Executive Summary

AP-05 Executive Summary - 24 CFR 91.200(c), 91.220(b)

1. Introduction

The State of Maryland has undertaken a major planning initiative called the Consolidated Plan. The Consolidated Plan is a planning tool required by the U.S. Department of Housing and Urban Development (HUD) that guides the use of federal, and to a lesser extent State, housing and community development funds. This document is the Annual Action Plan for Federal Fiscal Year 2019 which covers the period July 1 2019 through June 30, 2020, also known as State Fiscal Year 2020. HUD has established three basic goals for the Consolidated Plan. The goals are:

Goal 1. To provide decent housing
Goal 2. To provide a suitable living environment, and
Goal 3. To expand economic opportunities.

Goal 1 includes: Assisting homeless persons to obtain housing, retaining the affordable housing stock, increasing the availability of permanent housing that is affordable to low-income Americans without discrimination, improving access to housing credit, and increasing supportive housing that includes structural features and services to enable persons with special needs to live in dignity.

Goal 2 includes: Improving the safety and livability of neighborhoods, increasing access to quality facilities and services, reducing the isolation of income groups within areas by de-concentrating housing opportunities and revitalizing deteriorating neighborhoods, restoring, enhancing and preserving natural and physical features of special value for historic, architectural, or aesthetic reasons, and conserving energy resources.

Goal 3 includes: Creating jobs accessible to low-income persons, providing access to credit for community development that promotes long-term economic and social viability, and empowering low-income persons to achieve self-sufficiency in federally-assisted and public housing.

Efforts to achieve each of these goals must primarily benefit low-income persons. The Consolidated Plan must be developed in accordance with the following statutory goals: Elimination of slums and blight, elimination of conditions that are detrimental to health, safety and public welfare, conservation and expansion of the nation's housing stock, expansion and improvement of the quantity and quality of community services, better utilization of land and other natural resources, reduction of the isolation of income groups within communities and geographic areas, restoration and preservation of properties of special value, alleviation of physical and economic distress, and conservation of the nation's scarce energy resources.

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It should be noted that the State's Consolidated Plan primarily focuses on the State's non-entitlement jurisdictions with the exception of National Housing Trust Fund (HTF). The non-entitlement jurisdictions are areas, primarily rural, which do not receive direct allocations of Community Development Block Grant (CDBG), HOME Investment Partnerships Program (HOME), Emergency Shelter Grants (ESG) and Housing Opportunities for Persons With AIDS (HOPWA) funds directly from HUD. Rather, the State administers these funds on their behalf. The State's entitlement jurisdictions which are NOT covered by the State's Plan – because they receive direct funding from HUD - are Anne Arundel, Baltimore, Harford, Howard, Montgomery and Prince George's Counties, and the Cities of Annapolis, Baltimore, Bowie, Cumberland, Frederick, Gaithersburg, Hagerstown and Salisbury. All other areas in the State fall under the State's Consolidated Plan.

2. Summarize the objectives and outcomes identified in the Plan

In developing its Plan, the State determined it would focus on four main areas:

1. Increasing Affordable Rental Housing(with an emphasis on rental housing for low and extremely low income households, including persons with disabilities) – outcomes will be based on the number of units produced as well as leveraging to provide additional housing resources

2. Promoting homeownership for first time homebuyers (including families with student debt and veterans) – outcomes will be measured by units as well as new homebuyers in designated Sustainable Communities

3. Community Revitalization (with an emphasis on small business expansion and lending) – outcomes will include economic impact on neighborhoods assisted, number of new small businesses assisted/created

4. Reducing homelessness, with a particular emphasis on supportive housing for vulnerable populations, including the chronically homeless, youth, and veterans – outcomes will include reduced homelessness counts.

3. Evaluation of past performance

DHCD was generally very successful in carrying out the goals identified in its last Plan. The State's goals in that plan were to provide affordable housing, promote homeownership, and revitalize communities. DHCD actually exceeded its goals for rental assistance and met goal for providing housing under the "Special Needs" programs. We also exceeded our goal for producing units of affordable rental housing. The Department was on trend with the national housing market and continues to make homeownership for Marylander's a priority. In terms of community revitalization efforts; DHCD was also successful in this area in achieving its goals. Project Creating Opportunities for Renewal and Enterprise (C.O.R.E.) continues to address Blight in Baltimore City's most stressed neighborhoods through demolition and stabilization.

4. Summary of Citizen Participation Process and consultation process

To be completed at close of comment period

5. Summary of public comments

To be completed at close of comment period

6. Summary of comments or views not accepted and the reasons for not accepting them

To be completed at close of comment period

7. Summary

N/A

OMB Control No: 2506-0117 (exp. 07/31/2015)

PR-05 Lead & Responsible Agencies - 91.300(b)

1. Agency/entity responsible for preparing/administering the Consolidated Plan

The following are the agencies/entities responsible for preparing the Consolidated Plan and those responsible for administration of each grant program and funding source.

Agency Role	Name	Department/Agency
CDBG Administrator	MARYLAND	DHCD
HOPWA Administrator		MDH
HOME Administrator	MARYLAND	DHCD
ESG Administrator	MARYLAND	DHCD
HTF Administrator	MARYLAND	DHCD

Table 1 – Responsible Agencies

Narrative

The Maryland Department of Housing and Community Development (DHCD) is the lead agency for the Community Development Block Grant (CDBG), HOME Investments Partnership Program (HOME), National Housing Trust Fund (HTF) and Emergency Solutions Grants (ESG) program. The Maryland Department of Health (MDH) is the lead agency for the Housing Opportunities for Persons With AIDS (HOPWA) program.

Consolidated Plan Public Contact Information

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AP-10 Consultation - 91.110, 91.300(b); 91.315(l)

1. Introduction

Provide a concise summary of the state's activities to enhance coordination between public and assisted housing providers and private and governmental health, mental health and service agencies

DHCD has a long history of working with MDH and the Maryland Department of Disabilities (MDoD), as well as other Cabinet Departments to carry out housing and community development efforts. Specifically in relation to health, mental health, and service agencies, DHCD worked with MDH and MDoD in developing the Con Plan to the extent that many of the sections in the Plan were actually written by a contractor working for both MDoD and DHCD in order to accurately cover all of the areas these agencies work together. To illustrate, DHCD, MDH, and MDoD received two rounds of Section 811 funding from HUD to provide assistance to non-elderly disabled persons with disabilities. Each agency has a specific role in coordination of housing activities. DHCD finances units, MDH secures and facilitates service coordination, and MDOD manages the waitlist and tenant selection plans. The agencies also work together on many other efforts (discussed more fully elsewhere in the Plan) including operating programs such as the Homeownership for Individuals with Disabilities, MFP Bridge Subsidy, Group Home, and Special Housing Opportunities Program (SHOP) programs, and DHCD, working with MDH and MDoD, as well as private developers, has worked to insure that projects financed with Federal Low-Income Housing Tax Credit s (LIHTC) assist individuals with disabilities as well by providing bonus points under the State's Qualified Allocation Plan (QAP).

Describe coordination with the Continuum of Care and efforts to address the needs of homeless persons (particularly chronically homeless individuals and families, families with children, veterans, and unaccompanied youth) and persons at risk of homelessness

DHCD, as the lead agency for addressing homelessness in the State, works closely with other State agencies and the local Continua of Care in addressing the needs of homeless persons, including the chronically homeless, homeless individuals with families, families with children, veterans, and unaccompanied youth, as well as persons at risk of homelessness. In addition to the formal channels of communication through the State Interagency Council on Homelessness (ICH), DHS, DHCD, MDH, and other agencies, as well as the local Continua, communicate on a regular basis to identify and address issues related to homelessness. This includes a bi-annual meeting of all the Continua of Care within the State, as well as ongoing training on issues such as Rapid Re-Housing. This has resulted in joint efforts such as pursuing (and receiving) VASH Vouchers to help homeless veterans, joint funding and data collection through the State's data warehouse, and working with other State agencies.

Describe consultation with the Continuum(s) of Care that serves the State in determining how to allocate ESG funds, develop performance standards for and evaluate outcomes of projects and activities assisted by ESG funds, and develop funding, policies and procedures for the operation and administration of HMIS

DHCD and the State's Continua of Care engage in regular conversations regarding how the homeless will be served through ESG and other programs the State operates. At a minimum DHCD convenes representatives of all Continua of Care and state partners twice a year for a day-long meeting. DHCD also provides trainings to all Continua of Care and ESG grantees.

One of the changes that has occurred, through consultation with the Continua of Care, is the creation of a statewide Homelessness Solutions Program (HSP). After legislation was passed in April 2017 by the Maryland General Assembly, the Homeless Services Bureau at the Maryland Department of Human Services (DHS) transitioned to DHCD on July 1st, 2017. Now in its second year, HSP was created using the following guiding principles: design efficiencies in the funding process to allow providers to access funds more easily; streamline and consolidate reporting requirements and respond to the needs of the consumer more quickly; align State funding goals with federal requirements and national best practice trends; give local communities more control and flexibility over methods of spending; and increase availability of varied supportive housing options statewide over time. The HSP program consolidates homeless service programs that were previously at DHS ($4.6 million), as well as the Rental Allowance Program ($1.7 million) and the state and federal Emergency Solutions Grants programs.

Due to the consolidation, grantees are receiving the following benefits: consolidation of several small, funding sources into a single, streamlined funding source; consolidation of local goals to leverage federal funding received by the state; and the streamlining of state grant procurement processing efforts, oversight and fiscal monitoring.

The Homelessness Solutions Program also makes the Continua of Care the lead grantees for both Federal and State funding, involving them directly in the process of allocating ESG funds along with State funds, as well as creating local standards and performance evaluation procedures for determining how to most effectively address homelessness within their geographic jurisdiction. For the upcoming grant year, DHCD has also developed a set of data quality standards and performance measures in consultation with the Continua of Care, and is using those standards in order to evaluate funding applications and allocate both Federal and State resources to the highest-performing Continua.

2. Agencies, groups, organizations and others who participated in the process and

Consultations

To be completed at close of comment period

Identify any Agency Types not consulted and provide rationale for not consulting

None

Other local/regional/state/federal planning efforts considered when preparing the Plan

Name of Plan	Lead Organization	How do the goals of your Strategic Plan overlap with the goals of each plan?
Continuum of Care	DHCD	State goals differ by COC and the activities they undertake are supported financially by variously by DHS, MDH, DHCD and HUD depending on the local plan. These activities include but are not limited to emergency shelter, transitional housing, rapid re-housing, permanent supportive housing, services to homeless persons and families, and outreach efforts. In addition, depending on the CoC, similar types of efforts are made to various sub-populations for homeless persons including those with mental illness, disabilities homeless youth, homeless veterans, and battered women among others.

Table 2 - Other local / regional / federal planning efforts

Narrative

Not Applicable

AP-12 Participation - 91.115, 91.300(c)

1. Summary of citizen participation process/Efforts made to broaden citizen participation
Summarize citizen participation process and how it impacted goal-setting

To be completed at close of comment period

Citizen Participation Outreach

Sort Order	Mode of Outreach	Target of Outreach	Summary of response/attendance	Summary of comments received	Summary of comments not accepted and reasons	URL (If applicable)
1	To be completed at close of comment period					
2	To be completed at close of comment period					
3	To be completed at close of comment period					

Table 3 – Citizen Participation Outreach

Expected Resources

AP-15 Expected Resources – 91.320(c)(1,2)

Introduction

Anticipated ResourcesProgram	Source of Funds	Uses of Funds	Expected Amount Available Year 5				Expected Amount Available Reminder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
CDBG	public - federal	Acquisition Admin and Planning Economic Development Housing Public Improvements Public Services	$7,780,502	$1,500,000	$400,000	$9,680,502	$0	The expected Program Income is a transfer of HUD Neighborhood Stabilization Program Income for use under CDBG

Anticipated ResourcesProgram	Source of Funds	Uses of Funds	Expected Amount Available Year 5				Expected Amount Available Reminder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
HOME	public - federal	Acquisition Homebuyer assistance Homeowner rehab Multifamily rental new construction Multifamily rental rehab New construction for ownership TBRA	5,762,762	1,965,842	8,187,481.	15,916,085	15,966,085	PI through 4/25/19 $ 2,167,955.21 of which $ 202,113.13 was allocated to PA leaving a balance of $ 1,965,842.08 Expect to receive an additional $ 50,000. by June 30, 2019 of which 10% may be allocated to Administrative (PA) account

HOPWA	public - federal	Supportive housing and stabilization programs for persons living with HIV/AIDS experiencing homelessness or housing instability. Includes Tenant Based Rental Assistance (TBRA) - rental subsidy to enhance housing stability and support retention in HIV care, Permanent Housing Placement (financial support for security deposits and utility connections; Short Term Rental Mortgage Assistance (STRMU) needs-based payments; and, Supportive Housing Case Management Services to assist participants to maintain housing stability.	$1,982,344	0	$150,303	$2,073,178	$3,395,541	The MDH HOPWA program will finish SFY2019 with projected encumbered dollars remaining of $1,359,852. In year five the program anticipates flat funding from HUD, or about $1.98 M, for a total of $3.4M for the remaining year of the ConPlan.

Anticipated Resources Program	Source of Funds	Uses of Funds	Expected Amount Available Year 5				Expected Amount Available Reminder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
ESG	public - federal	Street outreach Emergency shelter Rapid re-housing Homelessness prevention	1,121,541	0	1,071,382	2,192,923	1,121,541	The Emergency Solutions Grant program funds are made available in order to assist households experiencing homelessness to quickly regain stability in permanent housing and to prevent households from becoming homeless. The funding supports coordinated community-based activities that are designed to reduce the overall length of homelessness in the community, the number of households that become homeless, and the overall rate of formerly homeless households returning to homelessness.

Anticipated ResourcesProgram	Source of Funds	Uses of Funds	Expected Amount Available Year 5				Expected Amount Available Reminder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
Continuum of Care	public - federal	Overnight shelter Permanent housing placement Rental Assistance Services Short term or transitional housing facilities STRMU Supportive services Transitional housing	5,000,000	0	0	5,000,000	25,000,000	The State's Continuums of Care, as well as State agencies such as MDH, receive funding competitively from HUD to provide homeless assistance. Numbers are estimated due to the competitive nature of these programs.

Housing Trust Fund	public - federal	Multifamily rental new construction Multifamily rental rehab Other	3,391,627	0	0	3,391,627	0	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 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.

Anticipated Resources Program	Source of Funds	Uses of Funds	Expected Amount Available Year 5				Expected Amount Available Reminder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
Section 811	public - federal	Project Based Rental Assistance for Persons with Disabilities	21,000,000	0	0	21,000,000	0	DHCD was awarded two competitive grants from HUD under the Section 811 program; $11.2 million in 2012 and $9.8 million in 2014. This funding is used to provide project based rental assistance for persons with disabilities. Per the terms of the Cooperative Agreements, the 2012 funds must be spent by 2025 and the 2014 funds must be spent by 2026. HUD has indicated it will be releasing a NOFA for competitive 811 funds in calendar year 2019.

Anticipated ResourcesProgram	Source of Funds	Uses of Funds	Expected Amount Available Year 5				Expected Amount Available Reminder of ConPlan $	Narrative Description
			Annual Allocation: $	Program Income: $	Prior Year Resources: $	Total: $		
Other CDBG DR	public - federal	Admin and Planning Housing Reconstruction and Economic Development	0	0	0	0	0	This program has used all resources.
Other CDBG-DR	public - federal	Admin and Planning Public Improvements Other	0	0	0	0	0	This program has used all resources.

Table 4 - Expected Resources – Priority Table

Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied

The federal funds DHCD receives through the Con Plan are actually only a small part of the resources the Department has available to provide housing and community development efforts. DHCD allocates Federal LIHTC for the State of Maryland. These funds are awarded jointly and competitively with HOME funds through a uniform application process that also includes significant funding from the State. In addition, DHCD receives substantial funding from the State for affordable housing efforts as well. All told, DHCD typically receives about $100 million per year in State funding to carry out housing and community development efforts, with funds targeted toward the creation of affordable rental housing through programs such as Rental Housing Works, Rental Housing Financing Program, and the Partnership Rental Housing Program.

In addition to these funds, DHCD is also the State's Housing Finance Agency, allocating bond funds for both rental housing and homeownership efforts. This often exceeds $300 million per year, or about $1.5 billion over the life of the Con Plan. The issuance of tax exempt bonds for rental housing leverages 4% LIHTC. Over the past several years, DHCD's bond issuances for rental housing have increased significantly due to the availability of State-funded Rental Housing Works gap funding.

The State is also a Public Housing Authority, operating the Section 8 Housing Choice Voucher Program, as well as serving as a Section 8 Contract Administrator for HUD. In the former capacity, DHCD operates “regular”, mainstream VASH, NEDS, and other Voucher programs to assist persons with disabilities, youth, homeless veterans, and others obtain affordable housing.

Matching funds required for programs such as HOME and ESG come from the State. The HOME matching requirement is met through the Rental Allowance Program, which provides short term rental assistance to persons who are at risk of homelessness or homeless. ESG funding is matched with a dollar for dollar grant from the General Assembly for our ESG allocation. The State will match the two-percent administrative allowance with State general funds. The one percent Technical Assistance funds will be used to pay for staff to provide technical assistance to grantees.

If appropriate, describe publically owned land or property located within the jurisdiction that may be used to address the needs identified in the plan

Not Applicable

Discussion

Annual Goals and Objectives

AP-20 Annual Goals and Objectives – 91.320(c)(3)&(e)

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
1	Increase Affordable Rental Housing	2015	2019	Affordable Housing Homeless Non-Homeless Special Needs Non-Housing Community Development			CDBG: $1,000,000 HOPWA: $1,982,344 HOME: $ 10,085.592 Housing Trust Fund: $3,391,627	Rental units constructed: 64 Household Housing Unit Tenant-based rental assistance / Rapid Rehousing: 152 Households Create Rental Housing of approximately 200 low/income units of which 50 units will be HOME assisted
2	Promote Homeownership	2015	2019	Affordable Housing			CDBG: $1,200,000	Construction Activities for Low/Moderate Income Housing Homeowner Units: 5 Direct Financial Assistance to Homebuyers: 30 Households Assisted

OMB Control No: 2506-0117 (exp. 07/31/2015)

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
3	Reduce Homelessness	2015	2019	Affordable Housing Homeless			CDBG: $1,000,000 ESG: $1,121,541	CDBG: Acquisition and/or renovation of permanent housing for homeless: 4 units CDBG: Improvements to shelters or transitional housing for homeless: 100 persons assisted ESG: Rapid Rehousing : 60 households Homeless Person Overnight Shelter: 540 Persons Assisted Homelessness Prevention: 160 Persons Assisted

Sort Order	Goal Name	Start Year	End Year	Category	Geographic Area	Needs Addressed	Funding	Goal Outcome Indicator
4	Community Revitalization	2015	2019	Affordable Housing Homeless Non-Homeless Special Needs Non-Housing Community Development			CDBG: $6,480,502 HOME: $ 4,000,000.00	CDBG: Public Facility or Infrastructure Activities other than Low/Moderate Income Housing Benefit: 30,000 persons Blighted Properties Demolished: 2 Home: Provide rehabilitation and or replacement housing for existing homeowners. Approximately 37 homeowners . Also provide financing for approximately 4 low income rental units 3 of which are for the developmental disabled population
5	Community Revitalization - Economic Development	2015	2019	Non-Housing Community Development			$0	

Goal Descriptions

1	**Goal Name**	Increase Affordable Rental Housing
	Goal Description	2019 HOME – Anticipate funding 5 multi-family rental projects with approximately 200 units of which 50 will be funded using HOME. Projects will be for New Construction as well as Rehabilitation 2019 - HOPWA - Permanent Supportive Housing for Persons Living With HIV as Rental subsidy support for low income persons to meet reduce high rent burden - 152 Households 2019 - CDBG – Assist with acquisition, construction or renovation of 64 affordable housing units 2019- HTF fund 30 new mulit-family rental units
2	**Goal Name**	Promote Homeownership
	Goal Description	2019 CDBG – Construction or infrastructure for 5 new affordable units; and provide downpayment assistance to 30 homebuyers.
3	**Goal Name**	Reduce Homelessness
	Goal Description	2019 CDBG – Improvements to shelters; acquisition and/or renovation of 4 housing units for rapid rehousing; and operating costs. Improvements to shelters or transitional housing for homeless:100 persons assisted
4	**Goal Name**	Community Revitalization
	Goal Description	2019 HOME - Fund approximately 26 single family projects for existing homeowners for rehabilitation and/or replacement housing. In addition anticipate funding single family group home rental housing projects for approximately 2 units for the developmentally disabled and acquisition/rehab/rental of 1 unit for low income tenants 2019 CDBG – Rehabilitation of owner occupied housing units; acquisition and demolition of blighted buildings; construction or improvements of water or sewer service, streets, sidewalks including ADA, senior centers, bridges, childcare centers, health facilities, community centers, centers for disabled and public services.

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5	**Goal Name**	Community Revitalization - Economic Development
	Goal Description	CDBG – no funding for this area

Table 5 – Goal Descriptions

The method of distribution for each program identifies how funds will be used to accomplish the departments overarching goals which are to provide decent housing, provide a suitable living environment, and expand economic opportunities to the citizens of Maryland.

