio of VLI renter households in the State paying more than 50 percent of income on rent relative to the aggregate number of VLI renter households with this characteristic in all States (weight 0.125).

Because the data described above is not available for insular areas, their allocations will be determined by multiplying the funds available times the ratio of renter households in each insular area to the total number of renter households in the 50 States, DC, Puerto Rico and the insular areas.

Minimum Allocations- § 93.52

The statute requires that each State and DC receive a minimum allocation of \$3 million. Provided that the amount available for allocation is sufficient, each State and DC will receive the minimum grant. If funds are available after each State and DC receives its minimum allocation, Puerto Rico and each insular area will receive an allocation. If HTF funds are insufficient to provide the minimum grant to each State and DC, HUD will publish a notice in the federal register for public comment, describing an alternative method for allocating grants.

Reallocations by Formula- § 93.54

Any amounts that become available for reallocation (i.e., grant reductions, recaptured funds, etc.) shall be added to amounts for formula allocation in the succeeding fiscal year. Any reallocation of funds must be made only among all participating States, except those States from which the funds were recaptured or reduced.

SUPPORT C- PARTICIPATION AND SUBMISSION REQUIREMENTS

Participation and Submission Requirements- §§ 93.100- 93.101

Only States or State-designated entities may be the HTF grantee. This includes the 50 States, Washington DC, the Commonwealth of Puerto Rico, and each of the insular areas.

A State must notify HUD in writing of its intention to become an HTF grantee for the first year of HTF funding no later than 30 days after HUD's publication of the formula allocation amounts.

In order to receive its grant, a State must include the HTF allocation plan in its submission of the consolidated plan in accordance with [24 CFR Part 91](#). The HTF grantee may directly fund projects or may choose to fund projects through one or more subgrantees.

Only units of general local government and State agencies may be HTF subgrantees. A subgrantee that is a unit of general local government must have a consolidated plan and include an HTF allocation plan in its consolidated plan. The HTF allocation plan for a State agency subgrantee must be included in the State's HTF allocation plan. States and subgrantees must solicit public comment on the proposed HTF allocation plan. Projects must be selected in accordance with the State's or subgrantee's HTF allocation plan, as applicable. The grantee must ensure that their subgrantees comply with all HTF requirements and other applicable laws, and carry out the State's responsibilities.

24 CFR PART 91- CONSOLIDATED SUBMISSIONS FOR CPD PROGRAMS

Consolidated Program Year- § 91.10

All of the Community Planning and Development programs, including the HTF, shall be administered by the State or subgrantee on a single consolidated program year which is established by the jurisdiction.

Strategic Plans- § 91.215 (b)(2) and § 91.315 (b)(2)

Under the affordable housing section of the strategic plan, the State and subgrantee (s) shall identify specific objectives that describe proposed accomplishments they hope to achieve. They must also specify the number of ELI and VLI households to whom rental housing and homeownership assistance will be provided as defined in 24 CFR 93.302 and 24 CFR 93.304 over a specific time period.

Action Plans- § 91.220 and 91.320

Each State and subgrantee must submit an HTF allocation plan as part of its annual action plan submission. The plan must describe how the State or subgrantee will distribute its HTF funds, including

how it will use the funds to address its priority housing needs, what activities may be undertaken with those funds, and how recipients and projects will be selected to receive those funds. A subgrantee's HTF allocation plan must be consistent with the State's HTF requirements and HTF allocation plan.

Subgrantee's HTF Allocation Plan- § 91.220(l)(5)

If a jurisdiction is selected by the State to be a subgrantee, its HTF allocation plan must be consistent with the State's HTF requirements and include the following:

- The plan must identify priority factors for funding that shall include the following: geographic distribution (where HTF funding will be directed in the ensuing program year), the applicant's capacity, the extent to which rents are affordable to ELI households, the duration of affordability periods in rental projects, location of existing affordable housing, and other merits of the applications in meeting the jurisdiction's priority housing needs (such as housing accessible to transit or employment centers, sustainable or green building features, and housing that serves special needs populations);
- A description of eligible activities and eligibility requirements for recipients;
- A certification by each recipient that HTF-assisted housing will comply with HTF requirements;
- Performance goals that are consistent with the subgrantee's and State's proposed accomplishments;
- Rehabilitation standards that HTF-assisted project must meet as required by 24 CFR 93.301(b);
- Resale and Recapture guidelines, if HTF funds will be used for first-time homebuyers. These resale or recapture guidelines must be submitted and approved by HUD separate from the consolidated plan or action plan;
- The HTF affordable homeownership limits it will use when assisting first-time homebuyers. If the subgrantee does not use HUD-issued limits, the limits must be determined in accordance with 24 CFR 93.305 and approved by the State;
- Any preferences or limitations to a particular segment of the ELI or VLI population must be described in the action plan and are subject to 24 CFR 93.350 and 24 CFR 93.303; and
- Requirements and conditions under which existing project debt may be refinanced.