The State will focus on accomplishing the following objectives:

1. Increase Affordable Rental Housing (with an emphasis on rental housing for low and extremely low income households, including persons with disabilities) – outcomes will be based on the number of units produced as well as leveraging to provide additional housing resources

2. Promote homeownership for first time homebuyers (including families with student debt and veterans) – outcomes will be measured by units as well as new homebuyers in designated Sustainable Communities

3. Community Revitalization (with an emphasis on small business expansion and lending) – outcomes will include economic impact on neighborhoods assisted, number of new small businesses assisted/created

4. Reduce homelessness, with a particular emphasis on supportive housing for vulnerable populations, including the chronically homeless, youth, and veterans – outcomes will include reduced homelessness counts.

AP-25 Allocation Priorities – 91.320(d)

Introduction

Funding Allocation Priorities

Program	Goals		
CDBG			
HOME			
HOPWA			
ESG			

Table 6 – Funding Allocation Priorities

Reason for Allocation Priorities

Please see method of distribution. All funds have been awarded under each of the Disaster Grants. See HTF Allocation Plan.

How will the proposed distribution of funds will address the priority needs and specific objectives described in the Consolidated Plan?

Please see method of distribution. All funds have been awarded under each of the Disaster Grants. See HTF Allocation Plan.

AP-30 Methods of Distribution – 91.320(d)&(k)

Introduction

This Section of the Plan discusses the Method of Distribution which the State will use for the CDBG, HOME, ESG, and HOPWA programs. Please see HTF Allocation Plan for the method of distribution.

Distribution Methods

Table 7 - Distribution Methods by State Program

CDBG METHOD OF DISTRIBUTION

The Community Development Block Grant Program (CDBG) is designed to assist county and municipal governments with activities directed toward neighborhood revitalization, housing opportunities, economic development and improved public facilities and services. Congress initiated the program in Title I of the Housing and Community Development Act of 1974 and provides funds to the State for non-entitlement areas. Non-entitlement areas are non-urban counties with populations less than 200,000 (minus entitlement cities) and municipalities of less than 50,000 in population.

The State has assumed the responsibility for the administration of the program from HUD and is the responsible entity for ensuring that the program is managed in compliance with regulations and requirements of CDBG and HUD. HUD provides the State with “maximum feasible deference” to create additional policies, be more restrictive than HUD in policies and interpretation of regulations, and to determine how funds will be distributed. Additionally, the State may choose not to fund certain types of projects though they are eligible.

The primary objectives of the CDBG program are to provide decent housing and necessary supporting infrastructure, to preserve and develop viable communities through the expansion of economic opportunities, and to meet the critical needs of communities. Funded projects must meet at least one of the following national objectives as required by Title I of the Housing and Community Development Act of 1974, as amended:

- to benefit low and moderate income persons;
- to prevent or eliminate conditions of slum and blight; or
- to meet an urgent need.

The State CDBG Program has been designed to be flexible to accommodate a variety of community needs. The State chooses to primarily use funds as gap funding for projects selected by jurisdictions to meet their specific needs. The funds will be awarded through three categories: 1) Community Development; 2) Special Projects; and 3) Homeless Initiative. DHCD awards funds for projects from the Community Development category through an annual competition. Funds are awarded for projects from the Special Projects category on a first come, first serve basis. The Homeless Initiative will also provide funds through an annual competitive process for projects benefitting the homeless. The State CDBG Program has developed a Policies and Procedures Manual which identifies all regulations, policies and provides required documents. The Policies and Procedures Manual is updated annually to provide information on new or revised state and federal requirements and/or regulations.

In addition to HUD's goals, the State of Maryland CDBG program's objectives include:

- revitalizing older neighborhoods and established communities;
- leveraging CDBG funds with other public assistance programs and private resources;
- directing growth to existing population centers;
- providing essential public services to low and moderate income persons;
- encouraging collaboration with Maryland State, federal and local programs focused on community development, economic development and planning efforts;
- supporting initiatives that preserve affordable homeownership;
- supporting capital and non-capital investments that support the homeless; and
- supporting initiatives and activities that benefit those serving or have served in the U.S. armed forces.

For FFY 2019 (SFY 2020), the State will receive an award of $7,780,502. It will be distributed as follows:

STATE OF MARYLAND CDBG ALLOCATION – FFY 2020	
State Administration (2% + $100,000)	$255,610.04
Technical Assistance (1%)	$77,805.02
Community Development (67% - $100,000)	$5,112,936.34
Special Projects (14%)	$1,089,270.28
Homeless Initiative (16%)	$1,244,880.32
TOTAL	$7,780,502

The State will match the 2% administrative allowance with State general funds. The 1% Technical Assistance funds will be used to pay for program administrative costs related to providing technical assistance to grantees and potential CDBG recipients. The State may also use 3% of program income returned during the program year for administration and technical assistance. In the annual Performance Report, the State will calculate the amount used and determine the State's required match.

In FFY 2019, the State anticipates receiving approval from HUD to transfer approximately $1,500,000 of program income received from the Neighborhood Stabilization Program to the CDBG Program. Of the final amount approved, the State will use 3% for program administrative and technical assistance costs. Additionally, the State may receive program income from loans made from a CDBG Disaster Grant that was awarded after Hurricane Isabelle.

The State will any FFY 2018 funds to grants made under the Community Development Category. Throughout the rest of the year, any funds that become available including funds received due to monitoring findings, recaptures or the return of program income, those funds will be awarded to projects as needed under the Homeless Initiative and Special Projects.

All funds awarded in excess of the SFY 2020 (FFY 2019) award will be included in the annual Performance Report.

DHCD must award and announce the funds received under the allocation within 15 months from the date HUD signs the grant agreement.

<u>ELIGIBILITY</u>

To be eligible for CDBG funding, each application submitted for funding must meet the following eligibility requirements:

- The applicant is an eligible non-entitlement jurisdiction which is a municipal government with a population under 50,000 or a county government with a population of less than 200,000 (this count excludes HUD entitlement jurisdictions within the county);
- The proposed activities are eligible under Title I of the Housing and Community Development Act of 1974, as amended;
- The proposed project meets a national objective as required under 24 CFR Part 570;
- The proposed (if any) subrecipient, developer or business is eligible;
- The project is located in a Priority Funding Area, except for public services; single family housing rehabilitation; acquisition, renovation and sale of existing houses; downpayment assistance or where the Secretary of DHCD determines that the project is necessary to protect public health, to alleviate personal economic hardship in an emergency situation, to promote economically integrated housing, is consistent with an overall economic development strategy, or where an exception is necessary and has been granted through the Maryland Department of Planning exception process.

A municipal or county government may submit an application on behalf of a subrecipient, housing developer or business *if they choose to do so*. It is recommended, but not required, that municipalities and counties develop written policies which outline their processes to determine if they would submit a CDBG application on behalf of another entity. The jurisdiction is expected to conduct a risk analysis to review and evaluate the financial and administrative capacity of the subrecipient, housing developer or business to manage and complete a project. This should also include a determination that they will be able to support the operations of requested facility, housing, or services to be provided as required by the CDBG Program.

Eligible subrecipients include:

- governmental agencies such as housing authorities or, in the case of a County, it could be a municipality;
- non-profit organizations that are corporations, associations, agencies or faith-based organizations with non-profit status under the IRS Section 501(c)(3); and
- community based development organizations (CBDOs).

Eligible non-profit organizations must have specific information in their organizational by-laws and mission statements that clearly state they primarily serve persons who are of low and moderate income and/or a specific population that is eligible for CDBG assistance.

Eligible housing developers are those that are not-for-profit organizations and, in some instances, for-profit entities working with non-profit partners. Applicants should refer to the <u>HUD Guide to National Objectives and Eligible Activities</u> or consult with CDBG staff for additional information related to activities that benefit for-profit developers.

Eligible businesses are for-profit corporations that are in “Good Standing” in the State of Maryland. Note that job training is a service that could be undertaken by a non-profit organization.

If funded, the grantee will be required to execute either a Subrecipient Agreement, a Developer Agreement or a Jobs Agreement with the specific entity. These agreements bind them to the requirements and policies of the CDBG program and the grantee.

NATIONAL OBJECTIVE

Title I of the Housing and Community Development Act of 1974 requires that any project funded with Community Development Block Grant funds must meet a national objective and the activities must be eligible. There are three national objectives: 1) benefit to persons of low and moderate income (LMI); 2) prevention or elimination of slum and blight; or 3) meet an urgent need that is an immediate threat to community health, safety or welfare. The following explains how projects meet a national objective but more detailed information can be found in the Policies and Procedures Manual:

Benefit to LMI Persons Thru Area Benefit Activities – For projects that benefit an entire town/city or a primarily residential service area, neighborhood or street that has an LMI population that is 51% or greater. Examples include: construction of new water or sewer service, installation of sidewalks, construction of flood and drainage improvements, and construction or renovation of a community center.

Benefit to LMI Persons Thru Limited Clientele Activities – For projects that benefit LMI persons that are "presumed" to be LMI or are qualified based on data about family size and income. Examples include: construction of senior centers, renovation of Head Start centers, ADA improvements to public buildings or streets, construction or renovation of housing for disabled adults, and operating costs for a new homeless shelter.

Benefit to LMI Persons Thru Housing Activities – For projects that benefit an LMI household that is qualified based on data about household size and income. Examples include: construction of new rental housing, renovation and resale of housing units, single family housing rehabilitation, household connections to new water or sewer services, and downpayment assistance for LMI homebuyers.

Benefit to LMI Persons Thru Job Creation Activities – For projects that result in the creation of new jobs and at least 51% of the created jobs are taken by LMI persons. Examples include: construction of infrastructure to support a new business, extension of rail service to an industrial park, building improvements, and acquisition of manufacturing equipment.

Benefit to LMI Persons Thru Job Retention Activities – For projects that result in the retention of jobs and at least 51% of the retained jobs are held by LMI persons. Use of this objective requires evidence that permanent jobs would be lost without CDBG assistance. Examples include: construction or extension of utilities, building construction, construction or improvements of public infrastructure, and acquisition of a building.

Prevention or Elimination of Slum and Blight on A Spot Basis – Example: acquisition and demolition of vacant commercial building with serious code violations.

Prevention or Elimination of Slum and Blight on An Area Basis – Example: demolition of scattered site vacant houses with serious code violations.

Meeting an Urgent Need – For projects that pose a serious and immediate threat to the health and welfare of a community, are of recent origin, and other funding sources are not available.

NOTE: Applicants seeking funds for projects that would meet the national objective of meeting an urgent need must contact CDBG program staff to determine if their proposed project qualifies. If it is determined that it qualifies, the application would be considered for funding under the Special Projects category. Supplemental pages would be provided for an applicant to complete regarding urgent need projects.

ELIGIBLE ACTIVITIES

Activities assisted under the State CDBG program must be eligible per Section 105(a) of Title I of the Housing and Community Development Act of 1974 ("HCD Act of 1974"), 42 U.S.C. § 5305(a), as amended. Detailed information as to eligible activities can be provided by CDBG staff or may be found in the HUD Guide to National Objectives and Eligible Activities.

Per federal regulations, the following activities are ineligible for funding: improvements to buildings used for the general conduct of governments such as city halls, county administrative building and police stations (with the exception of accessibility improvements); political activities; furnishings; operations, maintenance or repair of public facilities or works. While eligible, the State chooses not to fund the construction or renovation of police substations; libraries; fire stations and related community spaces or economic development projects that are speculative with no committed businesses. Additionally, the State chooses not to provide funding for general administrative costs or for indirect costs which support administrative costs for subrecipients.

PROGRAM REGULATIONS, REQUIREMENTS AND POLICIES

Grants must be implemented in compliance with the requirements found in the HCD Act of 1974, the CDBG program regulations found in 24 CFR 570, other federal regulations, and state policies and procedures. While most are not applicable until a project is funded and underway, some have to be considered when submitting an application for funding as they may impact cost, schedule, staffing, etc. The most notable are listed below:

1. Acquisition - Uniform Relocation Act – Grantees must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (49 CFR Part 24) when acquiring property and permanent easements that are required for a project, or when residents or businesses are displaced as a result of a project. Additional regulations regarding relocation of displaced persons or businesses are found in 24 CFR Part 42 and Section 104(d) of the HCD Act.

2. Audits – If a grantee spends more than $750,000 of federal funds from any source during their fiscal year, they are required to have a Single Audit prepared in conformance with the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (2 CFR Part 200).

3. Conflict of Interest - Grantees must comply with federal Code of Conduct or Conflict of Interest Standards found in 2 CFR Part 200 and 24 CFR Part 570.489 which includes having a written policy. Additionally, State of Maryland law requires local governments to adopt conflict of interest restrictions and financial disclosure requirements for local elected officials and candidates that are at least as stringent as the requirements for public officials contained in the Public Ethics Law. More information regarding

the Local Government Ethics Law can be found at COMAR, Title 19A, Subtitle 04, Local Government Ethics Law. *Note that those exempt from this requirement under the State of Maryland law must still comply with federal requirements.*

4. Environmental Review – Grantees must comply with the National Environmental Policy Act of 1969 and other federal laws which are specified in 24 CFR Part 58. This review must be completed prior to the initiation of project activities regardless of the funding source. A project is defined as the sum of all elements or activities, not just those funded with CDBG. No activities are to begin until a Release of Funds has been issued by the CDBG Environmental Officer.

5. Fair Housing and Equal Opportunity – Grantees must demonstrate their compliance with numerous federal laws, regulations, and Executive Orders as a recipient of a CDBG award and in their general conduct of operating a government. The most relevant regulations are related to non-discrimination when using HUD funding programs; non-discrimination and equal opportunity in housing; non-discrimination on the basis of race, color, religion, sex, national origin, handicap or familial status in programs and activities receiving or benefiting from federal assistance; and employment and contracting opportunities for lower income persons or minority businesses. The grant agreements issued for funded projects will identify all that apply and the specific requirements. Note that these requirements must be met by subrecipients, developers and businesses too.

6. Fair Housing and Equal Opportunity – Disadvantaged Businesses – When procuring construction or services, grantees are to take affirmative steps to solicit bids from minority owned businesses (MBE) and women owned businesses (WBE).

7. Fair Housing and Equal Opportunity - Section 3 – When procuring construction or services when it is anticipated that the contracts will exceed $100,000, grantees must comply with Section 3 of the HCD Act of 1968 which requires that employment and other economic opportunities be made available to low and very low income persons.

8. Financial Management **-** Grantees must comply with appropriate sections of 2 CFR Part 200, 24 CFR 570.489 and State regulations and requirements in the financial management of their federal grant. CDBG funds should only be spent on costs that are deemed as "reasonable and necessary." *The CDBG Program Financial and Procurement Manual* will provide additional information.

9. Generators – If CDBG funds are used for acquisition, construction or renovation of multi-family rental housing developments or facilities owned by the government, such as senior centers, community centers or other multi-use building, then grantees, subrecipients or developers must install generators. The generator should have sufficient capacity to power, at a minimum, lighting in common areas.

10. Housing - Broadband – Per revisions to 24 CFR Part 570.482, the use of HUD funding for the construction or substantial rehabilitation of a building with more than 4 rental housing units requires the installation of broadband infrastructure to provide access to internet connections in individual housing units. It must meet the definition of "advanced telecommunications capability" determined by the Federal Communications Commission under Section 706 of the Telecommunications Act of 1996.
Substantial rehabilitation is defined as: 1) complete replacement of the electrical system or other work for which the pre-construction cost estimate is equal to or greater than 75% of the cost of replacing the entire system in the building undergoing rehabilitation; or 2) rehabilitation of the building undergoing

rehabilitation where the pre-construction estimated cost of the rehabilitation is equal to or greater than 75% of the total estimated cost of replacing the housing after the rehabilitation has occurred. The replacement cost is for the building undergoing rehabilitation only.

Exceptions may be granted by the State if it is determined: 1) the location of the new construction or substantial rehabilitation makes installation of broadband infrastructure infeasible; 2) the cost of installing broadband infrastructure would result in a fundamental alteration in the nature of its program or activity or is an undue financial burden; or 3) the structure of the housing to be substantially rehabilitated makes installation of broadband infrastructure infeasible.

11. Housing – Fair Market Rents - Per 24 CFR Part 570.483(b)(3), the rents charged for rental properties assisted with CDBG funding must be affordable. When funded, a grantee must adopt and make public its standards for determining "affordable rents."

For projects assisted with other state and/or federal affordable housing funding, the contract rents for those units may not exceed the Fair Market Rents established annually for the county by HUD or the rent standards published by the state or federal funding agencies. The rents for these units must remain affordable for the defined term required by the other funding source or the term set forth below, whichever is greater.

For projects that do not include other state and/or federal affordable housing funding, the contract rents for those units may not exceed the Fair Market Rents established annually for the county by HUD. The rents for these units must remain affordable for the defined term set forth below.

The CDBG grantee shall enforce this requirement with a lien or other legal mechanism between themselves and the developer of the property, if applicable. The terms shall be no less than:

FUNDING AMOUNT	LENGTH OF TERM
Up to $400,000 in CDBG funds	10 years after occupancy date
Between $400,001 and $600,000 in CDBG funds	15 years after occupancy date
Above $600,001 in CDBG funds	20 years after occupancy date

Rents may be increased on an annual basis at the time of lease renewal consistent with changes in the rent standard for the project, but in no case, will the project owner be required to reduce rents. Rents must be checked annually by the grantee.

12. Housing - Homeownership Requirements – When using CDBG funds in conjunction with any homeownership activities: 1) no subprime mortgages are allowed for persons acquiring the houses; 2) no adjustable rate mortgages are allowed for persons acquiring the houses; 3) mortgages must be for a fixed rate for a minimum of 30 years; and 4) a minimum of 8 hours of housing counseling from a HUD approved housing counseling agency is required for persons acquiring the houses.

13. Housing – Housing Rehabilitation Program Policy – The CDBG Program has policies that must be followed when using funds for single family housing rehabilitation programs. In general, all housing must be improved and meet local livability code requirements or housing quality standards upon completion of improvements. Grantees are allowed to use funding for emergency repairs if this is an approved activity in their grant agreement. Upon approval of funding, local program policies must be submitted and

approved to ensure that all current federal and state policies and requirements are included. Grantees may provide a maximum of $30,000 as a grant per house. There is no maximum loan amount. Additional policies and specific information about lead-based paint will be provided. Note that these requirements do not apply for utility connections as part of a water/sewer project.

14. Housing - Housing Rehabilitation Program Restriction – The CDBG Program will only accept applications for housing rehabilitation programs from county governments. The exceptions to this restriction are active municipal programs with open or recent CDBG housing rehabilitation grants and in instances where a municipality is the applicant but the activities are to be administered by the county government.

15. Housing – Loans - If it is the intention of the applicants to use all or any portion of CDBG funding as a loan to a subrecipient or developer, the terms and requirements must be submitted with an application for funding and approved by the CDBG Program Office. As a reminder, any loan funds received by a grantee are considered Program Income and must be returned to the State or used for an approved re-use. The State reserves the right to cancel or alter approved Program Income Plans based on performance of a grantee, subrecipient or developer.

16. Housing - Rental Housing Restrictions – When using CDBG funds for the development or renovation of rental housing, the use of CDBG funding is restricted to: 1) the acquisition of land in compliance with 49 CFR Part 24 and must be acquired after the CDBG funds are awarded; 2) construction activities that are competitively procured after the CDBG funds are awarded using the CDBG procurement policy; or 3) procurement of construction materials using the CDBG procurement policy.

17. Insurance - Flood – Flood insurance is required for all buildings acquired, rehabilitated or renovated, including housing, that are located in the floodplain. The grantee is required to ensure that subrecipients, developers, businesses and homeowners maintain sufficient replacement insurance. Files must contain appropriate documentation. Insurance is to be maintained for the term of use, lien period, or loan term. This does not apply to recipients of funds for utility connections. Failure to enforce the flood insurance requirement will result in repayment of all CDBG funds used for that building.

18. Insurance – Homeowner or Building – Homeowner or building insurance is required for all buildings acquired, constructed or renovated with CDBG funds. The grantee is required to ensure that subrecipients, developers, businesses and homeowners maintain sufficient replacement insurance. Files must contain appropriate documentation. Insurance is to be maintained for the term of use, lien period, or loan term. This does not apply to recipients of funds for utility connections. Failure to enforce the insurance requirement will result in repayment of all CDBG funds used for that building.

19. Labor - Davis Bacon and Related Acts – Funded CDBG projects that result in construction contracts that exceed $2,000 are subject to the federal Davis-Bacon Act, the Contract Work Hours and Safety Standards Act of 1962, and the Fair Labor Standards Act. This does not apply to the rehabilitation of residential structures designed for less than eight units when completed.

20. Labor – Force Account - Grantees may use costs associated with Force Account labor, which is undertaken by employees of the jurisdiction, as leverage for a CDBG funded project. Costs must be documented using guidance and materials provided by the State.

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21. Lead Paint – Grantees must comply with 24 CFR Part 35 and 40 CFR Part 745 when undertaking renovation, repair or painting activities that disturb painted surfaces in houses, buildings converted into housing, homeless shelters, and several other types of projects in buildings that were built before 1978. As of April 22, 2010, work performed as identified in the regulations must be completed by certified firms using certified renovators and workers trained in lead-safe work practices established by the Environmental Protection Agency. Additional information will be provided.

22. Maintenance Plans – If CDBG funds are used for acquisition, construction or renovation of public facilities, multi-family rental housing developments or infrastructure projects, grantees must provide an acceptable maintenance plan to be approved prior to completion of construction or activity. The plan must outline steps to be taken to ensure that maintenance is a priority of the project constructed with federal funds. This would include inspection schedules and scope of work to be undertaken if there is a warranty, annual inspections and reports, documentation of maintenance actions, etc. Grantees must also identify how funding for short-term and long-term maintenance and replacement costs will be addressed.

23. Manufacturing Equipment – If CDBG funds are used for the acquisition of manufacturing equipment for an economic development project, the grantee must secure the equipment with a lien or other mechanism to ensure that it is not sold or removed by the business prior to the end of the retention period and closeout of the grant.

24. Preliminary Engineering – If an applicant receives funding for preliminary engineering for infrastructure projects, they must comply with U.S. Department of Agriculture's preliminary engineering requirements (PER) if they are planning on seeking construction funding from CDBG, USDA or the Maryland Department of the Environment.

25. Procurement **-** Grantees are to comply with requirements and processes as identified in the *CDBG Program Financial and Procurement Manual* for all procurement activities. The use of the same policy by all grantees ensures compliance with appropriate sections of 2 CFR Part 200, 24 CFR 570.489 and State regulations and requirements when purchasing materials, products or services with federal funds.

26. Program Income **-** Program Income is defined as gross income received by the grantee, subrecipient, developer or business directly generated from the use of CDBG funds. The State chooses to classify all funds received as program income and does not recognize the $35,000 limit identified in the regulations. Program Income includes, but is not limited to, the following:

- proceeds from the disposition by sale or long term lease of real property purchased or improved with CDBG funds;
- proceeds from the disposition of equipment purchased with CDBG funds;
- gross income from the use or rental of real or personal property acquired by the recipient or a subrecipient with CDBG funds, less the costs incidental to the generation of the income;
- gross income from the use or rental of real property owned by the recipient or a subrecipient that was constructed or improved with CDBG funds, less the costs incidental to the generation of the income;
- payments of principal and interest on loans made using CDBG funds;
- proceeds from the sale of loans made with CDBG funds;
- proceeds from the sale of obligations secured by loans made with CDBG funds;

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- interest earned on funds held in a revolving loan fund account;
- interest earned on program income pending disposition of the income; or
- funds collected through special assessments made against properties owned and occupied by households not of LMI, where the assessments are used to recover all or part of the CDBG portion of a public improvement.

All funds must be returned to the State unless the grantee has an approved *Program Income Re-Use Plan*. The State may use 3% of any program income returned to the State during the program year for administration and technical assistance.

A *Program Income Re-Use Plan*, which includes a description of the proposed method to manage the funds and the capacity of the grantee to comply with State and federal regulations, must be submitted as part of the application and approved by DHCD, depending on the category. The decision to permit retention of program income by the grantee will be made on a case-by-case basis. *Program Income Re-Use Plans* are approved for each grant. If there is not an approved *Program Income Re-Use Plan*, program income is to be returned to the State upon receipt.

If a plan is approved, program income may be retained by the grantee provided the grantee pledges its general funds to reimburse the State for any financial liability related to negative findings by the State and/or HUD with regard to the re-use of income. Grantees must also ensure that:

- the program income is targeted for an eligible CDBG activity(s) that meets a national objective and for which DHCD has given approval;
- all applicable compliance requirements are met;
- reporting is accurate; and
- activities are completed in a timely manner.

Typically, program income is targeted for use for the "same activity" which is defined as one with the same purpose and the same location as the activity generating the program income. Grantees will be required to report on activities. Activities funded with program income are subject to the same reporting and monitoring requirements as other projects.

The State reserves the right to cancel or alter approved *Program Income Re-Use Plans* based on performance of a grantee, subrecipient or developer.

Any program income that is distributed by the State during the period beginning with the date HUD awards the annual grant to the State is considered to be covered by the current Consolidated Plan.

27. <u>Project Administration Costs</u> – All costs supporting project administration or project delivery costs must be documented. Timesheets must be maintained for all persons paid with CDBG funds. The timesheets must reflect actual hours worked on the project. Grantees will be required to document their paid and in-kind costs committed as leverage.

28. <u>Special Assessment/Recovery of Costs</u> – Grantees will not attempt to recover any capital costs of public improvements assisted in whole or part with CDBG funds by assessing any amount against properties owned and occupied by LMI persons. This includes any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if CDBG funds are used to pay the proportion of a fee or

assessment attributable to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than with CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds if the State certifies that it lacks CDBG funds to cover the assessment.

29. Term of Use - Buildings and Facilities – Buildings and facilities acquired, constructed or renovated with CDBG funds must remain in the approved use for a specific period of time. For a grantee, the "term of use" shall be identified in the grant agreement. For a grant with a subrecipient or business, the grantee shall enforce this requirement with a lien or other legal mechanism between themselves and the subrecipient or business on the property. The term shall be in effect after the occupancy permit is issued. The terms shall be no less than:

FUNDING AMOUNT	LENGTH OF TERM
Up to $400,000 in CDBG funds	10 years after occupancy date
Between $400,001 and $600,000 in CDBG funds	15 years after occupancy date
Above $600,001 in CDBG funds	20 years after occupancy date

If the term cannot be met, the grantee must contact the CDBG Program to discuss future actions and consequences. Options could include changing the use of the building to one that that still meets a national objective or return of funds based on regulatory requirements. All will be considered on case-by-case basis.

During the CDBG Term of Use, the grantee shall not, and shall not allow any subrecipient, developer, or business to (a) create, incur, assume or suffer to exist any mortgage, pledge, security interest, encumbrance, lien, charge, conditional sale or other title retention agreement, or lien of any kind on property or improvements (or any part thereof or income therefrom) acquired or constructed/renovated with CDBG funds; or (b) make, create, permit or consent to any conveyance, sale, assignment or transfer of the property or improvements (or any part thereof) acquired or constructed/renovated with CDBG funds.

30. Water and Sewer Projects **–** To meet the national objective for projects involving the construction or extension of water and sewer service, it is mandatory that all households and businesses (if an economic development project) in the service area are connected to the system. The national objective will not be met until all persons, households or businesses are receiving the intended benefit. In the event households refuse to connect, the grantee must document that the households are being charged the monthly cost for the benefit they choose not to use.

The physical connection of households to water and sewer systems is an eligible activity for qualifying LMI households under the national objective of benefit to LMI persons through housing activities. As such, the total household income must be considered and verified to determine the eligibility of the household. Liens are required to protect the benefit.

NEW REQUIREMENTS AND POLICIES FOR FFY 2019

The following new requirements and policies will be in effect for FFY 2019 funded grants. In some cases, depending on the activities, these could be required if amendments for older grants are requested and awarded from these funds.

1. Homeownership Financial Assistance **–** If CDBG funds are used to provide financial assistance (i.e. downpayment and/or closing costs) to homebuyers, the grantee is required to place a lien on each property which receives assistance. The Grantee is required to use either the following terms or their own terms, whichever are stricter:

- Assistance up to $10,000 will require a lien placed on the property for five (5) years;
- Assistance above $10,001 will require a lien placed on the property for ten (10) years.
-

2. Housing Rehabilitation **–** Assistance can only be provided to owner-occupants of single family housing units.

3. Housing Rehabilitation - Cost Benefit Determination – Grantees are prohibited from rehabilitating a house if the estimated cost to rehabilitate the house is 50% or greater than the assessed value of the house (improvement) per the most recent State Department of Assessments and Taxation (SDAT) information. Costs related to lead abatement and treatment are to be excluded from the estimate and not considered when making this determination. The State will consider exception requests if there are health and safety issues.

4. Lead-Based Paint Requirements - Due to changes in federal regulations, there are new requirements related to the elimination of lead-based paint hazards for several types of projects. This information can be found in the Policies and Procedures Manual.

5. New Construction Prohibition - In accordance with Executive Order 11988 and 24 CFR Part 55, the State will not fund projects involving new construction in the following areas: special flood hazard areas, 100 year floodplains, regulatory floodways, and coastal high hazard areas.

Projects involving new construction that are located in 500 year floodplains and non-special flood hazard areas could be eligible depending on compliance with 24 CFR Part 55 and Part 58.

New construction activities related to replacement or improvements to existing infrastructure projects are allowed depending on compliance with 24 CFR Part 55 and Part 58.

APPLICATION PROCESS

The following regulations, requirements and policies apply to submission of a CDBG application regardless of funding category. The Program will conduct an application workshop prior to the competitive process for the Community Development category. The Policies and Procedures Manual and Application are posted on the DHCD website.

1. Citizen Participation Requirements – Governments must comply with citizen participation requirements when seeking CDBG funding and implementing CDBG funded projects. The State requires a jurisdiction to adopt and maintain a written *Citizen Participation Plan* which outlines and describes their efforts in

soliciting citizen input and responding to concerns and questions. Applicants/grantees are provided minimum language to be included.

A jurisdiction's *Citizen Participation Plan* is effective for a five year period. The plan must be current at the time of application. If it is not current or the applicant does not have one, the applicant must adopt and submit a new plan with their application.

2. Public Hearing - A jurisdiction is to conduct at least one public hearing prior to submission of an application for a CDBG project. Failure to conduct the hearing as required will result in the rejection of the application as it will not be in compliance with Citizens Participation requirements.

Hearings must take place in conjunction with a regularly scheduled meeting of the elected public officials of the municipality or county that is submitting the application(s). At the hearing, the jurisdiction should discuss local community development, economic development and housing needs. While the hearing allows for a jurisdiction to seek input on proposed activities, it should allow for input from the community as to other needs that could be considered. A copy of the meeting minutes and the hearing notice must be submitted with the application.

The public hearing notice must be published in a local newspaper at least five (5) days prior to the date of the hearing. Applicants are provided with the *minimum* language required in notice. Additionally, the jurisdiction should seek to notify the public with other means such as cable television, posted notices in public places, notices in other local publications, newsletters, government website, etc. The jurisdiction should encourage participation of potential or actual beneficiaries of a project and make accommodations for the disabled.

Public hearings shall be conducted in a manner to meet the needs of non-English speaking residents where a significant number of non-English speaking residents can reasonably be expected to participate.

3. Public Review of Application – The public should have the opportunity to review and comment on a draft of the completed application before it is submitted to the State. In the public hearing notice, the applicant must provide the anticipated date the draft application(s) will be available for review as well as the location where it can be found.

4. Local Resolution - The legislative body of the jurisdiction must pass a resolution authorizing submission of the application, the specific project(s) and the specific amount of funds being requested. The resolution must authorize the application in an amount equal to or greater than the amount requested in the application(s). The resolution must also acknowledge that the signers understand that repayment of grant funds could be required if the application is funded and the project is not completed or does not meet a CDBG national objective.

If submitting more than one application, the resolution should identify the specific projects and the amount of each project. If the amount identified in a resolution is less than what is identified in the application, the CDBG staff will review the application to determine if it should be accepted, as only the amount authorized in the resolution can be considered. In some cases, the dollar difference may be minimal and not impact the undertaking of the application activities. Applications with this issue will be reviewed on a case-by-case basis. Resolutions passed for previously submitted CDBG applications are not valid and will not be accepted. A copy of the resolution must accompany the application or the application will not be reviewed.

5. Residential Anti-Displacement and Relocation Assistance Plan – The State requires jurisdictions to adopt and maintain a written *Residential Anti-Displacement and Relocation Assistance Plan*. While a jurisdiction should make every effort to minimize the displacement of persons or businesses when using CDBG funds, this plan will describe what the jurisdiction will do in the event that it does occur. Applicants/grantees are provided minimum language to be included.

Section 104(k) of the HCD Act of 1974, 42 U.S.C. § 5304(k), requires that reasonable relocation assistance be provided to persons displaced as a result of the use of CDBG assistance to acquire or substantially rehabilitate property. Section 104(d) of the HCD Act of 1974, as amended, 42 U.S.C. § 5304(d), requires one-for-one replacement of all low and moderate income dwelling units housing the same number of occupants as could have been housed in the units demolished or converted to another use as a result of CDBG assistance.

A jurisdiction's *Residential Anti-Displacement and Relocation Assistance Plan* is effective for a five year period. The plan must be current at the time of application. If it is not current or the applicant does not have one, the applicant must adopt and submit a new plan with their application. Please note that a specific plan will be required for approved grants with projects which will actually result in displacement.

6. Submission By A County For Project in Municipality - A county may submit applications on behalf of municipalities. In such instances, the municipality may not submit a separate application for the same project. The applicant assumes overall responsibility for ensuring that the entire project will be carried out in accordance with CDBG requirements. The applicant must enter into a legally binding cooperative agreement with the municipality.

7. Program Income - Any gross income that will be derived from the use of CDBG funds is Program Income. It is to be returned to the State unless the re-use of those funds is approved by the State. Applicants must submit a *Program Income Re-Use Plan* with their application requesting approval to retain funds at the local level for the same activities if they anticipate that their project will result in Program Income. Approved plans will be identified in the grant agreement for approved applications. A new *Program Income Re-Use Plan* must be submitted with each application. Jurisdictions wishing to retain income must be willing to pass a resolution to repay from general funds any costs that HUD or the State may disallow as a result of the retention and re-use of program income. See Additional Program Policies and Procedures section of this manual for additional information.

Program income must be re-used in a timely manner. If a jurisdiction has a balance of program income at the time of the application, the State may require that it be used as part of the application if it is determined that funds are not being used in a timely manner.

8. Debarment - The applicant is required to complete Debarment Checks on subrecipients, developers or businesses prior to submission of an application. The completed forms do not need to be included with the application unless there is a problem.

9. Audit – Applicants who have never submitted an application to the CDBG Program must provide a copy of their most recent annual audit and a copy of their most recent single audit, if one was required, with their application.

10. Mission and Bylaws – Subrecipients included in an application must demonstrate that their organization primarily serves persons who are of low and moderate income and/or a specific population that is eligible for CDBG assistance. This should be clearly written in their mission statement and bylaws which should be submitted with the application.

11. Limited English Proficiency – Applicants are to demonstrate that they complied with their Limited English Proficiency Plan if they are an existing grantee or, if new applicant, they researched the available data to determine if any of their outreach efforts required information to be translated into other languages or if other outreach efforts were required. A specific form is to be submitted.

12. Policy for New Funds for Previously Assisted Projects - Over the years, DHCD funding through the Division of Neighborhood Revitalization has assisted with the construction and renovation of many building projects around the state. We have always encouraged the use of high quality materials and workmanship. While not mandating, we expected buildings to be maintained to ensure longevity. To that end, as costs increase and funds are limited, we reserve the right to not provide additional funds from the CDBG Program or the State Revitalization Programs (Community Legacy, Strategic Demolition, CORE, Baltimore Regional Neighborhoods Initiative) for building projects previously assisted.

To assist with our determination, applicants must provide answers to the following questions if the application includes construction or renovation to a building previously funded with the identified funding sources:

1. Which program provided previous funding? When? How much was the total award? What were specific uses?
2. Discuss maintenance efforts since building was constructed or renovated.
3. If you are asking to replace building equipment or utilities, what was the warranty on the original equipment? Discuss how it was maintained.
4. What alternatives were considered other than requested activities?
5. Is there debt on the building? If yes, what is the balance owed and the remaining term? Who is the lender?
6. Do you currently set aside funds for short-term and long-term maintenance needs?

In the event this request is funded, maintenance agreements would be required as well as the establishment of maintenance funding accounts. This policy does not apply to the construction of additions or phases previously not funded.

13. Clearinghouse Submission - Applicants must comply with the Maryland Intergovernmental Review and Coordination Process (COMAR 14.24.04). Simultaneous with the submission of any application for CDBG funding, applicants must submit an electronic copy of a project profile to the Maryland State Clearinghouse. The profile must include a cover form; a summary briefly explaining the nature, purpose, scope and justification for the project; a map of the project location and geographic area to be served; a budget identifying all sources and uses of funds; and staffing for the project. Please note that the submission to the Clearinghouse must be submitted by the government applicant, not the subrecipient,

developer or business. Comments from this review will be forwarded to the CDBG program. Information must be submitted to mdp.clearinghouse@maryland.gov

FUNDING CATEGORIES

For funding under all categories, DHCD reserves the right to award less than the requested amount. Funding recommendations and approvals may recommend a decrease to the size, scope and/or costs of the project. A planning grant may be awarded in lieu of requested project funding where further study is deemed necessary.

In addition to the rating and evaluation criteria; CDBG staff, Rating Committees, the Assistant Secretary for Neighborhood Revitalization or the Secretary of DHCD may consider other factors in making funding determinations, including:

- The State's objectives and priorities;
- The availability of alternate or contributing funding sources for the total project or some of its components;
- A reasonable distribution of projects among regions of the State;
- The ability to respond to a locality's special needs;
- The degree of community commitment for the project;
- The previous CDBG investment in a community;
- The ability of applicant, sub-recipient, developer or business to borrow funds;
- The commitment and/or input from other funders;
- The cost per person based on the total project cost;
- The amount of CDBG or other DHCD funds awarded for other phases of a multi-phase project; and
- The availability of other resources and/or services in a community.

There is one application for Community Development and Special Projects. DHCD will provide a separate application for the Homeless Initiative.

Existing grantees that have revolving loan funds (RLFs) and program income accounts that were capitalized with CDBG funds will be required to submit information with their applications regarding the current fund balance and the most recent activity. This applies to economic development RLFs as well as housing rehabilitation RLFs and program income accounts. Grantees may be required to submit additional information to explain large fund balances and lack of activity. In these instances, the State may take additional actions related to ensuring the grantee utilizes these funds.

COMMUNITY DEVELOPMENT CATEGORY

Applications for community development projects are accepted annually on a competitive basis in the spring. The funding round is announced in advance of program opening, and applicants are given a minimum of 45 days to prepare their applications after the application workshop is held. Any funds not awarded in the competition will be added to the other categories. For the FFY 2019 competitive application round, the maximum amount an applicant may seek is $800,000.

One original and four copies are due by Wednesday, June 5th by 2:00 p.m. Those received after the designated date and time will be rejected. Applications are to be mailed or hand-delivered to: DHCD, 7800 Harkins Road, Lanham, MD 20706. Attention: CDBG Program.

Applications are evaluated in a three-step process: threshold review, project evaluation, and funding recommendations. At the completion of the threshold review, applicants will be notified by mail if their application(s) will be reviewed. Applications will be rejected if: 1) the application is not complete; 2) the public hearing process was not done correctly; 3) the draft of the application was not available for public review before submission; 4) the application is not received by the established due date; 5) the proposed project and/or activities do not meet the eligibility requirements; or 6) the applicant does not meet established performance thresholds.

There are performance thresholds related to previous CDBG grants that must be met by applicants. Applicants will be evaluated on their management of existing CDBG grants and must be in compliance with financial, reporting, monitoring, and performance requirements as established each year.

1. Financial - Expenditure of certain minimum percentages of previous grants must be met by *5:00 p.m. on Wednesday, May 29th*. This will apply to all open Maryland CDBG grants. The required expenditure amount is based on the grant start date and shown below:

Grant Agreement Start Date	*Minimum % Required to be Expended*
Prior to June 30, 2017	100%
July 1, 2017 to December 31, 2017	75%
January 1, 2018 – June 30, 2018	50%
July 1, 2018 to Present	25%*

**Does not include those awarded in March, April or May 2019*

2. Reporting – Applicants must be current with submission of any reports due to the program for existing grants.

3. Monitoring – Grantees that have grants with open monitoring issues will be reviewed on a case-by-case basis, taking into consideration the significance of the finding(s) or concern(s), the corrective action(s) taken by the grantee or subrecipient, developer or business to resolve the issue(s), and the timeliness of the grantee in responding.

4. Performance – Grantees that have grants that have expended funds but have moved slowly or failed to perform in conformance with their project schedule will be required to submit additional information related to reasons for delays and poor performance as well as a new timeline. The State reserves the right to determine if the response is sufficient.

All applications that meet the threshold criteria will be rated and ranked competitively by a review committee composed of Maryland CDBG Program staff and other departmental staff with participation from other government agencies when appropriate. Applicants will be given an opportunity to respond to questions in a timely manner.

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Rating is based on a 150-point scale. Point ranges have been established for each criterion to gauge the extent to which the applicant meets the criterion. The following factors will be considered in determining the points assigned. A copy of the rating form may be obtained from the CDBG program staff.

RANKING FACTOR	MAXIMUM POINTS
PUBLIC PURPOSE - Consistency (10) - Severity of Need (30) - Community Support (5)	**45 Points**
PROJECT IMPACT - Impact on Need (10) - Benefit to LMI Households (15)	**25 Points**
PROJECT MANAGEMENT - Readiness To Proceed (35) - Accuracy of Costs (10) - Capacity (10)	**55 Points**
LOCAL COMMITMENT / LEVERAGING - Local Commitment (10) - Debt Service (5) - Leveraging (10)	**25 Points**
BONUS POINTS	**15 Points**

Applicants may receive up to 15 bonus points for meeting one or more of the following criteria if sufficiently discussed and/or documented within the application:

1. Project will use innovative materials or methods (2 Points);
2. Project activities include the acquisition and reuse of foreclosed properties (2 Points);
3. Project activities include the replacement of utilities in existing buildings with energy saving materials (2 Points);
4. Project will use green or energy efficient building materials and practices for new construction or renovation (2 Points);
5. Project activities will eliminate impediments to fair housing in the community (2 Points);
6. Project activities will provide benefit to those serving or have served in the U.S. armed forces (2 Points); or
7. Project activities that benefit the homeless (3 Points).