State's HTF Allocation Plan- § 91.320(k)(5)

The State's HTF allocation plan must describe the distribution of the HTF funds, and establish the application requirements and the criteria for selection of applications submitted by eligible recipients that meet the State's priority housing needs. In addition, the plan must establish the maximum per-unit development subsidy limit for housing assisted with HTF funds. States are required to determine subsidy limits for all areas of the State; subgrantees must use the State-determined limits. If the HTF funds will be used for first-time homebuyers, it must identify the applicable resale and recapture provisions.

The plan must also reflect the State's decision to distribute HTF funds through grants to subgrantees and/or directly to applications submitted by eligible recipients. If the State selects applications submitted by eligible recipients, the plan must include the following:

- Provide priority for funding based on: geographic diversity (as defined by the State in the consolidated plan), the applicant's capacity, the extent to which the project has Federal, State, or local project-based rental assistance so that rents are affordable to ELI families, the duration

of affordability periods in rental projects, and other merits of the applications in meeting the State's priority housing needs (such as housing accessible to transit or employment centers, sustainable or green building features, and housing that serves special needs populations), and applicant's non-federal leveraging resources;

- A description of eligible activities and eligibility requirements for recipients;
- A certification by each recipient that HTF-assisted housing will comply with HTF requirements;
- Performance goals and benchmarks that are consistent with State's proposed accomplishments;
- Rehabilitation standards that HTF-assisted project must meet as required by 24 CFR 93.301(b)(1);
- Resale and Recapture guidelines, if HTF funds will be used for first-time homebuyers. These resale or recapture guidelines must be submitted and approved by HUD separate from the consolidated plan or action plan;
- The HTF affordable homeownership limits that it will use when assisting first-time homebuyers – if the State does not use HUD-issued limits, the limits must be determined in accordance with 24 CFR 93.305;
- Any preferences or limitations to a particular segment of the ELI or VLI population must be described in the action plan and are subject to 24 CFR 93.350 and 24 CFR 93.303(d)(3); and
- Requirements and conditions under which existing project debt may be refinanced.

Performance Reports- § 91.520

The State and subgrantee must submit annual reports that describe the HTF program's accomplishments and the extent to which they complied with their approved HTF allocation plan and the requirements of 24 CFR part 93.

24 CFR PART 93 SUBPART D- PROGRAM REQUIREMENTS

Site and Neighborhood Standards- § 93.150

HTF grantees must administer its HTF program in a manner that provides housing that is suitable to facilitate and further full compliance with applicable provisions of the Civil Rights Act of 1964, the Fair Housing Act and HUD regulations. The site and neighborhoods standards at § 93.150 apply to new construction of rental projects receiving HTF funds.

Income Determinations- § 93.151

To ensure that the income targeting requirements are met, grantees must verify that each family occupying an HTF-assisted unit is income-eligible by determining the family's annual income. When determining eligibility, the grantee may use either of the two allowable income definitions, annual income as defined at [24 CFR 5.609](#)¹ or adjusted gross income as defined in [IRS Form 1040](#)². Only one definition can be applied to each HTF-assisted program or project. The methods for determining and

¹ For the complete definition of annual income under 24 CFR 5.609, visit http://www.ecfr.gov/cgi-bin/text-idx?rgn=div5&node=24:1.1.1.1.5#se24.1.5_1609

² For the complete definition of adjusted gross income on the IRS form 1040, visit <http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit/Helpful-Definitions-and-Acronyms>

calculating annual income for tenants and homebuyers are also addressed in the full text of the interim rule.

SUBPART E- ELIGIBLE AND PROHIBITED ACTIVITIES

Eligible Activities- § 93.200

HTF funds may be used for the production, preservation, and rehabilitation of affordable rental housing and affordable housing for first-time homebuyers. Eligible activities include acquisition (including assistance to homebuyers, including manufactured housing), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities. HTF housing must be permanent housing.

Grantees must use at least 80 percent of its annual grant for rental housing and up to 10 percent for homeownership housing. Eligible activities include the following:

- Real property acquisition;
- Site improvements;
- Conversion;
- Demolition;
- Financing costs;
- Relocation costs;
- Operating costs and operating cost reserves (\leq 30 percent of each grant); and
- Reasonable administrative and planning cost.

*No more than one third of each annual allocation may be provided as operating cost assistance to rental housing being acquired, rehabilitated or newly constructed with HTF funds.

Forms of Assistance to Project- § 93.200(b)

- Equity investments;
- Interest-bearing loans or advances;
- Non-interest bearing loans or advances;
- Interest subsidies;
- Deferred payment loans;
- Grants; or
- Other forms of assistance approved by HUD.

Cost Allocation for Multi-Unit Projects- § 93.200(c)

For multi-unit projects, only the actual HTF-eligible development costs may be charged to the HTF program. Calculations for eligible development costs will depend on whether units are comparable or non-comparable in terms of size, features and number of bedrooms. This section of the rule describes how to calculate costs. After project completion, the number of designated HTF-assisted units may be reduced only in accordance with the exception authority provided under this section.

Terminated Projects- § 93.200(d)

An HTF-assisted project that is terminated before completion or does not meet the requirements for affordable housing constitutes an ineligible activity. The grantee must repay any HTF funds invested in an ineligible activity or project to its HTF account from which the funds were drawn.

Eligible Project Costs- § 93.201

HTF may be used to pay the following eligible costs:

- Development hard costs;
- Refinancing costs;
- Acquisition costs;
- Related soft costs;
- Operating cost assistance and operating cost assistance reserves (\leq 30 percent of annual grant);
- Relocation costs; and
- Costs related to payment of loans.

Operating Cost Assistance and Reserves- § 93.201(e)

HTF funds may be used to pay for operating cost assistance and operating cost assistance reserves for rental housing that is acquired, rehabilitated, reconstructed, or newly constructed with HTF funds. The grantee has the flexibility to provide up to one third of each annual grant for operating cost assistance and operating cost assistance reserves. The following conditions apply:

- Eligible costs include insurance, utilities, real property taxes and maintenance and scheduled payments to a reserve for replacement of major systems;
- Eligible costs must be calculated using the method described in this section;
- Operating cost assistance can ONLY be provided if the HTF-assisted units do not have project-based assistance;
- Operating costs assistance must be based on the underwriting of the project and must be specified in the written agreement between grantee and recipient;
- For reserves funded with non-appropriated HTF funds (i.e., the allocations from Fannie Mae and Freddie Mac):
 - The assistance must be calculated using HUD methodology.
 - The reserve may be funded for the amount estimated to be necessary for the entire period of affordability at the time of executing written agreement.
- For reserves funded with appropriated HTF funds:
 - The assistance must be calculated using HUD methodology.
 - For each grant, assistance is limited to the amount necessary for a period of up to five years.
- Funding for operating cost assistance may be provided in addition to funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months).

Administrative and Planning Costs- § 93.202

The grantee may use up to 10 percent of the HTF grant and program income received (combined sum total) to pay for reasonable administrative and planning costs of the HTF program.

HTF Funds and Public Housing- § 93.203

HTF funds may be used for rehabilitation or construction of public housing units that are part of the Choice Neighborhoods³ program or that will receive Low Income Housing Tax Credits (LIHTCs). In these projects, new construction of public housing units developed with HTF funds is limited to replacement of units that were removed as part of a Choice Program grant, or as part of a mixed-financed development authorized by section 35 of the Housing Act of 1937. Any HTF unit that is developed as public housing must receive Public Housing Operating Fund assistance (and may receive Public Housing Capital Fund assistance) under section 9 of the 1937 Act. HTF-assisted public housing units that receive Public Housing Operating or Capital Funds may not receive HTF operating cost assistance or operating cost assistance reserves.

HTF funds can also be used in Rental Assistance Demonstration (RAD⁴) projects involving rehabilitation of existing public units that will be converted under RAD, or for new construction of units in a RAD project.

Prohibited Activities and Fees- § 93.204

HTF funds may not be used to:

- Provide assistance to a project previously assisted with HTF funds during the affordability period, except when providing assistance to a homebuyer to acquire housing previously assisted with HTF funds, or for renewal of operating cost assistance or an operating cost reserve;
 - Additional HTF funds may be committed to a project up to one year after project completion but the total assistance is subject to the State's maximum per-unit development subsidy limit.
- Pay for the acquisition of property owned by the grantee;
- Pay delinquent taxes, fees, or charges on properties to be assisted with HTF funds;
- Pay for political activities, advocacy, lobbying, counseling services (except for housing counseling), travel expenses (other than those eligible under § 93.202(b)), or preparing or providing advice on tax returns;
- Pay for administrative, outreach, or other costs to manage and operate the grantee's HTF funds; or
- Pay for any cost that is not eligible under § 93.201 and § 93.202.

Fees § 93.204(b)

Grantees may not charge (and must prohibit subgrantees and recipients from charging) servicing, origination, or other fees to cover the cost of administering the HTF program. Grantees may charge owners of rental projects reasonable annual fees for monitoring compliance during the affordability

³ For more information on Choice Neighborhoods, visit http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/ph/cn

⁴ For more information on RAD, visit <http://portal.hud.gov/hudportal/HUD?src=/RAD>

period. Grantees may also charge nominal application fees (although these fees are not an eligible HTF cost) to eligible recipients, to discourage frivolous applications. All such fees are applicable credits under [2 CFR Part 200, subpart E](#).

Project owners are prohibited from charging fees that are not customary in rental housing (e.g., laundry room access fees). In addition, project owners may charge reasonable application fees to prospective tenants or fees for services such as transportation or meals, as long as the services are voluntary and the fees are charged for services provided. Parking fees are permitted only if they are customary for rental housing projects in the neighborhood.

SUBPART F- INCOME TARGETING

Income Targeting- § 93.250

The HTF sets income targeting requirements based on the annual amount of HTF funds available.