Public Purpose/Local Need (45 maximum points)

Severity of Need (30 maximum points). Based on the information in the application, the degree of distress and examples provided will determine the number of points awarded. Distress factors considered include the quality and quantity of existing facilities, including the need for rehabilitation or replacement, condition description, age, adequacy or absence of facilities, services, housing etc. Up to twenty (20) points are awarded based on the documented need for new or additional services, new or improved facilities, new or improved infrastructure, or new or improved housing. Up to ten (10) points are awarded where existing physical health and safety conditions of buildings or infrastructure are documented. *Please note that documentation in support of the need is the key to receipt of points.*

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Community Support and Involvement (5 maximum points). Points are awarded based on evidence and description of current community support and involvement in the project development and implementation. Letters of general support and participation may include local interest of neighborhood groups, local public or non-profit agencies and individuals that might directly benefit from the project. Even though a public hearing is required, it is not factored into the score.

Consistency with Local Needs/Plans/Strategies (10 maximum points). Points are awarded based on the degree to which the project is specifically identified and is consistent with a locally developed revitalization strategy, capital improvements plan or comprehensive plan (up to 5 points). Relevant sections must be provided with the applications. Up to five (5) points may be awarded for proposed projects and activities that re-use existing buildings and infrastructure.

Project Impact (25 maximum points)

Impact on Need (10 maximum points). Points are awarded based on the extent to which the project will address the needs and alleviate the existing problems described by the applicant.

Benefit to Low and Moderate Income (LMI) Households (15 maximum points). Maximum points will be awarded to projects where there is a direct benefit to LMI households/persons. 10 points will be awarded to projects where there is an area wide benefit to LMI persons. No points will be given for slum/blight projects where there is no benefit to LMI persons, or where benefit cannot be determined. If there is more than one national objective, maximum points will be given for the activity that benefits more people.

Project Management (55 maximum points)

Readiness to Proceed (35 maximum points). Points may be awarded for the extent to which the project is ready to proceed and the implementation schedule is reasonable. The assessment is based on the relative progress of elements such as site control/easements, architectural design or preliminary or final engineering, commitment of other project financing or the development of rehabilitation guidelines. If the applicant is not able to document that other funds are committed, they will not receive any points under this section because the project is not ready to proceed. This category considers the project as a whole but will consider factors such as phases as long as each phase is able to meet a national objective.

For the Community Development competitive round, the schedule should begin with August 1st as the anticipated date of the CDBG award. The Environmental Review Record and Request of Release of Funds must be submitted for approval within 75 days of award. This must be factored into your schedule.

An applicant may receive thirty-five (35) points based on the following factors:

1. <u>Construction Projects</u>: Applicant has completed design and/or engineering, has completed acquisition or will complete if applicable within 90 days (does not include easement acquisition), can bid project within 90 days, and is able to start construction within 120 days.
2. <u>Housing Rehabilitation Projects</u>: Applicant has developed or updated all program materials, selected and completed work write-ups for 30% of properties to be rehabilitated, and can bid work in 60 days.
3. <u>Services/Non-Construction Projects</u>: Applicant can demonstrate that program and/or activities can be implemented within 30 days.

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An applicant may receive twenty (20) points based on the following factors:

4. Construction Projects: Applicant has completed design and/or engineering, has completed acquisition or will complete if applicable within 120 days (does not include easement acquisition, can bid project within 120 days, and is able to start construction within 150 days.
5. Housing Rehabilitation Projects: Applicant has developed or updated all program materials, selected and completed work write-ups for 15% of properties to be rehabilitated, and can bid work in 90 days.
6. Services/Non-Construction Projects: Applicant can demonstrate that program and/or activities can be implemented within 60 days.

An applicant may receive ten (10) points based on the following factors:

1. Construction Projects: Applicant will complete design and/or engineering within 90 days of the award, will complete acquisition if applicable, within 120 days, and will bid project within 120 days.
2. Housing Rehabilitation Projects: Applicant has developed or updated all program materials, selected and completed work write-ups for 5% of properties to be rehabilitated, and can bid work in 120 days.
3. Services/Non-Construction Projects: Applicant can demonstrate that program and/or activities can be implemented within 75 days.

No points are awarded if the project is not ready to proceed based on the above criteria or if other funds are not committed.

Accuracy of Costs (10 maximum points). Maximum points may be awarded to projects which best document that project costs have been carefully estimated. Estimates should reflect the applicability and impact of Davis-Bacon wage rates, acquisition requirements, relocation or replacement housing requirements. Estimates should be current within six months. Preliminary professional studies, appraisals, tax assessments, wage rate determinations are some examples of acceptable documentation. No points will be awarded if documentation of costs is not submitted.

Administrative Capacity (10 maximum points). Points may be awarded for projects based on the past performance of the applicant, subrecipient or developer with CDBG grants (5 points maximum). Staff will consider previous general grant management, financial management and compliance with meeting a national objective. The adequacy of staff to implement the proposed project based on information in Part G of the application will also be considered (5 points maximum).

Local Commitment and Leveraging (25 points maximum)

Local Commitment (10 maximum points). The Department will consider the extent to which local funds will be contributed to the project. Maximum points (10) may be awarded to applicants whose local contribution exceeds 25% of the total project costs. Local contribution of 15%-24% of total project costs receives 8 points. Where there is some local contribution but less than 15% of the total project costs, 5 points are awarded. No points will be given where there is no local contribution. All funds must be documented.

Local funds include cash, debt service and any in-kind contributions which materially contribute to the project completion. In-kind contributions must be documented and may include the donation or long term lease of land or buildings, appropriation of local revenues, site improvements or installed infrastructure, deferral of real estate taxes, abatement or payment in lieu of taxes. The contribution may be provided by the local government or directly by subrecipient, developer or business.

Debt Service (5 points). Applications will receive 5 points if the funding sources include loans (including federal and state loans) borrowed specifically for the project that have been secured by the local government, subrecipient, developer or business. Applicants shall provide executed copies of loan documents as evidence. This does not apply to forgivable loans or those that are deferred for an extended period of time.

Leveraging (10 maximum points). The Department will consider the extent to which local and CDBG funds are used to leverage other public and private funds (non-local). Points will be awarded based on the documented commitment of funds specifically identified to supplement CDBG funds. Maximum points (10) will be awarded for projects where 50% or more of the project costs are from sources other than local or CDBG. If less than 50% of the project costs are from sources other than CDBG and the locality, five (5) points are awarded. The application will receive no points for leveraging if other funding sources are available but are not sought or approved. Leveraged funds include other public or private grant funds and individual or corporate donations.

Funding Recommendations

The highest rated applications are recommended for funding until the available funding for the round are exhausted or the next highest rated project requests more funds than are available and the project cannot be phased. In that case, the next highest scoring project may be funded. In case of a tie score, the application with the highest combined score on Public Purpose/Local Need and Project Management is funded first. The Maryland CDBG program has established a minimum point standard of 105 (70%). Applications that receive less than 70% of the total points are generally not recommended for funding. As noted at the beginning of this section, the State may consider other factors when making awards. In these cases, the other factors will be documented in the State's records.

The recommendations of the Rating Committee for both approval and rejection of applications are reviewed by the Assistant Secretary for Neighborhood Revitalization and presented to the Secretary of DHCD for final approval. Awards are expected to be announced within approximately 90 days of the application submission deadline.

SPECIAL PROJECTS CATEGORY

Under the Special Projects Category, funds are set aside to fund special projects, planning activities and economic development projects. There are specific criteria and requirements required for each type of project. All applications will be considered on a "first-come, first-serve" basis once received and determined to be complete. Funds will not be "held" or "reserved" for applicants in the process of submitting an application or submitting materials to complete their application.

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Applicants must submit one original and two copies when applying for Special Projects funds. Applications are to be mailed or hand-delivered to: DHCD, 7800 Harkins Road, Lanham, MD 20706, Attention: CDBG Program.

Special Projects

Special Projects applications are those submitted after the annual competitive round has been completed. They are for projects that have become a high priority based on an opportunity or due to a critical or time sensitive need. Applicants must consult with CDBG Program staff and receive written approval to submit an application. Staff will consider whether the proposed project would meet a CDBG national objective, be eligible under the program, be able to be implemented in a timely manner, and if it meets one of the State's program objectives. Additionally, performance related to existing grants, if any, will be considered by staff in addition to CDBG eligibility requirements when making approvals. The maximum amount an applicant may seek is $800,000.

A threshold review will be conducted to determine if the application is complete, the requested project will meet a CDBG national objective, and specific activities are eligible. Applications will be rated using the same rating factors used for the Community Development category. The minimum point standard of 105 points applies to Special Projects applications.

The State may also use funds from this category to fund requests for additional funding for existing grants for a variety of reasons. If the request is due to a shortfall for a previously funded project, additional funds will only be considered if there are extenuating circumstances surrounding the shortfall. If the amount needed is greater than $75,000, grantees must apply for funding through the next Community Development application round unless it is determined that timing is critical. Grantees must provide a written explanation of the reasons for the shortfall, including:

1. the reasons for the request for additional funds;
2. verifiable documentation of a significant increase in beneficiaries;
3. proof that all alternate funding sources have been exhausted; and
4. documentation of any negative impact on the community if the project is not completed.

Within thirty days of the threshold review approval, a recommendation is made to the Assistant Secretary for Neighborhood Revitalization and to the Secretary of DCHD for final approval.

Planning

Planning activities are eligible for CDBG funding. Applicants may seek up to $50,000 for planning grants. A match is required but no more than 5% can be in-kind. Applicants must consult with CDBG Program staff and receive written approval to submit an application. Staff will consider whether the proposed project would meet a CDBG national objective, be eligible under the program, be able to be implemented in a timely manner, and if it meets one of the State's program objectives. Additionally, performance related to existing grants, if any, will be considered by staff in addition to CDBG eligibility requirements when making approvals.

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A threshold review will be conducted to determine if the application is complete, the requested project will meet a CDBG national objective, and specific activities are eligible. Applications will be rated using the same rating factors used for the Community Development category. The minimum point standard of 105 points applies to Planning applications.

Planning activities are traditional planning activities such as comprehensive plans, community development plans, downtown studies, and capital improvements plans. Additional planning activities include feasibility studies, preliminary engineering, preliminary design, and building condition studies. Projects are qualified based on national objective eligibility.

Within thirty days of the threshold review approval, a recommendation is made to the Assistant Secretary for Neighborhood Revitalization and to the Secretary of DHCD for final approval.

Economic Development

Funding may be used for a variety of economic development activities which support local economic development initiatives either by direct public improvements to facilitate new business and/or industry or through direct assistance to businesses. Applicants must consult with CDBG Program staff and receive written approval to submit an application. Staff will consider whether the proposed project would meet a CDBG national objective, be eligible under the program, be able to be implemented in a timely manner, and if it meets one of the State's program objectives. Additionally, performance related to existing grants, if any, will be considered by staff in addition to CDBG eligibility requirements when making approvals. The maximum amount an applicant may seek is $800,000.

A threshold review will be conducted to determine if the application is complete, the requested project will meet a CDBG national objective, and specific activities are eligible. Applications will be reviewed and rated using factors described later in this section.

The State will accept funding for the following economic development projects:

1. <u>Job Creation</u> – If the applicant is seeking funds to assist an identified business in a project that results in job creation, 51% of all jobs created must be taken by LMI persons. All jobs must be permanent, full-time jobs. The job counting begins once the grant activities are completed. Additionally, the State may impose a retention period for the jobs once created.

The business must provide a written commitment to meet the CDBG job creation standard of creating a specific number of jobs of which 51% or more of them will be taken by persons of low and moderate income. This must be provided with the application. Other application submission materials are described below and within the application document.

2. <u>Job Retention</u> - If the applicant is seeking funds to assist an identified business with job retention, there must be clear and objective evidence that permanent, full-time jobs will be lost without the CDBG assistance. Applications must include:

• evidence that the business has issued a notice to affected employees or made a public announcement to that effect; or
• analysis of relevant financial records which clearly and convincingly shows that the business is likely to

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have to cut back employment in the near future without the planned intervention.

The business must provide a written commitment to meet the CDBG job retention standard of retaining 51% or more of an agreed upon number of employees that are of low and moderate income at the time of the CDBG assistance. This must be provided with the application. Other application submission materials are described below and within the application document.

Applicants must provide the following information on the business to be assisted. If more than one, please provide information for each.

1. Name of Business
2. Ownership of Business
3. Business Management
4. Company History including start-up date, type of operation, progress and number of employees to date
5. Current Location(s)
6. Product Line or Service
7. Discuss their market area(s) including geography, major customers and other characteristics
8. Certificate of Good Standing from the State of Maryland if an existing business.

For projects which provide CDBG assistance as a financing measure to profit making businesses, discuss the need for financial assistance. Attach three years of historical financial statements and personal financial statement for principal owner(s) and a five year pro-forma. Explain the basis for requesting assistance (e.g., gap financing). Additional financial information may be requested.

Applications will be reviewed and considered based on the following:

1. Costs – All costs must be reasonable and necessary.
2. Leverage – All applications must include the leveraging of other funds. Those applications providing 50% or more of other funds will be provided maximum consideration. In-kind services cannot exceed 10% of the total budget.
3. Readiness to Proceed – Maximum consideration will be given to: 1) applications for construction activities which are able to be bid within 90 days and to start construction within 120 days; or 2) applications for acquisition of land or relevant equipment to be acquired within 120 days.
4. Administrative Capacity - The staffing plan must be sufficient to administer the grant activities.
5. Past Performance - The past performance of the applicant with CDBG grants will be considered with respect to general grant management, financial management and compliance with meeting a national objective.
6. Outcomes – Maximum consideration will be given to those projects that create or retain a high number of jobs.
7. Cost Per Job – The cost per job must not exceed $20,000. Maximum consideration will be given to those applications where the cost per job does not exceed $10,000.

Projects may be subject to Public Benefit Standards and Underwriting Guidelines. It depends on the structure of the application.

There is a prohibition on the use of CDBG funds for job-pirating activities. Specifically, funds cannot be used to as an incentive for a business to relocate to another community.

The following types of businesses are not eligible for assistance with CDBG funds: adult bookstores, video shops or other adult entertainment facilities, check cashing facilities, gambling facilities, gun shops, liquor stores, massage parlors, medical marijuana production or distribution businesses, pawn shops, tanning salons, or tattoo parlors. Additionally, assistance to a professional sports team or a privately-owned recreational facility that serves a predominantly higher-income clientele where the recreation benefit to be derived by users or members clearly outweighs the employment of or other benefits to low and moderate income persons is also prohibited.

Within thirty days of the threshold review approval, a recommendation is made to the Assistant Secretary for Neighborhood Revitalization and to the Secretary of DHCD for final approval.

HOMELESS INITIATIVE CATEGORY

Using a competitive process, the State will award funds under the Homeless Initiative for projects benefitting homeless persons. For the FFY 2019 competitive Homeless Initiative, the maximum amount an applicant may seek is $800,000. Eligible projects are:

- Acquisition, construction or renovation of housing units to be used for transitional or rapid re-housing;
- Construction or renovation of shelters; and
- Operating costs if the applicant can demonstrate there is a quantifiable increase in the level of services.

A written reminder notice of funding availability will be mailed to eligible county and municipal governments on July 1, 2019. The specific application for this category will be posted on the DHCD website on July 1, 2019.

Applications will be due on September 13, 2019 by 2:00 p.m. Applicants must submit one original and two copies when applying for the Homelss Initiative. Applications are to be mailed or hand-delivered to: DHCD, 7800 Harkins Road, Lanham, MD 20706, Attention: CDBG Program.

A threshold review will be conducted to determine if the application is complete, the requested project will meet a CDBG national objective, and specific activities are eligible. Additionally, staff will consider performance, as described under the Community Development Category, related to existing grants, if any, to evaluate the capacity of an applicant to administer an additional grant.

Applications will be rated using the same rating factors used for the Community Development category except no bonus points will be awarded specifically for homeless projects. The highest rated applications are recommended for funding until the available funding for the round are exhausted. In case of a tie score, the application with the highest combined score on Public Purpose/Local Need and Project Management is funded first. The Maryland CDBG program has established a minimum point standard of 105 (70%). Applications that receive less than 70% of the total points are generally not recommended for funding. As noted at the beginning of this section, the State may consider other factors when making awards. In these cases, the other factors will be documented in the State's records.

The recommendations of the Rating Committee for both approval and rejection of applications are reviewed by the Assistant Secretary for Neighborhood Revitalization and presented to the Secretary of DHCD for final approval. Awards are expected to be announced within approximately 90 days of the application submission deadline.

ADDITIONAL PROGRAM POLICIES AND PROCEDURES

1. Funds Transfer - A review of the balance of available funds from the previous fiscal year will occur prior to the award of grants through the annual Community Development competitive round. Available funds will be used prior to the use of 2020 grant funds. Funds not used for the Community Development awards will be used as needed for Special Projects and the Homeless Initiative awards. Therefore, amounts funded in each category could exceed what was identified in the policy guide.

2. Grant Periods - Grants are awarded for a twenty-four (24) month period, except planning grants, which are expected to be completed in twelve (12) months. *The grant period is related to the expenditure of the grant funds only.* No formal amendment is required for the additional time necessary for a grantee to satisfy a national objective or to satisfy corrective actions related to monitoring findings or matters of concern. Time extensions are granted only where circumstances are beyond the grantee's control.

3. Grant Amendments - Circumstances or conditions may develop during project implementation which could prompt the grantee to request, in writing, an amendment to the grant for reasons other than for additional funding (which is addressed under the Special Projects section of this manual). Accordingly, grantees must obtain approval for amendments in the following instances:

- if the addition of a new, or deletion of an existing activity or project is proposed;
- if activities in an area other than the approved target or project area are proposed;
- if the scope of the existing project or activities will change (i.e., number of beneficiaries);
- if a budget revision is proposed resulting in a transfer between approved budget line items in excess of ten percent of the grant award;
- in other instances where DHCD determines an amendment to be appropriate, such as where technical changes in legal or administrative terms occur.

The request for a grant amendment shall provide sufficient information to explain and justify the proposed changes. The CDBG Program may determine that an amendment to a grant agreement requires additional actions. The grantees will be notified in writing if they have to complete any of the following requirements:

- additional citizen participation efforts;
- additional review by the State Clearinghouse; or
- additional environmental review.

The request for a grant amendment will be reviewed on the basis of eligibility and the evaluation criteria applicable at the time of the amendment request.

A time extension may be granted, generally for one year, when it is determined by the program that the grantee will not expend grant funds by the completion date established in the grant agreement. The time extension is processed by the program and is not subject to the requirements of project amendments listed above. The program reserves the right to determine the length of time for the amendment.

Note that if an applicant is awarded funds through the Community Development category for another phase of a project which benefits the same beneficiaries as an open grant, that open grant will be amended to include the new award and for time.

4. Financial Penalty - ERR – The Environmental Review and Request for Release of Funds must be submitted for approval by DHCD within 75 days of the grant award date. Failure to do so will result in a 2% financial penalty of the grant award. The penalty will be assessed initially from administrative funds awarded. If no administrative funds were awarded, then project funds will be recaptured. The exception shall be for projects with issues identified through screening letters where the CDBG Environmental Officer has been notified in writing. Further delay in completing the Environmental Review and obtaining a Release of Funds could result in the termination of the grant.

5. Financial Penalty – Minimum Expenditure - For each grant, the grantee must request payment of a minimum of 5% of grant funds within 180 days of the grant award date. Failure to do so will result in a 5% penalty of the grant award each month until funds are drawn. The penalty will be assessed initially from administrative funds awarded. If no administrative funds were awarded, then project funds will be recaptured. Exceptions to this policy will be considered on a case by case basis.

6. Monitoring and Close Out of Grants **-** Grants will be officially monitored by CDBG Program staff for compliance with federal and state regulations and requirements and to ensure that the national objective has been met. Some grant activities may be monitored by a specific compliance specialist or by their Project Manager at different stages of the implementation of the grant. All projects are considered "open" until they have been fully monitored and all issues are resolved. The State will issue a Close Out letter to the grantee when it has been formally closed. Grant files and records must be retained by the grantee for a five (5) year period after close out of the State's grant by HUD.

7. Recapture and Repayment of Funds - Any funds recaptured through grant termination, repayment due to monitoring findings, or completion of an activity at a cost savings will be available for redistribution to eligible projects. DHCD may retain eligible amounts of repaid or recaptured funds for State administrative and technical assistance costs.

8. Suspension of Method of Distribution for Presidential Disaster Declarations - In the event of a Major Disaster Declaration by the President of the United States for a city, town, or county located in the State of Maryland, the Secretary of DHCD shall have the authority to waive the Method of Distribution or any other State policies for the CDBG program to address emergency needs of impacted communities. This will be done in consultation with HUD and the program will operate within the parameter of the law or laws addressing the CDBG program.