- In any fiscal year in which the total HTF funds available are less than \$1 billion, the grantee must target 100 percent of its HTF funds for the benefit of ELI families or families with incomes at or below the poverty line, whichever is greater;
- When the total HTF funds available are equal to or exceed \$1 billion, the grantee must use at least 75 percent of its HTF funds for the benefit of ELI families or families with incomes at or below the poverty line, whichever is greater; and
- Any grant funds not used to serve ELI families must be used for the benefit of VLI families.

SUBPART G- PROJECT REQUIREMENTS

Maximum Per-Unit Subsidy Amount- § 93.300(a)

The grantee must establish limits on the maximum amount of HTF funds that may be invested per unit for development of non-luxury housing, with adjustments for the number of bedrooms and the geographic location of the project. These limits must be reasonable. The grantee must include these limits in its annual action plan and update the limits annually.

Underwriting and Subsidy Layering- § 93.300(b)

Before committing funds to a project, the grantee must evaluate the project in accordance with guidelines it has adopted for determining a reasonable level of profit or return on a recipient's investment in a project. It must also ensure the following:

- Grantee may invest only what is necessary to provide quality affordable housing that is financially viable for, at a minimum, the affordability period required by the regulations;
- Grantee examines the sources and uses of funds (including any operating cost assistance and reserves or project-based rental assistance) for the project and determine that these costs are reasonable and will not provide a profit or return on the recipient's investment that exceeds the grantee's standards; and
- Grantee conducts an assessment of the current market conditions, experience and capacity of recipient, and firm written financial commitments for the project.

Note: A market analysis is not required for HTF-funded downpayment assistance.

PROPERTY STANDARDS

Property Standards-§ 93.301

Projects are eligible to receive HTF funds only if the housing will meet the applicable property standards upon completion.

New Construction Projects- § 93.301(a)

All HTF-assisted new construction projects must meet all applicable State and local codes, ordinances, and zoning requirements. In the absence of those codes, the housing must meet the International Residential Code or International Building Code (as applicable). All new construction projects must also meet the following requirements:

- The accessibility requirements of [24 CFR part 8](#); 28 CFR parts [35](#) and [36](#); and [24 CFR 100.205](#) as applicable;
- The energy efficiency standards established pursuant to section 109 of the Cranston-Gonzalez National Affordable Housing Act;
- Where relevant, the housing must be constructed to mitigate the impact of potential disasters, in accordance with applicable State and local codes, ordinances, and requirements, or other requirements established by HUD;
- The grantee must review and approve written cost estimates and ensure that construction contracts describe the work to be undertaken in sufficient detail; and
- The grantee must conduct progress and final inspections to ensure that work is done in accordance to applicable codes and construction contracts.

Rehabilitation Projects- § 93.301(b)

Grantees must establish rehabilitation standards for all HTF-assisted housing rehabilitation activities. The standards must describe the methods and materials and the applicable codes that the housing must meet at project completion. The rehabilitation standards must address each of the following:

- If the housing is occupied, it must be free of all life-threatening deficiencies;
- For rental housing, the grantee must estimate the remaining useful life of major systems;
- For multi-family projects with 26 units or more, the grantee must determine the useful life of major system through a capital needs assessment and require a replacement reserve when the useful life of systems is less than the affordability period.
- For homeownership housing, the grantee must ensure that each of the major systems has a remaining useful life for a minimum of five years or repair or replace the system;
- The housing must meet the lead-based paint requirements at [24 CFR part 35](#);
- The housing must meet the accessibility requirements of [24 CFR part 8](#); 28 CFR parts [35](#) and [36](#); and [24 CFR 100.205](#) as applicable; and 24 CFR 100.205 as applicable; and other improvements that are not required by the regulations or statute that permit use by a person with disability;
- Where relevant, the housing must be rehabilitated to mitigate the impact of potential disasters, in accordance with applicable State and local codes, ordinances, and requirements, or other requirements established by HUD;

- All housing must meet State and local codes, ordinances, and requirements or, in the absence of those codes, the International Existing Building Code of the International Code Council;
- All housing must be decent, safe, sanitary and in good repair as described at [24 CFR 5.703](#). HUD will establish the minimum deficiencies that must be corrected under the grantee's rehabilitation standards based on inspectable items and inspectable areas from the HUD prescribed physical inspection procedures (Uniform Physical Condition Standards) pursuant to [24 CFR 5.705](#);
- The grantee must review and approve written cost estimates and ensure that construction contracts and work will meet the rehabilitation standards; and
- The grantee must conduct initial, progress and final inspections to ensure work is done in accordance to work write-ups.

Acquisition of Standard Rental Housing- § 93.301(c)(1) and (2)

If the housing acquired was newly constructed or rehabilitated less than 12 months before the commitment of HTF assistance, then it must meet the property standards at § 93.301(a) for new construction or § 93.301(b) for rehabilitation projects, as applicable. All other existing housing that is older than 12 months before the commitment of HTF assistance must meet the property standards at § 93.301(b) for rehabilitation projects.