PERFORMANCE MEASURES

During the program year, based on the types of activities funded in FFY 2018, the CDBG Program expects to fund projects to meet the following HUD performance measures. The table below shows how projected activities that will be undertaken through the CDBG program in the coming year will act in accordance with HUD's performance measures:

CDBG FFY 2019 Consolidated Plan Estimated Project Results			
Outcomes and Objectives *	**Performance Indicators**	**Estimated Project #s**	**Activity Description**
SL-1	New or improved access to public facilities	7	Construction or renovation of centers serving various populations
SL-1	New or improved access to infrastructure	2	New or improvements to sidewalks, bridges or streets
SL-3	New or improved access to infrastructure	10	New or improvements to public water and sewer systems
SL-3	Creating suitable living environment	1	Demolition of blighted property
DH-2	Providing decent housing	3	Housing rehabilitation programs for LMI households
DH-2	Providing affordable housing	3	Acquisition, construction or renovation of rental housing for LMI households
DH-2	Providing affordable housing	2	Renovation of facilities housing LMI persons
DH-2	Provide affordable housing	2	Financial assistance for LMI homebuyers
* Grantee should use one of 9 outcome/objective categories below:			

	Availability/Accessibility	**Affordability**	**Sustainability**
Suitable Living Environment	SL-1	SL-2	SL-3
Decent Housing	DH-1	DH-2	DH-3
Economic Opportunity	EO-1	EO-2	EO-3

HOME INVESTMENT PARTNERSHIP PROGRAM

OMB Control No: 2506-0117 (exp. 07/31/2015)

Maryland will use the majority of its HOME funds in conjunction with ongoing State programs to fill gaps in State funding, make projects feasible and increase the number of low-income persons to be served in State-funded projects. HOME funds will be used in conjunction with projects utilizing any combination of State appropriated and bond-issued funds, or low-income housing tax credits administered by the Community Development Administration (CDA). CDA's Single Family Housing Programs consist of the Homeownership Programs and Special Loans Programs units; and the Multifamily Housing Programs consist of the Housing Development Programs, Rental Services Programs and Contract Administration Unit.

HOME FUNDING ALLOCATION

DHCD expects to receive an allocation of $ 5,762,762 in HOME funding during the coming year, as well as $ $ 1,965,842. in program income, for total funding of $ 7,728,604. DHCD expects to use the funds as follows:

STATE OF MARYLAND HOME ALLOCATION - FFY2019/SFY2020			
Use	**FFY 19 Allocation**	**Program Income**	**TOTAL**
Multifamily Housing Programs	$ 4,000.000.	$ 1,000,000.	$ 5,000,000.
Single Family Housing Programs	$ 1,086,486.	$ 965,842	$ 2,052,328.
CHDO Operating Assistance	$ 100,000.	$0	$100,000.
Administrative Costs^	$ 576,276.	202,113.	$ 778,389
CHDO Pre-Development		**0**	
TOTAL	**$ 5,762,762.**	**$ 2,167,955.**	**$ 7930,717**
*CHDO Set Aside**	*$ 864,414.30*		

***As required by federal law, a minimum of 15 percent of the State's formula HOME allocation, or $ $ 864,414.30 will be reserved for use by Community Housing Development Organizations (CHDOs). Included within that amount, up to 10 percent, or**
$ $ 86,441.43 may be used for predevelopment costs for CHDOs. The required set aside(s) will be met within the HOME program uses as set forth in the above table.

As noted above, In addition to the regular HOME allocation, DHCD has received $ $ 1,965,842.08 in program income since July 2018 under the new grant funding method and anticipates receiving approximately an additional $ 50,000.00 by the end of June 2019. This estimate is based on historical amounts received over the last three federal fiscal years. HOME program income is required to be spent on a "first come, first served" basis. Due to the significant reduction in HOME Funding DHCD will continue to use the 10% of program income received for administrative costs as allowed under HUD regulations when necessary .

The State will administer HOME funds allocated to State programs by directly funding projects which receive State resources. HOME funds may also be used in conjunction with the Community Legacy Program. HOME funds may also be used to refinance existing debt under HUD guidelines.

HOME funds may be requested by sponsors and/or local governments as part of a project application. CDA staff may also propose the use of HOME funds during project underwriting. HOME funds will be awarded to projects either as individual projects or as part of a financing package. Projects greater than $ 100,000 shall be presented to the Housing Finance Review Committee(HFRC)

Funds Transfer

The HOME funds to be used in conjunction with on-going DHCD housing programs will be allocated to these uses for up to eight months. After that time, unencumbered funds may be moved to any other HOME uses to meet additional demand for funds or for special projects, including the Community Legacy Program.

Geographic Areas for Use of State HOME Funds

The State will primarily use its funds in HOME non-participating jurisdictions. However, in some instances HOME funds can be used in participating jurisdictions, typically when funds are not used by non-entitlement areas and are at risk of being lost. There are six local participating jurisdictions within the State which have their own HOME funds. They are Baltimore City, and Anne Arundel, Baltimore, Harford, Howard, Montgomery and Prince George's Counties. State HOME funds for the non-participating jurisdictions are restricted to PFAs except as outlined in the geographic targeting discussion provided earlier in the Plan.

Community Housing Development Organizations (CHDOs)

The State of Maryland will reserve not less than 15 percent of its HOME allocation for use by CHDOs. Within the CHDO set-aside, 10 percent may be used for project specific technical assistance and pre-development costs for nonprofit organizations

The set-aside for use by CHDOs will be administered in the same manner as other HOME funds, that is, they will be awarded as part of the existing program funding except HOME Seed Money and Technical Assistance loans which are funded on a first-come, first-serve basis as described in the next paragraph. It is anticipated that CHDOs will use funding for acquisition, moderate and substantial rehabilitation and construction of housing for low and moderate-income persons. The State does not anticipate any barriers to utilizing the CHDO set aside; however, if funding is being committed more slowly than necessary to use the required amount, extra measures will be taken to promote the use of the set-aside. The measures will include aggressive marketing for applications, expedited processing and ultimately, if need be, reservation of the balance of uncommitted HOME funds solely for projects that meet the required set-aside.

The funds set-aside for project-specific technical assistance and pre-development costs will be administered by CDA. CDA will solicit participation by potential CHDOs and will certify CHDO eligibility by determining that applicants meet the criteria outlined in the HOME program regulations. Certified CHDOs will be eligible for HOME Seed Money and Technical Assistance loans. A CHDO may apply to use HOME funds to pay reasonable and customary pre-construction costs of a project. All costs must be related to a specific project, which, if deemed feasible, would be eligible to receive HOME funds for development. HOME Seed Money and Technical Assistance loans will be provided to CHDOs on a first-come, first-served basis. The loans will be zero percent interest with deferred principal. Repayment will be due at settlement of the construction or permanent loan. CDA has developed loan documents consisting of a Loan Agreement and a Promissory Note, and funds will be released upon execution of loan documents with CDA.

All CHDO funds awarded are predicated upon re-certification at time of award and all HUD requirements being met at that time.

Guidelines for Homeownership Assistance

The State of Maryland may use HOME funds to assist individuals and families purchasing single family housing. HOME funds will reduce the cost of buying affordable housing in conjunction with the State administered first mortgage programs. The HOME programs may or may not require the use of other State administered first mortgage programs. Household with incomes at or below 80% of the area median household income, adjusted for household size and determined annually by HUD will be targeted. The State has elected to recapture the HOME Investment if the property is sold within the affordability period.

Definition of Modest Housing

Homeownership units assisted with HOME funds must be “modest housing”. The State defines housing to be modest if the sales price (when a property is purchased) or the after-rehabilitation value (when a homeowner property is rehabilitated) is within the HOME Homeownership Value Limits established by HUD.

Form of Subsidy

HOME funds may be used in homeownership programs to directly assist the home buyer with down payment and closing costs or to reduce the sales price of the home by providing a mortgage. HOME funds may be provided to developers to reduce the cost of land or development costs, the benefits of which would be passed on to the homebuyer.

METHOD TO ENSURE COMPLIANCE WITH RECAPTURE REQUIREMENTS

Pursuant to Section 92.254(a)(4)(ii) of the regulations, the State has selected the option to recapture the full HOME investment from the net proceeds of the sale of a house which was purchased with the assistance of HOME funds. Recapture may only be made if there are sufficient net proceeds. The net proceeds from the sale of a house will be distributed as follows:

1) a) To pay the balance due on any superior loan and to pay any required closing costs;

   b) To pay the HOME funds, subject to (2) below;

   c) To pay the balance due on any subordinate loan;

   d) To repay the homeowner for the amount of any homeowner payments; and

   e) To pay the remaining balance to the homeowner.

2) If there are insufficient proceeds from the sale of the house to repay the amount of HOME funds and to pay the homeowner for the amount of any homeowner payments, the State may forgive a portion of the loan made with HOME funds, calculated by multiplying the amount of the HOME loan by the fraction equal to the number of years the homeowner owned and occupied the house times the affordability period, where HOME funds per unit equal:

   (i) under $15,000, 1/5 per year

   (ii) $15,000 - $40,000, 1/10 per year; and

   (iii) over $40,000, 1/15 per year.

3) With respect to loans made with HOME funds to assist homebuyers, "Homeowner Payments" means the following:

   a) The amount of the down payment made by the homeowner on the house;

   b) The amount of any principal payments or prepayments on any loan on the property; and

   c) The cost of all capital improvements to the house made by the homeowner.

Additionally, the State will consider more restrictive terms for recapture and forgiveness provided it determines such action is necessary through established underwriting criteria.

HOME funds used to assist homebuyers that are recaptured according to these guidelines will be used to carry out other HOME eligible activities.

Legal Method

Covenants describing the recapture restrictions will be included in the recorded loan documents to ensure that the HOME funds will be recaptured at the time of transfer or refinance of the HOME-assisted unit.

Tenant Based Rental Assistance

The State of Maryland may use HOME funds for tenant based rental assistance on a limited basis, including using HOME funds for security deposit assistance and to help victims of disaster. Rental assistance programs will select households to receive assistance in accordance with written tenant selection policies and criteria. In addition, if families selected are currently residing in units that are designated for rehabilitation or acquisition under the HOME program, they will not be required to meet the written tenant selection policies and criteria. Families so selected may use the tenant-based assistance in the rehabilitated or acquired unit or in other qualified housing.

TYPES OF INVESTMENT BY THE STATE OF MARYLAND IN THE HOME PROGRAM

Maryland expects primarily to invest funds in projects through interest bearing and non-interest bearing loans, and possibly grants when needed. Depending on the circumstances of each project, the State may use other forms of subsidies including equity investments, interest subsidies consistent with the purposes of this program, and deferred payment loans with or without interest.

HOME Matching Fund Requirements

The State will provide HOME match through DHCD's Rental Allowance Program.

Program Income

The State may receive program income from time to time as a result of the prepayment of loans or from debt service payments. Any program income received will be used in accordance with the requirements of 24 CFR Part 92.

Suspension or Method of Distribution for Presidential Disaster Declarations

In the event of a Major Disaster Declaration by the President of the United States for a city, town, or unit of local government located in the State of Maryland, the Secretary of DHCD shall have the authority to waive the Method of Distribution or any other State regulations for the HOME program to address emergency needs of impacted communities. This will be done in consultation with HUD and the program will operate within the parameter of the law or laws addressing the HOME program.

HOME Performance Measures

As part of its desire to implement performance measures, HUD asks grantees to assign measures to activities they expect to undertake. The table below shows how projected HOME activities will correspond with HUD's Performance Measurement system:

HOME INVESTMENTS PARTNERSHIP PROGRAM

FFY 2019 Planned Project Results (HOME Program)			
Outcomes and Objectives*	**Performance Indicators**	**Expected Number**	**Activity Description**
DH – 2	Number new/rehabilitated units available to low income households	53	Assistance to Rental Housing Development and Group Home Rental Projects
DH – 2	Number of existing units bought to code	26	Housing rehabilitation assistance to low income households
DH – 2	Number of households receiving down payment/closing cost assistance	0	Assistance to low income homebuyers
*Grantees should use one of 9 outcome/objective categories below			
	Availability/Accessibility	**Affordability**	**Sustainability**
Decent Housing	DH-1	DH-2	DH-3
Suitable Living Environment	SL-1	SL-2	SL-3
Economic Opportunity	EO-1	EO-2	EO-3

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA) PROGRAM

Background

The Maryland Department of Health (MDH), Prevention and Health Promotion Administration (PHPA), Infectious Disease Prevention and Health Services Bureau received $1,982,344 in HOPWA formula funding during the coming year beginning July 1, 2019 and will supplement those funds with $150,303 in encumbered HOPWA funds from previous years, and $207,703 in Ryan White HIV Care Services funding (HRSA) for a total of $2,340,350. These funds support a comprehensive housing program and supportive services to prevent homelessness and increase housing stability for low-income persons who are living with HIV/AIDS. The State of Maryland's HOPWA program specifically targets more rural areas of the state, as counties that are not recipients of HOPWA funds as part of an eligible metropolitan area. Counties covered in this program include Allegany, Caroline, Dorchester, Garrett, Kent, Somerset, St. Mary's, Talbot, Washington, Wicomico and Worcester. In addition PHPA also receives HOPWA funding for the Frederick County/Montgomery County eligible metropolitan statistical areas on behalf of the City of Frederick Housing Authority.

In order to address the health care needs of persons living with HIV/AIDS, stable and supportive housing is critical. The HOPWA Program provides housing and supportive services that encourage increased adherence to HIV care and treatment. The HOPWA Program is part of Maryland's statewide plan to address the housing needs of low-income people with HIV/AIDS and their families. The HOPWA Program complements the Ryan White Part B programs and State funded HIV Programs that are currently operating in the rural areas of the state. The program combines HOPWA funded Tenant Based Rental Assistance (TBRA), Short Term Rent, Utilities and Mortgage Assistance (STRMU) and Permanent Housing Placement Services (PHP) with medical and support services funded through Ryan White Part B and State funding such as: outpatient medical care, medical case management, treatment adherence, oral health care and emergency financial assistance. Furthermore, wherever possible, Ryan White HIV care services funding is used for case management and housing services supports (such as short term rental and utility assistance) to permit HOPWA services to be expanded, covering services not permitted under Ryan White, such as the Permanent Housing Program services.

As such, HOPWA, Ryan White and State funded case management and support services providers share common and integrated goals that support National HIV/AIDS Strategy objectives: Increase access to permanent, affordable housing resources for individuals and families living with HIV/AIDS to maintain and/or increase housing stability, and to promote the integration of supportive service options for these persons and their families to contribute to better health outcomes, especially viral suppression. This continuum of housing support and stabilization services, along with the core medical and case management services available through Ryan White and State funded programs ensures persons with HIV/AIDS can live as independently as possible, participating in HUD-funded supportive housing programs.

Needs Assessment

Each year, in preparation for identifying regional funding priorities, the Prevention and Health Promotion Administration (PHPA) conducts a needs assessment for HIV services in each of the five regions in the state. Access to safe and affordable housing consistently ranks as the number one, unmet need. Marylanders who are living with HIV often struggle with additional, often chronic, co-morbid conditions like kidney disease, Hepatitis C, persistent and severe mental illnesses, cognitive delay, mobility impairments, and other ailments that make activities of daily living even more challenging. Without stable housing, stress levels increase further compromising already fragile immune systems. Individuals are exposed to chaotic housing shelters or the uncertainty of life on the streets. Essential nutritional needs are easily neglected or forgotten. Complex treatment regimens become more difficult to monitor and are frequently derailed when faced with instable living situations. Appointments with health care and human service providers are more likely to be missed or not scheduled at all.

Beginning in July 2014, Maryland created one statewide integrated planning body for HIV prevention and care services, the “HIV Planning Group,” hereafter referred to as the HPG. The HPG was created so that consumers, key stakeholders and HIV service providers could collaborate to develop a results-oriented process for a seamless approach to assessing HIV services and to inform the development and update of Maryland’s HIV Plan. Maryland’s HIV Plan not only identifies activities and targets to achieve - with goals and take down numbers consonant with the National HIV/AIDS Strategy – but also produces the Statewide Coordinated Statement of Need, the Comprehensive HIV Plan and the jurisdictional HIV prevention plan.

At the individual consumer input level, the Prevention and Health Promotion Administration (PHPA) routinely performs an HIV services Consumer Satisfaction Survey. The most recent survey polled more than 4000 PLWHAs in Maryland, with over 2300 responses. The annual survey is designed to measure the quality of HIV core medical and support services delivery and the identifiable needs of persons living with HIV/AIDS. In addition the HOPWA program piloted a consumer satisfaction survey in 2014 to measure the quality of housing and supportive housing services delivery and the identifiable needs of HOPWA clients.

Housing Availability

Historical data supports a lack of affordable decent housing for low-income individuals and families throughout the state of Maryland. Emergency shelter and transitional beds are at a premium in Maryland, clearly outstripping need. The 2018 Point in Time Count (AHAR 2018, HUD) measured 7144 persons totally homeless – a slight decrease from the 7,247 persons counted in 2017, down substantially from 8,392 in 2015. Data from the Maryland Interagency Council on Homelessness shows about one third of that population lives in rural areas of the state. Among those in this survey, a little less than 1% report to be living with HIV. While a small percent it still represents 112 persons living with HIV who were defined as literally homeless in the state. Given the stigma of reporting HIV, this number may be woefully undercounted.

Regardless of HIV status, clients experience long housing wait lists and most public housing lists (“Section 8” Housing Choice Vouchers) remain closed. Landlords with the better housing stock are often hesitant to participate in supportive housing voucher partnerships. It is difficult to find landlords in the rural areas that will accept housing vouchers since the program is not affiliated with Section 8. In some rural areas housing units that meet the federal Fair Market Rates (FMR) are in less desirable neighborhoods with substandard properties. Housing availability in the more rural areas has challenges often particular to that region. For example, in St. Mary’s County, extremely rural by many aspects, the co-location of a military base means a ready and willing market to pay the most for apartments by the officers and trainees routinely assigned there. This “market” basically means availability is eaten up before persons in need can get to those units and prices are inflated compared to local incomes.

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Housing Affordability

While one of the “richest” per capita states in the country, Maryland also has some of the widest divides in wealth and poverty. This has resulted in some of the highest average FMR rental costs in the country, including driving up prices of rents in the most rural jurisdictions. In April of 2019 the average rent for a one and two bedroom apartment was $1,256 and $1,510/month, respectively, compared to the same sized unit cost nationwide of approximately $1,000 and $1,230 respectively (https://reports.nlihc.org/oor/maryland, accessed 4/30/19).

Using the commonly accepted 1/3 rule (monthly housing costs should not exceed 1/3 of income), the annual income needed to afford even the most rudimentary 1 bedroom apartment would be $50,238. Considering the annual, fixed, income for a person on Social Security is just under $9,000 and we can see the burden of rent gap to income is glaring. The most vulnerable of persons are also living in those spaces and communities that have experienced some of the worst effects of the recession, having still not bounced back almost 10 years now. Pernicious and continuing high unemployment and poverty result in a rental housing market being out of reach for many Marylanders. In fact, of the 14 counties the MDH HOPWA program serves, *only one* county - Montgomery - exceeds the per capita monthly income threshold amount needed to rent without burden above the “one third” rule.

Housing affordability is not only about meeting rent expenses, but also the affordability of even *beginning* that process. Application fees, credit checks, outstanding debts, back due utilities bills, moving and storage expenses, as well as start-up costs for a household (furniture, bedding and linens, dishes, cleaning supplies, food, etc.) all contribute to create a significant financial barrier to even start a housing search. This is of course especially true for those living on fixed incomes that we regularly see among those experiencing homelessness and housing instability. Add to this the overrepresentation of returning citizens (ex-offenders) and veterans, those suffering with drug use disorders and persistent mental illnesses and combined co-morbidities among those experiencing homelessness, and getting to housing stability is non-starter for most persons in these risk groups.

Housing Sustainability

Each participant in the HOPWA housing program participates in the development of a self-determined housing stability plan. The plans not only comprise the current needs and goals for HOPWA program participants to maintain existing housing, but also what strategies can be employed to help them move to even more stable, independent long-term housing outcomes. These assessments are updated at least yearly and guide the housing case managers to identify tools and resources to assist participants with successful outcomes. Additionally, active participation in medical care and medical case management are critical steps in all housing stability plans to ensure wrap around services and insulation from the effects of crisis that can often derail stability and provide the additional resources to overcome barriers as they present.

Current Network of Services

PHPA plans to provide the following network of services:

- Tenant Based Rental Assistance
- Short Term Rent, Mortgage and Utilities Assistance
- Permanent Housing Placement Assistance
- Supportive Services – Housing Case Management

The following HOPWA Project Sponsors provide these services:

- Maryland Department of Housing and Community Development (DHCD)
- City of Frederick Housing Authority
- Montgomery County Department of Health and Human Services (MCHD)
- Dorchester Department of Social Services
- Washington County Department of Social Services
- Charles County Health Department

DHCD, Frederick Housing Authority and MCHD all have considerable experience in providing supportive housing opportunities to persons living in poverty as well also to those living with special needs such as those experiencing severe and persistent mental illness, mobility concerns, cognitive delays, hearing impairments, with histories of drug and alcohol abuse and addictions. DHCD provides administration of TBRA subsidies to the rural program's eligible HOPWA clients. Frederick Housing Authority and MCHD provide TBRA subsidies to eligible HOPWA clients in the Frederick/Montgomery EMSA.

Each of the recipients of HOPWA funding is provided the additional oversight and technical assistance to ensure true integration of networked services between housing and health care. For example, in Montgomery County, the Department of Health and Human Services provides a variety of services via case management interventions as "wraparound services". Charles County's health department oversees the implementation of HOPWA serving the St. Mary's County HIV population and the co-location of their housing coordinator within the health offices means team meetings and care concerns for consumers are readily addressed and barriers to housing *and* care can be tackled as a team. The Dorchester Department of Social Services provides housing coordination and supportive housing case management by linking the medical case managers in the Eastern Shore counties to the HOPWA program there. In the Western region PHPA uses HOPWA funds to support continued partnership between a housing coordinator at the Washington County Department of Social Services who provides the skill and knowledge of housing navigation and the HOPWA program services, to medical case management services supporting those living with HIV in Washington, Garrett and Allegany counties.