Acquisition of Existing Homeownership Housing- § 93.301(c)(3)

All existing homeownership housing acquired with HTF funds must be decent, safe, sanitary, and in good repair. In addition, the housing must meet all applicable State and local standards and code requirements and be free of deficiencies identified by HUD based on inspectable items and inspected areas from HUD's inspection procedures (Uniform Physical Condition Standards) pursuant to [24 CFR 5.705](#). If the housing does not meet these standards, then it must be rehabilitated and must meet § 93.301(c)(3) or it cannot be assisted with HTF funds.

Manufactured Housing- § 93.301(d)

All new manufactured housing (including housing that replaces an existing substandard unit) must meet the following requirements:

- Meet the Manufactured Home Construction and Safety Standards at [24 CFR part 3280](#) and comply with applicable State and local laws or codes, or the manufacturer's written instructions for installation of manufactured housing units in the absence of such laws or codes;
- Must be on a permanent foundation;
- Be connected to permanent utility hook-ups; and
- Be located on land owned by the HTF-assisted owner or on land with a lease equal to the applicable affordability period.

All existing manufactured housing must meet the following requirements:

- The foundation and anchoring of all rehabilitated manufactured housing must meet all applicable State and local codes, ordinances, and requirements or in the absence of those codes, the Model Manufactured Home Installation Standards at [24 CFR part 3285](#); and
- Manufactured housing that is rehabilitated must meet the standards at § 93.301(b).

Ongoing Property Condition Standards- § 93.301(e)

For all rental housing, the grantee must establish property standards to ensure property owners maintain units as decent, safe, and sanitary, and in good repair that apply throughout the affordability period. The ongoing property standards must include all inspectable items and inspectable areas specified by HUD based on the HUD physical inspection procedures (UPCS). In addition, the ongoing property standards must address health and safety, lead based-paint, frequency of inspection, corrective or remedial actions, and inspection procedures during the affordability period as specified in the regulation.

Environmental Review- § 93.301(f)

All new construction, acquisition or acquisition rehabilitation activities (including manufactured housing) must meet the applicable environmental requirements specified in 24 CFR 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.

Note: HTF is not subject to [24 CFR part 58](#) but in the administration of HTF, HUD is required to comply with the National Environmental Protection Act. Therefore, the interim rule establishes environmental review standards for HTF, which are included in the property standards section. These standards are substantively the same or very similar to the requirements of [24 CFR part 58](#). HUD expects to issue guidance on the implementation of these standards.

QUALIFICATION AS AFFORDABLE HOUSING: RENTAL HOUSING

Eligible Tenants and Rents- § 93.302(a) and (b)

HTF-assisted units must be occupied by income-eligible households. HTF rents include utilities and are set at 30 percent of the income of a household at either 30 percent or 50 percent of area median income, adjusted for the number of bedrooms in the unit. If the unit receives Federal or State project-based rental subsidy, the maximum rent is the rent allowable under that rental subsidy program as long as the tenant pays no more than 30 percent of tenant's adjusted income.

Initial Rents and Utility Allowances- § 93.302(c)

The grantee must establish maximum monthly allowances for utilities and services and annually review and approve rents proposed by HTF-assisted project owners. If the tenant is paying the utilities, the grantee must ensure that the rents do not exceed the maximum rent minus the monthly utility allowance.

Periods of Affordability- § 93.302(d)

HTF-assisted units must meet the affordability requirements for a period of not less than 30 years, which begins at project completion. The grantee may impose longer periods of affordability. The affordability requirements must be imposed and recorded in accordance with State recordation laws. The grantee may use preemptive rights to purchase the housing before foreclosure or deed in lieu of foreclosure to preserve affordability. The affordability restrictions may be terminated upon foreclosure or transfer in

lieu of foreclosure; in those situations the grantee is obligated to repay all HTF funds invested in the project.

Tenant Income and Over-income Tenant- § 93.302(e) and (f)

Project owners must determine tenant eligibility by calculating the household's annual income using one the two definitions of income, [24 CFR part 5.609](#) or the [IRS Form 1040](#). Income determinations are conducted at initial occupancy and the project owner must re-examine each tenant's annual income each year during the period of affordability. A project owners who re-examines a tenant's annual income through self-certification statements must examine the source documentation of the income of each tenant every 6th year of the affordability period. For HTF units that also receive project-based rental assistance, annual income must be reexamined based on the rules applicable to the project-based assistance.

HTF-assisted units continue to qualify as affordable housing despite a temporary noncompliance caused by increases in the income of existing tenants. When that occurs, grantees must make every effort to bring the units back into compliance as soon as is feasible.

Fixed and Floating HTF Units- § 93.302(g)

In a project containing both HTF-assisted and other units, the grantee must designate fixed or floating HTF units at the time of project commitment in the written agreement and the actual HTF units must be identified not later than the time of project completion. Fixed units remain the same throughout the affordability period and floating units are changed to maintain compliance with the requirements of this section during the affordability period.