Strategic Plan

To address the shortage of affordable housing for persons living with HIV and their particular concerns and needs, the State of Maryland's HOPWA Program prioritizes HOPWA funding to 1) keep persons from experiencing homelessness by utilizing STRMU funds to stabilize precarious housing rental or mortgage issues – providing for utilities,, back rents, and mortgages that threaten eviction and loss of housing; TBRA funds – tenant rental subsidies that support a resident's move from homelessness to housing stability and support services, and PHP (Permanent Housing Program) dollars – permanent housing program funds that assist consumers to obtain housing by assisting with security deposits, first month rents, credit report and application fees.

In the upcoming year PHPA will provide technical assistance to strengthen the skills, knowledge and resources available to housing case managers so they can increase the likelihood their eligible clients could transition from the HOPWA program to permanent, long-term housing. In the coming year MDH will continue to increase the numbers of households served with TBRA. In 2017-2018 the MDH HOPWA program served 156 households with TBRA supports – slightly over the goal of 152 reported in the ConPlan. Based on flat funding, the TBRA goal of households served for 2019-2020 will remain at 152 households served, as will the count of 40 households to be served under PHP.

One significant shift will be the move of coverage of short term utility and rental assistance supports and supportive housing case management supports. Previously, encumbered dollars were used to fund these services for the Rural HOPWA programs in Western Maryland, Eastern Shore counties, and St. Mary's County. In the coming year much of these services will shift from HOPWA funding to Ryan White Housing Services funds. With flat funding for the Rural HOPWA program the past two years the availability of HOPWA funds to cover all these services has diminished, while cost of living (salaries anf fringe for case management supports) and rental costs (TBRA) have increased. Using Ryan White funds in this manner, to cover these services (with the exception of mortgage assistance which is not permitted under Ryan White, and which has not been accessed, but rarely, under HOPWA funding) will permit the Rural HOPWA program to be fully funded for the same number, or more, households receiving rental assistance (TBRA) and ensure those households receive the requisite supportive housing case management. Specifically this means that while the number of households projected to be assisted under STRMU will drop, from 75 served across the MDH HOPWA program overall (2017-2018) to a projected goal of 41 households in 2019-2020 the difference of those assisted households will be still be picked up with assistance coverage under the Ryan White HIV care services program.

The following allocations are proposed with the new formula funding and utilizing encumbered funding to continue services:

Maryland Department of Health – HOPWA Housing Services and Supports Allocations – SFY20				
Project Sponsor	**Housing Services/Supports**	**FFY 2019 Award**	**Encumbered Funds**	**Regular + Encumbered**
Rural HOPWA - MD Department of Housing and Community Dev.	Tenant-Based Rental Assistance	403,947	60,341	464,288
	7% Admin (or less)	17,767	17,176	34,943
	Total:	**421,714**	**77,517**	**499,231**
Rural HOPWA - Dorchester Co. Department of Social Services	Support Services-Housing Case	54,869		54,869
	Housing Information Services			
	Short-term Rental, Mortgage, Utility			
	Permanent Housing Placement	10,500		5,550
	7% Admin (or less)	5,751		5,571
	Total:	**71,120**		**82,160**
Rural HOPWA - Charles Co. Health Dept.	Support Services-Housing Case			
	Short-term Rental, Mortgage, Utility			
	Permanent Housing Placement		6,540	6,540
	7% Admin (or less)			
	Total:		**6,540**	**6,540**
Rural HOPWA - Washington Co. Dept. of Social Services	Support Services-Housing Case			
	Housing Information Services			
	Short-term Rental, Mortgage, Utility			
	Permanent Housing Placement	4,500		4,500
	Client Transportation			
	7% Admin (or less)			
	Total:	**4,500**		**4,500**
Montgomery Co. Health & Human Services HOPWA	Support Services-Housing Case	155,614	-	155,614
	Housing Information Services	-	-	-
	Tenant-Based Rental Assistance	798,480	-	798,480
	Short-term Rental, Mortgage, Utility		50,165	50,165
	Permanent Housing Placement	16,252	8,748	25,000
	7% Admin (or less)	58,175	13,873	72,048
	Total:	**1,028,521**	**72,786**	**1,101,307**
Housing Authority of the City of Frederick HOPWA	Support Services-Housing Case	71,388	-	71,388
	Housing Information Services	-	-	-
	Tenant-Based Rental Assistance	264,759	-	264,759
	Short-term Rental, Mortgage, Utility	18,000	-	18,000
	Permanent Housing Placement	8,000	-	8,000
	Client Transportation	1,000	-	1,000
	7% Admin (or less)	27,333	-	27,333
	Total:	**390,480**	**-**	**390,480**
	ALL PROJECTS TOTAL	***1,922,875***	**150,303**	**2,073,178**
Maryland Department of Health (PHPA)	3% Admin (or less)	***59,469***	**-**	***59,469***
	GRAND TOTAL	**$1,982,344**	**$150,303**	**$2,132,647**

The following summarizes the counts of services being provided across Project Sponsors;

Estimated Households to be Served, July 1, 2019 through June 30, 2020 MDH – PHPA HOPWA Program – Regular Award + Encumbered and Total	
Units of Measurement	**Total Count**
Number of Households Assisted, TBRA, State of Maryland HOPWA Allocation - Rural Counties	65
Number of Households Assisted, STRMU, State of Maryland HOPWA Encumbered - Rural Counties (services replaced with Ryan White funds)	0
Number of Households Assisted, PHP, State of Maryland HOPWA Encumbered- Rural Counties	14
Number of Households Assisted, TBRA, Frederick/Montgomery HOPWA Allocation	87
Number of Households Assisted, STRMU, Montgomery HOPWA Allocation	20
Number of Households Assisted, STRMU, Frederick HOPWA Allocation	42
Number of Households Assisted, PHP, Montgomery HOPWA Allocation	20
Number of Households Assisted, PHP, Frederick HOPWA Allocation	6
Number of Households Assisted, Transportation, Rural HOPWA Allocation	20
Number of Households Assisted, Transportation, Frederick HOPWA Allocation	20
Total Households Served	274

Priorities and Objectives

Note: Objectives apply to people living with HIV/AIDS; however, HOPWA funds improve the standard of living for the families and dependents of HOPWA consumers as well.

Priority: To assist low income Maryland residents living with HIV/AIDS to achieve housing stability by providing supportive housing, and increasing and improving housing assistance in eleven underserved rural counties including Frederick and Montgomery counties.

Other Special Needs

In the rural areas, HOPWA clients are able to access support services and medical services through county health departments. Each county provides case management and emergency financial assistance. All eligible clients are able to access specialty HIV ambulatory outpatient care through regional seropositive clinics and the Montgomery County Department of Health and Human Services. Other services available through the health department vary according to client needs and priorities.

Services included are: oral health care, transportation, non-medical case management, treatment adherence, mental health services, psychosocial support, and health education risk reduction.

Clients are also offered partner counseling and referral services (PCRS). This service is provided to clients at the time of their HIV positive notification. Currently, Maryland is standardizing the integration of PCRS into case management and clinical care throughout the course of disease.

The State of Maryland HOPWA program leverages more than $30M in additional State funding to provide HIV core medical and support services. To be eligible to receive HIV services provided with State funding, a client must present proof of Maryland residency, clinical confirmation of HIV infection and documentation that income does not exceed 500% of the federal poverty level.

Individuals with HIV/AIDS, if eligible, have access to the Maryland AIDS Drug Assistance Program (MADAP) and the Maryland AIDS Insurance Assistance Program (MADAP Plus). Eligibility criteria include: Maryland residence, income less than 500% of the federal poverty level (FPL) not Medicaid eligible, clinical confirmation of HIV infection, and the need for HIV anti retro-viral medications. MADAP Plus provides assistance in paying an individual’s RX/Health Insurance premiums if additional eligibility criteria are met.

Method of Distribution

TBRA subsidies will be administered and distributed by DHCD, MCHD and the City of Frederick. STRMU and PHP assistance payments will be distributed by Washington County Department of Social Services (western region counties), Dorchester County Department of Social Services (eastern region counties), Charles County Health Department (St. Mary’s County), MCHD (Montgomery County) and the City of Frederick Housing Authority (Frederick County). In the event that additional HOPWA funds become available to assist new clients, funding will be allocated based on assessment of need for supports, family size and eligibility for other programs. These providers were chosen based on their experience in administering HOPWA funding and their ability to coordinate services with other HIV care providers in their community.

Consumer/Community Input

Consumers and providers, including health care professionals, nonprofit organizations, faith-based organizations and others, have many opportunities to provide input into how HOPWA funds are expended, through both regional and local venues, such as the HPG meetings and town hall meetings. These groups consist of consumers and providers that meet quarterly to discuss changes in the regional HIV care and services priorities. Membership is open to the public and funds are available for transportation and childcare to increase consumers' participation. Project Sponsors receiving HOPWA funds are required to attend these meetings each quarter. HOPWA recipients are also invited to attend as service consumers. The majority of HOPWA consumers also receive Ryan White and State funded HIV services. All Ryan White and State funded agencies, including local health departments, conduct annual client satisfaction surveys to obtain consumers' feedback on the services they have received at that site.

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EMERGENCY SOLUTIONS GRANT

The Emergency Solutions Grants (ESG) Program provides funds to prevent homelessness, to assist in the costs of street outreach activities, to assist in the costs of operating emergency shelters, and to rapidly re-house people who are homeless. Such assistance is designed to assure that homeless persons and those at-risk of homelessness have access not only to decent, safe and sanitary shelter, but also to the supportive services needed to improve their situations.

Consultation with the Continua of Care- 24 C.F.R. §576.400 (a)

For SFY 2020 (FFY 2019), Maryland's allocation for the 19 non-entitlement counties of the State is $1,121,541 under the ESG program. Through the Homelessness Solutions Program (HSP), which also includes an additional $9.3 million in State funding, each CoC is responsible for consulting with providers and other stakeholders within their area to review requests for funding. The CoC then submits a single funding application to DHCD for both Federal ESG and State homelessness programs that aligns with local plans and the goals of the CoC to address homelessness in their jurisdiction. In addition, each CoC provides evidence of the development of written standards related to policies and procedures for program eligibility, and program operation. Also, in conjunction with the development of the State HMIS data warehouse, the CoCs have been engaged to develop procedures for the administration and operation of HMIS, and are submitting their activity data to the data warehouse to meet Federal and State reporting requirements. CoCs were also involved in the creation of data quality standards and performance measures that are used to evaluate their progress towards achieving State and local goals for reducing homelessness. DHCD will therefore use ESG funding as follows:

STATE OF MARYLAND ESG ALLOCATION – FFY 2019	
State Administration (6.5%)	$72,900
Local Administration (up to 1%)	$11,215
All Other – Emergency Shelter, Homelessness Prevention, Street Outreach, Rapid Rehousing, and HMIS Activities (92.5%)	$1,037,426
TOTAL	**$1,121,541**

ESG Match Requirements

ESG funds must be matched dollar for dollar. Match may be provided from Federal, state, local, or private sources, unless the funds are ESG funds from other fiscal years. Match may be in the form of cash as well as in-kind contributions. Cash contributions may come from private sector sources, including donations from individuals, groups, corporations or other private entities, and/or local government. In-kind contributions may include: the value of any donated material or building, the value of the lease on a building, any salary paid to staff of the applicant or nonprofit organization in carryout out the shelter or homelessness program, and the time and service contributed by volunteers to carry out the shelter or homelessness program.

The Federal match requirement is met through a state appropriation in the amount of $1.9 million. Furthermore, the state requires a match from local grantees in the amount of 25% of the total award. The State acknowledges its responsibility to ensure that all ESG match contributions are made to the level required by the federal program regulations.

The state appropriates an additional $7.4 million in funds to address homelessness in Maryland.

Selection Criteria

To make ESG program funds available to Continua of Care, DHCD conducts an annual competitive round of funding in which eligible lead agencies are invited to submit applications covering both the ESG funds, as well as funds available through other State sources. Applicants meeting program requirements are awarded funds based on previous funding levels, their application scores and measures of local need. Funds are allocated so that the awards are distributed among eligible applicants 1) taking into consideration the level of need in the service area and 2)the capacity of the grant recipient, and sub-recipient if applicable, to conduct the program effectively and administer the grant efficiently. Consideration is given to the desirability of funding a variety of projects and serving as many geographic areas of the State as possible.

Each Continuum of Care is permitted to submit one application for the overall Homelessness Solutions Program. The application may request funding for one or more projects that is either performed by the lead agency or passed through the lead agency to subgrantees, consisting of nonprofits and/or local government agencies, that are selected by the Continuum of Care on the basis of their ability to implement viable projects and programs that effectively address one or all of the objectives of the Homelessness Solutions Program. The Street Outreach and Emergency Shelter components are limited to 60% of the Federal ESG funding.

For SFY 2020 / FFY 2019, CoCs will be guaranteed access to a certain percentage of the funds they had previously been receiving through the Federal and State funding sources, including the Emergency Solutions Grants (ESG) funding. With our overall Homelessness Solutions Program (HSP) funding now totaling $10.4 million, these funding sources are often critical for the continued existence of many of our programs, and thus it was important to maintain a level of consistency in the funding amounts. Thus, when applying for Federal and State funds, CoCs were asked to break down their request into formula (guaranteed) funding, and competitive funding, which is determined through our scoring and ranking process.

Scoring for HSP applications in the SFY 2020 / FFY 2019 funding round will be based on a single score for the Continuum of Care. The score consists of two components. The first is a response by the Continuum of Care to application questions regarding their overall plan to address homelessness within their jurisdiction(s), as well as their ability to provide specific services (Emergency Shelter, Housing Stabilization Services, and Outreach) to people who are homeless or at-risk of homelessness. The second component is the CoC's performance relative to the HSP Data Quality Standards and Performance Measures. The Data Quality Standards evaluate each activity based off of an acceptable error rate in the key data elements. The Performance Measures evaluate providers' ability to move people quickly into permanent housing and/or help them retain their housing. The CoCs were consulted in the process of developing these standards and measures. The two scores (application score and performance score) are combined in order to create a final overall application score.

Final funding recommendations are based on a determination of eligibility for applicants; prior funding levels; and the overall application score.

<u>Program Standards Policy</u>

Coordination with Other Targeted Homeless Services - 24 C.F.R. §576.400 (b)

In 2014, the State of Maryland passed legislation reestablishing the Interagency Council on Homelessness (ICH) in law. Partners in this effort include the Maryland Department of Human Services, The Maryland Department of Housing and Community Development, the Maryland Department of Health, the Maryland Department of Labor, Licensing and Regulations, the Maryland Department of Disabilities, and representatives from the nonprofit sector. The Interagency Council on Homelessness had a crucial role in the consolidating legislation that brought many of the programs formerly at DHS over to DHCD, which is now allowing the agency to ensure efficiency in the delivery of services and coordinate efforts to maximize resources. State agencies are also working together through the ICH to provide services for specific homeless populations, i.e. veterans and unaccompanied homeless youth.

System and Program Coordination with Mainstream Resources - 24 C.F.R. §576.400 (c)

The Continua of Care must coordinate and integrate, to the maximum extent practicable, ESG funded activities with mainstream housing, health, social services, employment, education, and youth programs for which families and individuals at risk of homelessness and homeless individuals and families may be eligible. DHCD encourages this coordination through our application scoring process.

Written Standards for Providing ESG Assistance - 24 C.F.R. §576.400 (e)

The Continua of Care must establish and consistently apply, within the COC jurisdiction of the recipient's program, written standards for providing ESG assistance. If an applicant is awarded funds, the selected subrecipient must provide to the Department a copy of the written standards for providing ESG assistance prior to contract execution. Refer to 24 C.F.R. §576.400(d) for a discussion of the written standards. The standards must include at a minimum:

- Standard policies and procedures for evaluating individuals' and families' eligibility for ESG assistance;
- Standards for targeting for homeless persons and providing essential services related to street outreach;
- Policies and procedures for admission, diversion, referral, and discharge by emergency shelters assisted under ESG, including standards regarding length of stay, if any, and safeguards to meet

the safety and shelter needs of special populations, e.g., victims of domestic violence, dating violence, sexual assault, and stalking; and individuals and families who have the highest barriers to housing and are likely to be homeless the longest;

- Policies and procedures for assessing, prioritizing, and reassessing individuals' and families' needs for essential services related to emergency shelter;
- Policies and procedures for coordination among emergency shelter providers, essential services providers, homelessness prevention, and rapid re-housing assistance providers; other homeless assistance providers; and mainstream service and housing providers listed on 24 C.F.R. §576.400(b) and (c);
- Policies and procedures for determining and prioritizing which eligible families and individuals will receive homelessness prevention assistance and rapid re-housing assistance;
- Standards for determining what percentage or amount of rent and utilities costs each program participant must pay, when applicable, while receiving homelessness prevention or rapid re-housing assistance;
- Standards for determining how long a particular program participant will be provided with rental assistance and whether and how the amount of that assistance will be adjusted over time; and
- Standards for determining the type, amount, and duration of housing stabilization and/or relocation services to be provided to a program participant, including the limits, if any, on the homelessness prevention or rapid re-housing assistance that each program participant may receive, such as the maximum amount of assistance, maximum number of months the program participant may receive assistance; or the maximum number of times the program participant may receive assistance.

Participation in HMIS 24 C.F.R. §576.400(f)

Subrecipients are required to ensure that data on persons served and activities provided under ESG are entered into the applicable community-wide HMIS in the area in which those persons and activities are located, or a comparable database, in accordance with HUD's standards on participation, data collection, and reporting under a local HMIS. Subrecipients are required to enter into an agreement with the local HMIS Administrator for reporting.

If the subrecipient is a victim service provider or a legal services provider, it may use a comparable database that collects client-level data over time (i.e., longitudinal data) and generates unduplicated aggregate reports based on the data. Information entered into a comparable database must not be entered directly into HMIS or provided to an HMIS administrator.

The comparable database must comply with all current HMIS standards including data information, security, data quality, and processing standards, as established by HUD in its latest HMIS Data Standards guide. Victim Service Providers or Legal Services Providers that are awarded ESG funds must consult with the Continuum of Care and the HMIS administrator for the continuum of care area to ensure that the comparable database uses all the HMIS standards.

DHCD tracks HMIS reporting through a Maryland Statewide Homelessness Data Warehouse (MSHDW), which uploads records directly from the local HMIS. The MSHDW is used to fulfill Federal and State reporting requirements on the grants funded through the Homelessness Solutions Program (HSP).

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Evaluation of Program Participant Eligibility and Needs - 24 C.F.R. §576.401

Subrecipients must conduct an initial evaluation to determine the eligibility of each individual or family's eligibility for ESG assistance and the amount and types of assistance the individual or family needs to regain stability into permanent housing. These evaluations must be conducted in accordance with the centralized or coordinated assessment requirements set forth under 24 C.F.R. 576.400(d) and the written standards established under 24 C.F.R. 576.400(e) and all the guidelines outlined on 24 C.F.R. 576.401(a).

Subrecipients must reevaluate the program participant's eligibility and the types and amounts of assistance the program participant needs according to the requirements outlined on 24 C.F.R. 576.401(a). Furthermore, each program participant receiving homelessness prevention or rapid re-housing assistance is provided with a case manager (except where prohibited by the Violence Against Women Act (VAWA) and the Family Violence Prevention and Services Act (FVPSA)) and the assistance provider must develop an individualized plan to help that program participant retain permanent housing after the ESG assistance ends. These requirements are intended to help ensure that the ESG-funded emergency, short-term or medium-term assistance will be effective in helping program participants regain long-term housing stability and avoid relapses into homelessness.

Suspension of Method of Distribution for Presidential Disaster Declarations

In the event of a Major Disaster Declaration by the President of the United States for a unit of local government located in the State, the Secretary of DHCD shall have the authority to waive the Method of Distribution or any other State requirements governing the ESG program to address emergency needs of affected communities. This will be done in consultation with HUD and the program will operate within the parameter of the law or laws addressing the ESG program.

AP-35 Projects – (Optional)

Introduction:

States distribute their allocation of CDBG, ESG, HOME, HTF and HOPWA funds through a Method of Distribution. Funds for the first three programs are awarded competitively, so there are no projects to enter at this time. HTF funds are awarded on a first come first serve basis provided all program requirements are met first. HOPWA funds are awarded on a first come, first serve basis to eligible households. The two "projects" listed below are related to disaster assistance funding DHCD received to use for recovery efforts related to Superstorm Sandy as well as other natural disasters that impacted Maryland

#	Project Name

Table 8

Describe the reasons for allocation priorities and any obstacles to addressing underserved needs

CDBG-DR #1 - In compliance with federal regulations, the funds awarded to the State under this grant will be used for housing and economic development activities related to remaining needs due to Hurricane Sandy in Somerset County. Activities are still underway. The details of the approved Action Plan and subsequent Action Plan Amendments may be found at www.mdhousing.org under *CDBG Disaster Recovery Assistance.*

CDBG-DR #2 - In compliance with federal regulations, the funds awarded to the State under this grant will be used primarily for infrastructure activities related to remaining needs due to Hurricane Sandy, Hurricane Irene, Tropical Storm Lee and the Derecho. Through a competitive process, funds were awarded to Allegany County, Charles County, Dorchester County, Garrett County and Somerset County. Activities are still underway. The details of the approved Action Plan and subsequent Action Plan Amendments may be found at www.mdhousing.org under *CDBG Disaster Assistance*

AP-38 Project Summary

Project Summary Information

Table 9 – Project Summary

AP-40 Section 108 Loan Guarantee – 91.320(k)(1)(ii)

Will the state help non-entitlement units of general local government to apply for Section 108 loan funds? No

Available Grant Amounts n/a

Acceptance process of applications

n/a

AP-45 Community Revitalization Strategies – 91.320(k)(1)(ii)

Will the state allow units of general local government to carry out community revitalization strategies?