Tenant Protections and Selection- § 93.303

There must be a written lease between the tenant and owner of HTF-assisted rental housing for a period of not less than 1 year, unless a shorter period is mutually agreed upon.

Prohibited Lease Terms- § 93.303(b)

The lease may not contain any of the following provisions:

- Agreement to be sued;
- Treatment of property;
- Excusing owner from responsibility;
- Waiver of notice to be sued;
- Waiver of legal proceedings;
- Waiver of a jury trial;
- Waiver of right to appeal court decision;
- Tenant chargeable with cost of legal actions regardless of outcome; and
- Mandatory supportive services.

Termination of Tenancy- § 93.303(c)

An owner may not terminate the tenancy or refuse to renew the lease of a tenant of HTF-assisted rental housing, except for serious or repeated violation of the terms and conditions of the lease or for violation

of applicable Federal, State or local law, or for other good cause. To terminate or refuse to renew tenancy, the owner must provide written notice to the tenant specifying the grounds for the action and providing a specific period for vacating that is consistent with State or local law.

Tenant Selection- § 93.303(d)

An owner of HTF-assisted rental housing must comply with the affirmative marketing requirements established by the grantee pursuant to § 93.350, and adopt and follow written tenant selection policies and criteria that:

- Limit the housing to income-eligible families;
- Are reasonably related to the applicant's ability to perform the obligations of the lease;
- Limit eligibility or give preference to a particular segment of the population if permitted in its written agreement with the grantee (and only if described in the grantee's consolidated plan) and preference is established in accordance with the requirements further detailed in this section;
- Do not exclude applicants with vouchers under the Section 8 Tenant-based Assistance: Housing Choice Voucher program or HOME Tenant-based Rental Assistance;
- Provide for the selection of tenants from a written waiting list in the chronological order of their applications, insofar as is practicable; and
- Give prompt written notification to any rejected applicant describing the grounds for any rejection.

QUALIFICATION AS AFFORDABLE HOUSING: HOMEOWNERSHIP

Homeownership Activities- § 93.304

The grantee is permitted to use no more than 10 percent of its annual HTF grant to fund housing that is for purchase by first-time homebuyers and must meet the following requirements:

- Housing must be single family housing as defined at § 93.2;
- Housing must be modest as defined at § 93.305;
- Homebuyer must be income-eligible at the time the contract is signed;
- Housing must be the principal residence of the family throughout the affordability period;
- Family is required to complete a program on financial education and homeownership counseling from a HUD-approved counseling agency;
- Housing must meet the affordability requirements in accordance with the grantee's resale or recapture requirements (provisions must be HUD approved);
- Single family properties with more than one unit must comply with the special consideration requirements for these types of projects, as applicable;
- Housing under a lease-purchase program must comply with lease-purchase deadlines or be converted to rental housing and operated as such;
- Housing not under contract within 9 months of the date of completion of construction or rehabilitation must be converted to rental and operated as such;
- Grantees may use preemptive rights to preserve previously HTF-assisted housing but must ensure that housing is in good repair and sold to a new income-eligible first-time homebuyer and that the total amount of HTF assistance (original and additional HTF funds) does not exceed

the per-unit subsidy limits. Additional HTF funds may not be used if the mortgage in default was funded with HTF funds;

- Homebuyer assistance may be provided through lending institutions, but the grantee must verify that the family is income-eligible, qualifies as a first-time homebuyer and the unit is inspected for compliance with applicable property standards;
- Grantee must determine that first mortgage financing fees are reasonable and prohibit lenders from charging fees (e.g. origination fees) to obtain the HTF assistance; and
- Grantee must have written policies for underwriting standards, anti-predatory lending and the refinancing of loans.

Modest Housing- § 93.305

Housing that is HTF-assisted must meet the definition of modest housing as follows:

- The purchase price of single family housing does not exceed 95 percent of median purchase price for the area for newly constructed or standard housing; and
- The grantee may use the HTF affordable homeownership limits published by HUD, or may calculate its own limits using the HUD-prescribed methodology and include the limits annually in its action plan for HUD review.

Resale Requirements- § 93.305(b)(1)

The grantee must establish the resale or recapture requirements that HTF-assisted housing must meet and include them in its annual action plan.

If resale provisions are imposed on HTF-assisted housing, the property must meet the affordability requirements for not less than 30 years. If the housing is sold, transferred, or is no longer the principal residence of original buyer during the period of affordability, the following applies:

- Subsequent purchaser must be income-eligible, qualify as a first-time homebuyer, and use the property as their principal residence;
- The price at resale must provide original HTF-assisted owner a fair return on investment (including the homeowner's investment and any capital improvement) and ensure that the housing will remain affordable to a reasonable range of income-eligible homebuyers;
- The grantee must define fair return on investment and affordability to a reasonable range of very low income homebuyers and address how it will make the housing affordable to subsequent eligible buyers;
- Affordability restrictions must be imposed and recorded;
- The affordability restrictions may terminate upon foreclosure, transfer in lieu of foreclosure; and
- The grantee may use preemptive rights to purchase the housing before foreclosure to preserve affordability.

Recapture Requirements- § 93.305(b)(2)

If recapture provisions are imposed on HTF-assisted housing, the affordability periods are based on the amount of HTF assistance provided to the homebuyer per unit as follows:

- Under \$30,000 : 10 years
- \$30,000-\$50,000 : 20 years
- Over \$50,000: 30 years

The use of recapture provisions ensure that grantees recoup all or a portion of the HTF assistance to the homebuyer if the housing ceases to be its principal residence during the period of affordability. The grantee may use one of the HUD approved recapture provisions listed below or establish its own, with HUD approval. The grantee can only recapture the direct HTF assistance to a homebuyer. Subsequent homebuyers may assume the HTF assistance for the remainder of the period of affordability if they do not receive additional HTF assistance and are income-eligible. Regardless of the provision used, the amount recaptured cannot exceed the net proceeds when recapture is triggered by a voluntary or involuntary sale. The HUD approved recapture provisions are as follows:

- Recapture the entire amount of assistance;
- Reduce the recapture amount on a prorated basis during the affordability period;
- Share in the net proceeds in proportion to an established formula; or
- Recapture proceeds remaining after HTF-assisted owner has recovered their investment, if any.

SUBPART H- OTHER FEDERAL REQUIREMENTS

Other Federal Requirements and Nondiscrimination; Affirmative Marketing - § 93.350

The federal requirements in [24 CFR part 5, Subpart A](#), are applicable to participants in the HTF program. The requirements of this subpart include: nondiscrimination and equal opportunity; disclosure requirements; debarred, suspended, or ineligible contractors; and drug-free workplace.

Each grantee must adopt and follow affirmative marketing procedures and requirements as described in this section for rental projects containing five or more HTF-assisted housing units and for homeownership assistance programs. The grantee must take steps to ensure 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.

Lead-Based Paint- § 93.351

Housing assisted with HTF funds is required to be lead safe and subject to the Lead Safe Housing Regulations at [24 CFR part 35](#), subparts A, B, J, K, and R.

Displacement, Relocation, and Acquisition- § 93.352

The grantee must ensure that it has taken all reasonable steps to minimize the displacement of persons (families, individuals, businesses, non-profit organizations, and farms) as a result of a project assisted with HTF funds. To the extent feasible, displaced residential tenants must be provided a reasonable

opportunity to lease and occupy a suitable, decent, safe, sanitary, and affordable dwelling unit in the building/complex upon completion of the project. This section contains the full content of relocation requirements that apply to HTF-assisted housing.

Conflict of Interest- § 93.353

In the procurement of property and services by grantees and subgrantees, the conflict of interest provisions in [2 CFR 200.318](#) apply. In all cases not governed by 2 CFR 200.318, the provisions described in this section apply.

Funding Accountability and Transparency Act- § 93.354

The HTF grant to the grantee and all assistance provided to subgrantees and recipients shall be considered a Federal award for purposes of the Federal Funding Accountability and Transparency Act of 2006 (31 U.S.C. 6101 note).

Eminent Domain- § 93.355

HTF funds cannot 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.

SUBPART I- PROGRAM ADMINISTRATION

Housing Trust Fund Accounts and Grant Agreements- §§ 93.400- 93.401

- HUD will establish an HTF US Treasury account for each grantee which will include the annual grant and funds reallocated to the State by formula;
- Grantees may use either a separate HTF local account or a subsidiary account within its general fund as the HTF local account;
- HUD will reduce or recapture funds in the HTF Treasury account that are not committed within 24 months after the date of HUD's execution of the HTF grant agreement;
- HUD will reduce or recapture funds in the HTF Treasury account that are not expended within 5 years after the date of HUD's execution of the HTF grant agreement; and
- Allocated formula funds will be made available pursuant to an HTF grant agreement (§ 93.401);

Program Disbursement and Information System- § 93.402

- HTF funds will be managed through a computerized disbursement and information system (IDIS), which allocates, reallocates, collects and reports information on the use of HTF funds in the HTF Treasury account;
- Grantees must report on the receipt and use of all program income in IDIS;
- The grantee must develop and maintain a system to ensure that each recipient and subgrantee uses HTF funds in accordance with the requirements described in this section; and
- Grantees must set-up and complete projects in IDIS according to specified deadlines (§ 93.402(b) and (d)).

Program Income and Repayments- § 93.403

- Program income must be treated as HTF funds and must be used in accordance with the requirements described in this section;
- HTF funds must be repaid if project is terminated before completion or becomes ineligible during the period of affordability (§ 93.403(b)); and
- HUD will instruct the grantee to make repayments either its Treasury account or its local account.