Yes

State's Process and Criteria for approving local government revitalization strategies

The State of Maryland uses the Sustainable Communities program to promote revitalization in local communities. To participate, municipal and county governments are asked to identify local areas in need of revitalization and create a comprehensive revitalization strategy or "Action Plan" guiding investment in accordance with the principals of sustainability. The "Action Plan" aims to increase economic, transportation, and housing choice, and improve environmental and health outcomes among other locally identified goals.

The Sustainable Communities program was codified in 2010 by the Maryland General Assembly. In order to obtain (or retain) a Sustainable Communities designation, local governments apply for designation through applications available from DHCD. Applications for Sustainable Community designation or renewal are reviewed by an interagency panel and must be approved by the Governor's Smart Growth Subcabinet. Once approved, communities retain their designation for five years.

All SC Area applications must meet the following threshold requirements:

1) Sustainable Community Area boundaries must be entirely within a Priority Funding Area (PFA) and should be indicative of a targeted approach;

2) A local government resolution in support of the boundary designation and Plan should accompany the application or must be in process (all SC Area designations will be contingent upon an executed local resolution);

3) The proposed Sustainable Community is within or near a town center or transportation center, or there is a need for financing assistance for small businesses, nonprofit organizations or microenterprises;

4) The proposed Plan must be consistent with other existing community or comprehensive plans and addresses the need for reinvestment

Application Evaluation
An innovative aspect of the Sustainable Communities program is the interagency review and approval process. Collectively, staff from six state agencies (including the Departments of Housing and Community Development, Planning, Transportation, Natural Resources, Commerce and Environment) review plans for essential elements of sustainability and geographic boundaries to ensure that applicants are targeting areas appropriate for State smart growth investments. The interagency panel then recommends designations and renewals to the Secretary or his designee and seeks approval from the Governor's Smart Growth Subcabinet.

AP-50 Geographic Distribution – 91.320(f)

Description of the geographic areas of the state (including areas of low-income and minority concentration) where assistance will be directed

Housing data provided by HUD revealed a similarity of need from jurisdiction to jurisdiction in Maryland. For example, if the percentage of "small, very low- income renter families" with housing needs was 65 percent statewide, virtually every jurisdiction within the State was within a few percentage points of the statewide average. In the survey of needs completed for the five year Plan, questions regarding infrastructure, community development, and economic development needs also indicated a similarity of need from jurisdiction to jurisdiction.

Since similar needs exist throughout the State, the State will not target its funds to certain jurisdictions, except as established by law. For example the State's allocation of CDBG funds may only be used in non-entitlement areas. Since there is a major emphasis on directing resources to growth areas and areas in need of revitalization, we will generally be targeting funds to projects located in Priority Funding Areas (PFAs) as well. The information below provides an outline of how funds will be targeted.

Programs (or parts of programs) that are not required to fund projects located only in PFAs.

- Federal and State Lead Paint Reduction programs
- Weatherization for Low Income Persons
- Indoor Plumbing Program
- Single Family Rehabilitation (MHRP: 1-4 units)
- Accessible Housing Grant and Loan Program (AHGLP)
- Group Home Financing
- HOME- for single family homes only
- Maryland Mortgage Program- for existing homes
- Local Government Infrastructure Financing
- Rental Allowance
- Emergency Solutions Grants
- CDBG- for single family housing rehabilitation, downpayment assistance and renovation of existing houses for sale or rental
- Community Services Block Grants
- Maryland Appalachian Housing
- Accessory Shared and Shelter Housing
- Section 8 Voucher /Certificate
- Section 8 Moderate Rehabilitation

Programs required by law to fund projects located only in Smart Growth Areas
The Smart Growth- Priority Funding Areas Act of 1997 requires that the following DHCD programs be used exclusively in Priority Funding Areas (PFAs). Moreover, the Sustainable Communities Act of 2010 requires that certain programs must be located in a sub-area concentration now known as

Sustainable Communities.

Neighborhood Revitalization
Community Investment Tax Credit- In Priority Funding Areas
Main Street Maryland/ Main Street Improvement Program- in Sustainable Communities
Community Legacy Program- in Sustainable Communities

Community Development Administration
Neighborhood BusinessWorks – in Sustainable Communities

Homeownership
Maryland Mortgage Program (MMP)- excluding O.B.O.- for new construction
Maryland Home Financing Program – for new construction
Preferred Interest Rate Loan Program – for new construction
HOME- for new construction
Rental Housing
Elderly Rental Housing- for new construction
Rental Housing Production- for new construction
Multifamily Housing Revenue Bond Financing- for new construction
HOME- for new construction

HUD also asks if or how funds will be specifically targeted to areas of minority concentration. In its Analysis of Impediments to Fair Housing Choice, the State defined a “high concentration” of minority households as a census tract where the percentage of minority households is at least 10% greater than the county average. Based on this definition, of the 46 census tracts in Maryland’s non-entitlement areas during period of analysis, 25 or slightly over 7% had census tracts of high minority concentration. DHCD targets its funding to Priority Funding Areas (PFAs). Of the 25 tracts with concentrations 15 have concentrations due to Historically Black Colleges and Universities, hospital centers, military bases, or prisons. Of the remaining 10 tracts 9 are all located within PFAs. Because of DHCD’s emphasis on targeting PFAs, areas of minority concentration are targeted for assistance through the State’s housing and community revitalization programs. (One sole concentration in Charles County is located outside a PFA and is a minority concentration, but is not a low income concentration. See the States Five Year Plan’s discussion of concentrations and the Analysis of Impediments to Fair Housing Choice for more information.)

Geographic Distribution

Target Area	Percentage of Funds

Table 10 - Geographic Distribution

Rationale for the priorities for allocating investments geographically

DHCD supports community revitalization through Sustainable Community and Smart Growth efforts. The reason for this is to both have strong communities, as well to use resources in an intelligent, sustainable manner. Relatedly, at the national level, the U.S. Department of Housing & Urban Development (HUD), Department of Transportation (DOT), and the Environmental Protection Agency (EPA) have committed to coordinate their capital investments in alignment with the following six "Livability Principles":

1. Support existing communities. Target public and private resources toward existing communities—through strategies like transit oriented, mixed-use development, and land recycling—to increase community revitalization and the efficiency of public works investments and to safeguard rural landscapes.

2. **Value communities and neighborhoods**. Enhance the unique characteristics of all communities by investing in healthy, safe, and walkable neighborhoods—rural, urban, or suburban.

3. **Coordinate and leverage policies and investment**. Align policies and funding to remove barriers to collaboration, leverage funding, and increase the accountability and effectiveness of all levels of government to plan for future growth, including making smart energy choices such as locally generated renewable energy.

4. **Enhance economic competitiveness**. Improve economic competitiveness through reliable and timely access to employment centers, educational opportunities, services and other basic needs by workers, as well as expanded business access to markets.

5. **Promote equitable, affordable housing**. Expand location and energy-efficient housing choices for people of all ages, incomes, races, and ethnicities to increase mobility and lower the combined cost of housing and transportation.

6. **Provide more transportation choices.** Develop safe, reliable, and economical transportation choices to decrease household transportation costs, reduce our nation's dependence on foreign oil, improve air quality, reduce greenhouse gas emissions, and promote public health.

The State of Maryland's Sustainable Communities echo these federal policies, directing State resources to efforts that carry out these goals and the State's goals for communities.

Discussion

For more information and a list of Sustainable Communities in Maryland by County, please visit DHCD's website at the following address: **http://dhcd.maryland.gov/Communities/Pages/dn/default.aspx**

Affordable Housing

AP-55 Affordable Housing – 24 CFR 91.320(g)

Introduction

The table below provides an estimate of the number of persons DHCD expects to assist with affordable housing in the next year:

The State uses a method of distribution for funding and does not have numerical goals for the number of homeless persons that will be assisted. The 9,000 non homeless persons assisted include producing about 1,500 homeownership units, financing about 2,000 new apartments, providing Tenant Based Rental Assistance to about 3,000 households, and rehabilitating about 2,500 housing units with weatherization and other funding. The Special needs households assisted includes a combination of households assisted with HOPWA funding, Group Home and SHOP funding, rental assistance through the 811 program, assistance under the Homeownership for Individuals With Disabilities program, and handicapped units produced under the Qualified Allocation Plan for LIHTC.

One Year Goals for the Number of Households to be Supported	
Homeless	100
Non-Homeless	9,000
Special-Needs	350
Total	9450

Table 11 - One Year Goals for Affordable Housing by Support Requirement

One Year Goals for the Number of Households Supported Through	
Rental Assistance	3,000
The Production of New Units	2,000
Rehab of Existing Units	2,500
Acquisition of Existing Units	1,500
Total	9,000

Table 12 - One Year Goals for Affordable Housing by Support Type

Discussion

Note that the goals above are slightly lower than the goals listed for the number of households assisted. This is to prevent double counting. For example, persons with Special Needs will be helped with rental assistance, as well as the production of new units. So they will be assisted in newly produced units while receiving rental assistance at the same time. The Rental Assistance category in general is also “front loaded”, as it includes all of the households who are assisted with Section 8, as well as HOPWA and RAP and Section 811 funding. In future years this number will be significantly lower as we will not double count the Section 8 numbers, and only count persons assisted with HOPWA, RAP and 811 funding. Lastly in the above table, we are assuming acquisition of existing units is defined as providing homeownership opportunities as there is no place else to identify homeownership activities in this table.

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AP-60 Public Housing - 24 CFR 91.320(j)

Introduction

DHCD does not own or operate any public housing units, but does administer a Housing Choice Voucher Program (HCV only) Public Housing Agency (PHA). DHCD will continue to work with PHAs throughout the State to help them revitalize their public housing inventory. To date, DHCD allocated over $140 M in Low Income Housing Tax Credits, $11 M through the States Rental Housing Works program and over $11 M in other DHCD funds in the Rental Assistance Demonstration (RAD) program.

Actions planned during the next year to address the needs to public housing

DHCD will continue to work on major projects with the Baltimore City Public Housing Authority, among others, to revitalize properties through the Rental Assistance Demonstration (RAD) Program. This multi-year effort is expected to rehabilitate over 15,000 public housing units in Baltimore City and other counties in the next few years.

Actions to encourage public housing residents to become more involved in management and participate in homeownership

DHCD established a homeownership program for Section 8 Housing Choice Voucher holders several years ago and will offer its Section 8 homeownership program to participants of who have been assisted for at least three (3) years the option to purchase a home with rental assistance through the tenant based voucher program. In addition, PHA residents may be eligible applicants under DHCD's homeownership programs which offer down payment and closing cost assistance and reduced interest rates to first time homebuyers.

If the PHA is designated as troubled, describe the manner in which financial assistance will be provided or other assistance

As part of the 1998 Quality Housing and Workforce Responsibility Act (QHWRA), Maryland and other States must describe how they would assist troubled PHAs with "financial or technical assistance" to help them lose their troubled status. HUD scores PHAs on their management practices and the physical quality of their units - a SEMAP or PHAS score under 60% results in a PHA being given "troubled" status. In the event a PHA is designated as troubled, DHCD will cooperate with HUD to provide technical assistance to help the PHA lose its troubled status. The type of assistance offered will be based on the findings in HUD's scoring that resulted in the PHA's troubled status. Examples of technical assistance DHCD will offer could include asset management, property management, or day-to-day operations, as appropriate. (We would note that while we can provide some assistance, HUD's Office of Public and Indian Housing (PIH) requires troubled PHAs to get assistance from HUD approved TA providers such as Nan McKay or NAHRO. DHCD is not a HUD-approved TA provider.)In addition, troubled PHAs, regardless of whether they are located in entitlement or non-entitlement jurisdictions, are eligible applicants for DHCD's housing rehabilitation programs, including for the rehabilitation of both multi-family and single family properties. Crisfield Housing Authority was designated a troubled PHA for fiscal issues In 2018, DHCD worked with CHA and the Baltimore HUD office to successfully consolidated the balance of the Crisfield Housing Authority (CHA) housing choice vouchers on and begin administration of the vouchers on schedule. Effective January 1, 2019, HUD's office of Housing Choice Voucher Programs (OHVP) approved the transfer of the Housing Choice Voucher Program units and associated budget authority from the Crisfield Housing Authority (CHA) to the Maryland Department of Housing and Community Development (DHCD). The Baltimore Office of Public Housing will ensure that CHA has procured a close-out financial review per requirements in PIH Notice 2018-12, to include submission of all required financial information needed to close-out its HCV program for FY 2018 in the PIH sub-systems.

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AP-65 Homeless and Other Special Needs Activities – 91.320(h)

Introduction

Describe the jurisdictions one-year goals and actions for reducing and ending homelessness including

Reaching out to homeless persons (especially unsheltered persons) and assessing their individual needs

The local Continua of Care assess the needs of homeless persons and their individual needs as part of their operations. This includes a yearly Point-in-Time count that is done partially by utilizing state funds, which also includes a survey of unsheltered persons every other year in most jurisdictions. The State of Maryland also uses ESG funds to support Street Outreach efforts by local service providers.

Addressing the emergency shelter and transitional housing needs of homeless persons

The emergency shelter and transitional housing needs are addressed through a wide variety of tools and programs operated by the local Continua of Care. There is an extensive network of homeless shelters and transitional housing in Maryland. The State of Maryland provides operating costs for these programs through both federal and state ESG funding. In addition, some communities utilize motel placements to temporarily house individuals and families as they make the transition from homelessness. Additionally, DHCD continues to fund the construction of new homeless shelters, transitional and permanent supportive housing through its Shelter and Transitional Housing Grant Program. However, based on evidence-based, national trends, DHCD is increasingly focusing on funding transitional housing only for specific populations, and providing rapid re-housing services to move people quickly out of emergency shelter. DHCD is also in the process of identifying capital funds to enable Transitional Housing providers to convert existing properties into Emergency Shelter or Permanent Supportive Housing.

Helping homeless persons (especially chronically homeless individuals and families, families with children, veterans and their families, and unaccompanied youth) make the transition to permanent housing and independent living, including shortening the period of time that individuals and families experience homelessness, facilitating access for homeless individuals and families to affordable housing units, and preventing individuals and families who were recently homeless from becoming homeless again

The State uses a variety of programs and resources to help homeless persons make the transition to permanent housing and independent living, and preventing individuals and families who were recently homeless from becoming homeless again. Our primary intervention is rapid re-housing, which helps people who are homeless to find appropriate permanent housing options, pay the rent for a period of time necessary to become stable in their new housing, and receive case management to address crises and remain in housing. The State has committed an increasing amount of our Federal ESG dollars for this purpose over the last few years, and is adding more State funds for this purpose through the Homelessness Solutions Program (HSP). Families and individuals are also put onto Federal Section 8

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Voucher waiting lists, and the State operates its own programs that provide short term rental assistance while families and individuals move up the list so that they have the resources they need to pay the rent and not return to homelessness.

Helping low-income individuals and families avoid becoming homeless, especially extremely low-income individuals and families and those who are: being discharged from publicly funded institutions and systems of care (such as health care facilities, mental health facilities, foster care and other youth facilities, and corrections programs and institutions); or, receiving assistance from public or private agencies that address housing, health, social services, employment, education, or youth needs

The special needs populations in Maryland consist of persons with disabilities, including persons with mental, physical, or developmental disabilities; the elderly and frail elderly; persons with alcohol or other drug addiction; persons with HIV/AIDS and their families; and public housing residents. These special needs populations constitute Maryland's poorest residents and those with the most severe housing burdens. They desperately need affordable and accessible housing. While the types of disabilities and reasons for low incomes may vary across the differing special need populations, the common characteristic is the need for an affordable place to call home. For all populations, accessible housing that is affordable is the most critical need.

The State has several programs that assist homeless individuals who are homeless or are at risk of becoming homeless. The Homelessness Solutions Program (HSP) includes a variety of both federal and state funding sources, including ESG, that focus on homelessness prevention and providing rental assistance that keep families from becoming homeless.

The Department is actively and regularly engaged in creating housing and service opportunities for the disabled and special needs populations. Through its rental housing programs, DHCD works closely with other State agencies (most notably the Department of Disabilities, the Department of Health and the Department of Human Services) in creating housing for these populations in integrated, community-based settings through programs such as 811, Bridge Subsidy, and the Weinberg initiative. DHCD also operates a Group Home Financing Program that provides financing for community-based group home opportunities.

Through its Rental Services division, DHCD administers vouchers for special needs populations including persons with HIV/AIDS (through HOPWA) and veterans (through VASH). DHCD was awarded 75 project based VASH vouchers through a competitive process for a development Perry Point Veterans Village in Cecil County in addition to the 90 tenant based VASH vouchers. The Department of Health has the lead role for individuals who are likely to become homeless after being discharged from publicly funded institutions or systems of care. The types of activities they undertake in coordination with other State agencies (such as DHCD, Corrections, DHS, and others) include:

- Supporting consumers and family members in navigating the PMHS
- Coordinating outreach services for individuals who are homeless and experiencing mental

illnesses

- Assisting in developing transition plans for consumers returning to the community from prisons and jails
- Facilitating discharge planning for children and adolescents in residential placement or residential level services
- Screening individuals for whom admission to an inpatient facility is requested to determine whether a less restrictive alternative can be provided
- Collaborating with acute care and state hospital facilities to facilitate transition to the community for individuals leaving inpatient care
- Granting access to the PMHS for uninsured clients in crisis
- Managing care for high-cost users to ensure they receive the most appropriate care in the least restrictive setting

Local Addictions Authorities also have a roll in this effort. This includes:

- Assisting and supporting consumers and families in accessing substance use disorder services
- Coordinating with other service systems to provide outreach to homeless persons who are in need of substance use disorder services
- Providing or facilitating pre-trial and community re-entry services to incarcerated individuals returning to the community
- Assessing all individuals requesting residential services for appropriate level of care
- Granting access to residential treatment beds when necessary, and
- Managing care for all residential clients to assure continuity of care

Persons who are not homeless but who require supportive housing are served in a number of settings. These settings range from institutions to independent housing integrated in the community. The housing setting is determined based on the individuals need and choice, as well as availability and affordability of appropriate housing. DHCD works in concert with MDH and the Maryland Department of Disabilities (MDOD) to offer housing programs that meet the needs of persons with disabilities, including people transitioning from mental health and physical health institutions. The programs are discussed in greater detail below.

MDH operates the following Home and Community- Based Service (HCBS) waivers, serving over 25,000 people as an alternative to institutionalization: the Community Pathways Wavier, which serves 14,070 persons with intellectual and/ or developmental disabilities; the Home and Community- based Options wavier (formally the Living at Home and Older Adult waivers) which transitioned 1,095 individuals during the years of 2011-2013 and assists 3,904 adults; the Brain Injury waiver, which assists 47 adults with brain injuries acquired after the age of 22; the medical Day Care Waiver, which serves 4,600 individuals aged 16 and above.

In addition to HCBS, MDH also provides state plan services such as Medical Assistance Personal Care (serves 5,400 adults) and Community First Choice. MDH’s Mental Hygiene Administration (MHA) also provides community based supports to individuals with behavioral health disabilities, which is limited to Medicaid eligibility and adults. MHA has provided psychiatric rehabilitation services to 2,819 individuals and other supportive services to 8,704 individuals. Additionally, DDA's Waitlist Equity Fund is utilized to fund services for individuals transitioning from Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICFs/IID), which are called State Residential Centers (SRCs), as well as for people not yet receiving services.

MDH has also developed Community First Choice (CFC), a new section 1915(k) program under Section 2401 of the Affordable Care Act. CFC consolidated overlapping services within the Medical Assistance Personal Care, Living at Home, and Older Adults Wavier programs into a unified and expanded program. MDH offers all required and optional services allowed in CFC in a self- direction or agency model. This has increased access to vital services that prevent institutionalization and hospitalization for many State plan only participants.

AP-70 HOPWA Goals – 91.320(k)(4)

One year goals for the number of households to be provided housing through the use of HOPWA for:	
Short-term rent, mortgage, and utility assistance to prevent homelessness of the individual or family	42
Permanent Housing placement	40
Tenant-based rental assistance	152
Units provided in housing facilities (transitional or permanent) that are being developed, leased, or operated	0
Units provided in transitional short-term housing facilities developed, leased, or operated with HOPWA funds	0
Total	274

AP-75 Barriers to affordable housing – 91.320(i)

Introduction

Actions it planned to remove or ameliorate the negative effects of public policies that serve as barriers to affordable housing such as land use controls, tax policies affecting land, zoning ordinances, building codes, fees and charges, growth limitations, and policies affecting the return on residential investment

Discussion

The State does not have policies that serve as barriers to affordable housing. The State does not have policies affecting the return on residential investment, nor does it have control over zoning. The State also does not have tax policies affecting land, nor does it charge fees for building.