Grantee Responsibilities- § 93.404(a)

The grantee is responsible for managing the day-to-day operations of its HTF program and ensuring that HTF funds are used in accordance with all program requirements. The use of subgrantees or contractors does not relieve the grantee of this responsibility. The grantee must have and follow written policies, procedures, and systems, including a system for assessing risk of activities and projects and a system for monitoring entities to ensure that requirements of this part are met.

Written Agreements- § 93.404(b) and (c)

Before disbursing any HTF funds to any entity, the grantee must enter into a written agreement with that entity to ensure compliance with HTF requirements. The contents of the agreement may vary depending upon the role of the entity with respect to program functions and types of projects undertaken. The written agreement must contain the basic requirements by role and the minimum provisions that will be required. This section describes the minimum provisions outlined for each of the following entities: subgrantee, eligible recipient, and first-time homebuyer.

Onsite Inspections- § 93.404(d)

The grantee must perform onsite inspections of each HTF-assisted project at project completion. For rental housing, the property must be inspected during the period of affordability to determine that the housing complies with the applicable property standards. The rule specifies the following inspection requirements for rental housing:

- The onsite inspections must occur 12 months after project completion and at least once every 3 years thereafter during the period of affordability;
- If there are observed deficiencies for any inspectable items, a follow-up onsite inspection must occur within 12 months or other reasonable timeframe established by grantee;
- Life-threatening health and safety deficiencies must be corrected immediately;
- On an annual basis, the property owner must certify to the grantee that each building is suitable for occupancy;
- Inspections must be based on a statistically valid sample of units appropriate for the size of the HTF-assisted project; and
- The grantee must verify the information submitted by project owners.

Financial Oversight- § 93.404(e)

The grantee must examine regularly, at least annually, the financial condition of HTF-assisted rental housing with 10 or more HTF-assisted units to determine the continued financial viability of the housing and take actions to correct problems.

Applicability of Uniform Administrative Requirements, Cost Principles, and Audits- § 93.405

The requirements of [2 CFR part 200](#) apply to HTF grantees and subgrantees with a few exceptions listed in this section. When there is a conflict between the definitions in 2 CFR part 200 and 24 CFR part 93, the definitions in part 93 govern.

Audits- § 93.406

Audits of the grantee and sub-grantees must be conducted in accordance with 2 CFR part 200 subpart F. The grantee's use of HTF funds must be audited not less than annually to ensure compliance with this part. HTF recipients must provide a cost certification and annual audit to the grantee for each project assisted with HTF funds.

Recordkeeping- § 93.407

Each grantee must establish and maintain sufficient records to enable HUD to determine whether the grantee has met the requirements of this subpart. At a minimum, the following records are required:

- Program records;
- Project records;
- Financial records;
- Program administration records; and
- Records concerning other federal requirements.

All records pertaining to each fiscal year's allocation of HTF funds must be retained in a secure location for the most recent five-year period, except as provided in this section.

Performance Reports- § 93.408

Each grantee must develop and maintain a system to track the use of its HTF funds, and submit annual performance and management reports on its HTF program in accordance with 24 CFR 91.520. HUD will make the performance and management reports publicly available.

SUBPART J- PERFORMANCE REVIEWS AND SANCTIONS

Accountability of Recipients- § 93.450

The grantee shall review each recipient to determine compliance with the requirements of this subpart and the terms of the written agreement in accordance with the grantee's policies, procedures, and systems established.

Misuse of Funds- § 93.450(a)

Reimbursement is required if any recipient of HTF assistance is determined to have misused HTF funds. The grantee must require that, within 12 months after the determination of misuse, the recipient reimburse the grantee for such misused amounts and return any amounts that remain unused or uncommitted for use.

Reduction for Failure to Obtain Return of Misused Funds- § 93.450(b)

HUD will reduce a HTF grantee's grant in any year the grantee fails to obtain reimbursement or return of the full amount required to be reimbursed or returned to the grantee.

Performance Reviews- § 93.451

HUD will review the performance of each grantee in carrying out its responsibilities, at least annually. HUD will rely primarily on information obtained from the grantee's records and reports, findings from onsite monitoring, audit reports, and information generated from IDIS.

Corrective and Remedial Actions- § 93.452

If the grantee fails to demonstrate compliance in administering its HTF program, HUD will take corrective and remedial actions described in § 93.452 to prevent continuation of noncompliance, and to mitigate, to the extent possible, its adverse effect or consequences, and prevent its reoccurrence.

Notice and Opportunity for Hearing; Sanctions- § 93.453

If HUD finds, after reasonable notice and opportunity for hearing, that a grantee has substantially failed to comply with any provision of this subpart, HUD shall reduce the funds in the grantee's HTF account in order to repay to HUD the amount of the HTF grant which was not used in accordance with the applicable requirements. In addition, HUD may prevent withdrawals from the grantee's HTF account, restrict the grantee's activities, remove the State from participation in allocations or reallocations of funds, or terminate any HTF assistance to the grantee.

When HUD proposes to take action pursuant to this section, the respondent in the proceedings will be the grantee. Proceedings will be conducted in accordance with [24 CFR part 26](#).