The States does have some control over building codes, and adopted the International Existing Building Code (IEBC) in 2015, which became effective 2016. DHCD operates a Rehab Code Hotline which is a toll free number to help people determine code requirements for their projects. The use of the IEBC actually reduces barriers to affordable housing not only because it standardizes code, but also because it allows communities to receive technical assistance including code interpretations from the International Code Council which they would otherwise be unable to access. The State also follows the 2015 International Energy Conservation Code, and the International Green Conservation Code, both of which make housing more affordable by reducing energy costs as well as promoting sustainable development.

AP-85 Other Actions – 91.320(j)

Introduction

NA (NOTE: We cannot find a formal definition from HUD what this means, as it is traditionally related to services.)

Actions planned to foster and maintain affordable housing

DHCD will continue undertaking efforts under a rental housing preservation initiative funded by the John D. and Catherine T. McArthur Foundation. Over 10 years, DHCD will seek to increase rental housing preservation by 9,000 units over it's "baseline" production levels in nine (9) Counties impacted by the federal Base Realignment and Closure (BRAC) process. MacArthur Foundation funding totaling $4.5 million will enable DHCD to undertake a comprehensive approach toward systemic streamlining and financing to increase production levels in these targeted Counties.

Actions planned to reduce lead-based paint hazards

DHCD continues to be pro-active and operates its own lead abatement program funded with State appropriations that help control lead hazards. In addition to requiring lead abatement for all HUD funded projects, the Department also requires it when used with its own funds or other resources such as Federal Low-Income Housing Tax Credits. The Maryland Department of the Environment enforces lead paid reduction and control rules for landlords which also helps substantially reduce childhood exposure to lead based paint.

Actions planned to reduce the number of poverty-level families

The State of Maryland is strongly committed to reducing the number of households in Maryland living in poverty. The citizens of Maryland recognize that persons who live in poverty need a combination of social services and economic opportunities to get back on their feet. The State's Temporary Assistance for Need Families (TANF) is the State's plan for helping families get out of poverty. It can be found on DHS's website at www.dhs.state.md.us

In addition to the TANF Plan, DHCD undertakes additional efforts to help families who are in poverty. This is done primarily through the Community Services Block Grant Program (CSBG) which is funded through the U.S. Department of Health and Human Services (HHS). The State was awarded $9.8 in CSBG funds for FFY 2018 Funding is provided to subgrantees on a quarterly basis.

CSBG funds are granted to states in order to ameliorate the causes of poverty. To this end, the State allocates CSBG funds to the State's 17 local Community Action Agencies (CAAs) which in turn provide a range of services and activities having a measurable and potentially major impact on causes of poverty within a community.

HHS has issued six broad national objectives for the CSBG program. Within these national objectives, the CAAs of Maryland are using and have chosen the following national objectives and indicators that assist low-income participants to achieve the following:

- **Family Self-sufficiency**: Low-income people become more self-sufficient;
- **Community Revitalization**: The conditions in which low-income people live are improved;
- **Community Investment**: Low-income people own a stake in their community;
- **Community Capacity Building**: Partnerships among supporters and providers of services to low-income people are achieved;
- **Agency Capacity Building**: Agencies increase their capacity to achieve results; and
- **Family Stability**: Low-income people, especially vulnerable populations, achieve their potential by strengthening family and other supportive systems.
- Furthermore, the State emphasizes that actions undertaken with the CSBG program:

1. Focus resources toward the most needy.

2. Provide employment opportunities for low-income persons.

3. Close service gaps.

4. Enable low-income persons to participate in community action programs and projects.

During the coming year, DHCD's focus in working with CAAs will primarily be through inter-agency coordination and capacity building. This will include facilitating the coordination of resources and or offering training in a variety of areas including housing, community development, fiscal oversight, board management, etc. By linking agencies with other partners, including those receiving HUD funding, and assisting with building their capacity, CAAs will then be better able to carry out goals involved with helping families become both stable and self-sufficient. In addition, it will better enable CAAs to compete for DHCD funds that promote community revitalization and investment.

Actions planned to develop institutional structure

The State will use inter-departmental forums and meetings to coordinate resources, develop consistent policies and methods to achieve stated goals and objectives. DHCD has enacted several new policies in the past several years to improve the ability of developers to provide affordable rental housing. These programs include the rental housing preservation initiative with the John D. and Catherine T. MacArthur Foundation, streamlined bond program, the reopening of MHRP-MF, and changes to PRHP. The MacArthur Foundation preservation initiative includes working with HUD and the nine counties impacted most heavily by the BRAC to standardize underwriting for preservation projects, and working with the Maryland Energy Administration (MEA) and Public Service Commission (PSC) to strengthen energy efficiency and green building initiatives. Community Development coordination will be improved and streamlined through the State's Development Plan, as well as the federal and State

Sustainable Community Initiatives.

Actions planned to enhance coordination between public and private housing and social service agencies

Federal Low Income Housing Tax Credits. DHCD has a uniform application and process for allocating tax credits that is also used in award rental housing funds from State and federal resources. The uniform application and allocation process was developed in 1995 to improve coordination of all programs providing funding for multifamily rental housing projects. Federal Low-Income Housing Tax Credits will continue to be awarded through DHCD's uniform allocation process for multi-family housing.

In addition:

- DHCD will work with MDH and MDoD on the State's Section 811 demonstration program which will provide rental assistance to individuals with disabilities so that they can become self-sufficient while expanding housing choice.
- Through a partnership with the John D. and Catherine T. MacAuther Foundation, DHCD will work with nine (9) counties in Maryland in a coordinated manner to foster affordable rental housing
- DHCD will continue to work with Department of Disabilities (DoD) and the Department of Human Services (DHS) to provide housing for very low income Marylanders. DHCD is coordinating the use of two Weinberg Grants with DoD and DHS on this effort.
- DHCD will continue its coordination for energy efficiency with MEA, PSC, weatherization and sources of funding from HUD, DOE, PSC and utility companies.
- DHCD will continue to fund and operate its own Homeownership for Individuals with Disabilities Program, working with MDH and other agencies to enable persons with disabilities, families with disabled children and borrowers who are guardians for an immediate family member who is disabled to purchase their home.
- DHCD will work with the State's Housing Authorities to provide technical support and financing to help them rehabilitate their properties. On a regular basis, DHCD staff meet with executive director of Public Housing Authorities (both in individual and group setting) to discuss specific financing strategies for their projects. This includes RAD demonstration projects discussed in one year goals.
- DHCD will work with the Maryland Department of Aging and the Maryland Department of Health to carry out the Accessible Housing Loan and Grant Program which was authorized as its own stand-alone program in the 2013 legislative session.

- DHCD's Division of Neighborhood Revitalization will work with local Continuums of Care to continue to find solutions to help homeless, including increased coordination and participation in funding efforts under Emergency Solutions Grant Program.

- DHCD’s Division of Community Development Association and Division of Neighborhood Revitalization will coordinate with the Governor’s Office of Business Advocacy and Small Business Assistance (GOBA) and the Office of Minority Affairs, as well as the Maryland Department of Transportation (MDOT) and the Maryland Department of Commerce to increase their awareness of the Neighborhood Business Works (NBW), Maryland Capital Access and Linked Deposit Program and the gap financing, credit assurance/ loan loss reserves and interest rate buy downs available for state-up and expanding small and micro businesses located in revitalization areas across the State.
- DHCD’s Division of Community Development Association will continue to collaborate with the U.S. Small Business Administration to promote the Neighborhood Business Works Program.
- DHCD’s Division of Division of Neighborhood Revitalization will continue to work with the Maryland Department of the Environment and the U.S. Department of Agriculture to cross refer infrastructure projects to the most appropriate funding source.
- DHCD’s Division of Division of Neighborhood Revitalization will work with the Small Business Development Center Network and other providers of support to small and micro business (e.g. Morgan State University) in order to generate new referrals of small business seeking gap financing.
- DHCD’s and Division of Neighborhood Revitalization will continue to coordinate marketing of the Community Investment Tax Credit program with both internal and external partners including but not limited to the local Community Development Corporations and Community Action Agencies, Main Street Maryland organizations, the HOPE Counseling Network, the Maryland Historical Trust, the Maryland’s Comptroller’s Division of Revenue Administration, the Maryland Association of Nonprofit Organizations, the Maryland Chamber of Commerce, The Maryland Association of Realtors, the Maryland Economic Development Association and the Maryland Association of Certified Public Accountants.
- DHCD’s Division of Neighborhood Revitalization will continue to coordinate with the Maryland Departments of Natural Resources, Health and Mental Hygiene, Aging, and Transportation regarding projects that can be jointly funded.
- DHCD’s Division of Neighborhood Revitalization will continue to coordinate with its primary customers- local governments, community development corporations, nonprofit organizations, and small businesses to provide a variety of technical and financial resources.
- DHCD will work with the Governor’s Grants Office, as well as eligible applicants, in obtaining both federal and foundation grants for itself and its partners.
- Smart Growth- DHCD will work with other State agencies in promoting Smart Growth throughout Maryland.

Program Specific Requirements

AP-90 Program Specific Requirements – 91.320(k)(1,2,3)

Introduction

Community Development Block Grant Program (CDBG)
Reference 24 CFR 91.320(k)(1)

Projects planned with all CDBG funds expected to be available during the year are identified in the Projects Table. The following identifies program income that is available for use that is included in projects to be carried out.

1. The total amount of program income that will have been received before the start of the next program year and that has not yet been reprogrammed	0
2. The amount of proceeds from section 108 loan guarantees that will be used during the year to address the priority needs and specific objectives identified in the grantee's strategic plan	0
3. The amount of surplus funds from urban renewal settlements	0
4. The amount of any grant funds returned to the line of credit for which the planned use has not been included in a prior statement or plan.	0
5. The amount of income from float-funded activities	0
Total Program Income	0

Other CDBG Requirements

1. The amount of urgent need activities	0
2. The estimated percentage of CDBG funds that will be used for activities that benefit persons of low and moderate income. Overall Benefit - A consecutive period of one, two or three years may be used to determine that a minimum overall benefit of 70% of CDBG funds is used to benefit persons of low and moderate income. Specify the years covered that include this Annual Action Plan.	70.00% FFYs 2017-2019

HOME Investment Partnership Program (HOME)
Reference 24 CFR 91.320(k)(2)

1. A description of other forms of investment being used beyond those identified in Section 92.205 is as follows: NA
2. A description of the guidelines that will be used for resale or recapture of HOME funds when used for homebuyer activities as required in 92.254, is as follows:

See Method To Ensure Compliance with Recapture Requirements

3. A description of the guidelines for resale or recapture that ensures the affordability of units acquired with HOME funds? See 24 CFR 92.254(a)(4) are as follows:

See Method To Ensure Compliance with Recapture Requirements

Plans for using HOME funds to refinance existing debt secured by multifamily housing that is rehabilitated with HOME funds along with a description of the refinancing guidelines required that will be used under 24 CFR 92.206(b), are as follows: See Method To Ensure Compliance with Recapture Requirements

HOME funds when used for rehabilitation of housing who currently have a first mortgage can be used to refinance this first with the HOME funds if by refinancing it makes the home more affordable and the rehabilitation cost exceeds the amount of the existing mortgage. Refinancing cannot include any loans made or insured by any other Federal Program including CDBG.

Emergency Solutions Grant (ESG)
Reference 24 CFR 91.320(k)(3)

1. Include written standards for providing ESG assistance (may include as attachment)
   See method of distribution

2. If the Continuum of Care has established centralized or coordinated assessment system that meets HUD requirements, describe that centralized or coordinated assessment system.
   The State of Maryland does not have a Balance of State Continuum of Care, and does not directly participate in one of the 16 Continuums of Care in the state. Coordinated assessment is done by the local Continuums of Care, who certify that they are meeting the HUD requirements through the application for HSP funding (which includes the ESG funds).

3. Identify the process for making sub-awards and describe how the ESG allocation available to private nonprofit organizations (including community and faith-based organizations).
   See method of distribution

4. If the jurisdiction is unable to meet the homeless participation requirement in 24 CFR 576.405(a), the jurisdiction must specify its plan for reaching out to and consulting with homeless or formerly homeless individuals in considering policies and funding decisions regarding facilities and services

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funded under ESG.
N/A

5. Describe performance standards for evaluating ESG.
See method of distribution

Discussion

See method of distribution

Housing Opportunities for Persons with AIDS (HOPWA)
Reference 24 CFR 91.320(k)(4)

The Department of Health, Center for HIV Prevention and Health Services is currently assessing several strategies to expand capacity of HIV related housing programs, including: deepening collaboration with the Continuum of Care Program; exploring HUD models for integrated Ryan White and HOPWA housing programs; and issuing a Request for Proposals to identify additional project sponsors.

Housing Trust Fund (HTF)
Reference 24 CFR 91.320(k)(5)

1. How will the grantee distribute its HTF funds? Select all that apply:

☑ Applications submitted by eligible recipients

2. If distributing HTF funds through grants to subgrantees, describe the method for distributing HTF funds through grants to subgrantees and how those funds will be made available to state agencies and/or units of general local government. If not distributing funds through grants to subgrantees, enter “N/A”.

N/A

3. If distributing HTF funds by selecting applications submitted by eligible recipients,

a. Describe the eligibility requirements for recipients of HTF funds (as defined in 24 CFR § 93.2). If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

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

See HTF allocation plan in appendix for additional information about eligible recipient criteria.

b. Describe the grantee’s application requirements for eligible recipients to apply for HTF funds. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

N/A

c. Describe the selection criteria that the grantee will use to select applications submitted by eligible recipients. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

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

See HTF allocation plan in appendix for additional information about the application and award process.

d. Describe the grantee’s required priority for funding based on geographic diversity (as defined by the grantee in the consolidated plan). If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

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. 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 listed in the Department’s allocation plan.

See HTF allocation plan in appendix for additional information about geographic diversity.

e. Describe the grantee’s required priority for funding based on the applicant's ability to obligate HTF funds and undertake eligible activities in a timely manner. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

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

See HTF allocation plan in appendix for additional information readiness to proceed

f. Describe the grantee’s required priority for funding based on the extent to which the rental project has Federal, State, or local project-based rental assistance so that rents are affordable to extremely low-income families. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

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.

See HTF allocation plan in appendix for more information about the project-based rental assistance

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priority.

g. Describe the grantee’s required priority for funding based on the financial feasibility of the project beyond the required 30-year period. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

<u>HTF-assisted units must meet the affordability requirements for a period of 40 years, which begins at project completion.</u>

See HTF allocation plan in appendix information about the duration of affordability period.

h. Describe the grantee’s required priority for funding based on the merits of the application in meeting the priority housing needs of the grantee (such as housing that is accessible to transit or employment centers, housing that includes green building and sustainable development features, or housing that serves special needs populations). If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

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 enters, housing that includes green building and sustainable development features or housing

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.

See HTF allocation plan in appendix

i. Describe the grantee’s required priority for funding based on the extent to which the application makes use of non-federal funding sources. If not distributing funds by selecting applications submitted by eligible recipients, enter “N/A”.

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. See HTF

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allocation plan in appendix for more information about the state's levering priority.

4. Does the grantee's application require the applicant to include a description of the eligible activities to be conducted with HTF funds? If not distributing funds by selecting applications submitted by eligible recipients, select "N/A".

Yes

5. Does the grantee's application require that each eligible recipient certify that housing units assisted with HTF funds will comply with HTF requirements? If not distributing funds by selecting applications submitted by eligible recipients, select "N/A".

Yes

6. **Performance Goals and Benchmarks.** The grantee has met the requirement to provide for performance goals and benchmarks against which the grantee will measure its progress, consistent with the grantee's goals established under 24 CFR 91.315(b)(2), by including HTF in its housing goals in the housing table on the SP-45 Goals and AP-20 Annual Goals and Objectives screens.

Yes

7. **Maximum Per-unit Development Subsidy Amount for Housing Assisted with HTF Funds.** Enter or attach the grantee's maximum per-unit development subsidy limits for housing assisted with HTF funds.

The limits must be adjusted for the number of bedrooms and the geographic location of the project. The limits must also be reasonable and based on actual costs of developing non-luxury housing in the area.

If the grantee will use existing limits developed for other federal programs such as the Low Income Housing Tax Credit (LIHTC) per unit cost limits, HOME's maximum per-unit subsidy amounts, and/or Public Housing Development Cost Limits (TDCs), it must include a description of how the HTF maximum per-unit development subsidy limits were established or a description of how existing limits developed for another program and being adopted for HTF meet the HTF requirements specified above.

See HTF allocation plan in appendix for information concerning maximum per unit cost.

8. **Rehabilitation Standards.** The grantee must establish rehabilitation standards for all HTF-assisted housing rehabilitation activities that set forth the requirements that the housing must meet upon project completion. The grantee's description of its standards must be in sufficient detail to determine the required rehabilitation work including methods and materials. The standards may refer to applicable codes or they may establish requirements that exceed the minimum requirements of the codes. The grantee must attach its rehabilitation standards below.

In addition, the rehabilitation standards must address each of the following: health and safety; major systems; lead-based paint; accessibility; disaster mitigation (where relevant); state and local codes, ordinances, and zoning requirements; Uniform Physical Condition Standards; and Capital Needs Assessments (if applicable).

See HTF allocation plan in appendix regarding the multifamily rehabilitation standards.

9. **Resale or Recapture Guidelines.** Below, the grantee must enter (or attach) a description of the guidelines that will be used for resale or recapture of HTF funds when used to assist first-time homebuyers. If the grantee will not use HTF funds to assist first-time homebuyers, enter "N/A".

N/A

10. **HTF Affordable Homeownership Limits.** If the grantee intends to use HTF funds for homebuyer assistance and does not use the HTF affordable homeownership limits for the area provided by HUD, it must determine 95 percent of the median area purchase price and set forth the information in accordance with §93.305. If the grantee will not use HTF funds to assist first-time homebuyers, enter "N/A".

Any limitation or preference must not violate nondiscrimination requirements in § 93.350, and the grantee must not limit or give preferences to students. The grantee may permit rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3) only if such limitation or preference is described in the action plan.

N/A

12. **Refinancing of Existing Debt.** Enter or attach the grantee's refinancing guidelines below. The guidelines describe the conditions under which the grantee will refinance existing debt. The grantee's refinancing guidelines must, at minimum, demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing. If the grantee will not refinance existing debt, enter "N/A."

N/A

Discussion:

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2019 National Housing Trust Fund Allocation Draft Plan

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EQUAL HOUSING OPPORTUNITY

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National Housing Trust Fund Allocation Plan For Federal Fiscal Year 2018

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 2018 (FFY 2018), which runs from October 1, 2018 through September 30, 2019. 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 2018.

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;
- Relocation costs; and
- Operating/rental assistance, but no more than one-third of the states annual HTF allocation and may be used for operating cost assistance and/or an operating cost assistance reserve but must be fully utilized within 5 years of the award. Such assistance can be subsequently renewed, as long as it's within the 30-year affordability period. It is anticipated that such assistance would be very limited and in the form of grants.

Operating cost assistance and/or an operating cost assistance reserve may be provided only to rental housing acquired, rehabilitated, reconstructed, or newly constructed with HTF funds. [Section 200(a)(1)]. Eligible use of HTF for operating cost assistance and operating cost assistance reserve in accordance with Section 201(e).

- Operating costs are costs for insurance, utilities, real property taxes, and maintenance and scheduled payments to a reserve for replacement of major systems (provided that the payments must be based on theuseful life of each major system and expected replacement cost) of an HTF-assisted unit.

- The eligible amount of HTF funds per unit for operating cost assistance is determined based on the deficit remaining after the monthly rent payment for the HTF-assisted unit isapplied to the HTF-assisted unit's share of monthly operating costs.

- The maximum amount of the operating cost assistance to be provided to an HTF-assisted rental project must be based on the underwriting of the project and must be specified in a written agreement between the grantee and the recipient. The written agreement may commit, from a fiscal year HTF grant, funds for operating cost assistance for a multiyear period provided that the grantee is able meet its expenditure deadline in 93.400(d).

- The grantee may renew operating cost assistance with future fiscal year HTF grants during the affordability period [Section 302(d)(1) establishes a 30-year minimum affordability period] and the amount must be based on the need for the operating cost assistance at the time the assistance is renewed.

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).

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. <u>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:</u>

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:
        - 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:
    - 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.
    - 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:
  - 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.
  - 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.
  - 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

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.aspxhttp://dhcd.maryland.gov/Communities/Pages/dn/default.aspx

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 enters, 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]
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;

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

- 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:

Scoring will be calculated based on the overall percentage of leveraged funds, with projects with a higher level of leveraged funds receiving the greatest points. 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 funding, DHCD will award leveraging points to rural projects, as defined in Section 4.2.3, in a different manner.

Projects which are not in a rural area will be scored as follows:

- The percentage of leveraged funds (from 0% to 100%) will be divided by .06667 to arrive at a score from zero (0) points to fifteen (15) points, and rounded to the nearest one-hundredth (1/100) of a point. For example, a project which includes 85.6% of leveraged funds will receive 12.84 points (.856 / .06667 = 12.839).

Projects in a rural area will be scored as follows:

- The percentage of leveraged funds (from 0% to 100%) will be divided by .06 to arrive at a score and rounded to the nearest one-hundredth (1/100) of a point. Any score in excess of 15 points will be adjusted down to exactly 15 points. For example, a project which includes 85.6% of leveraged funds will receive 14.27 points (.856 /.06 = 14.266).

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.

- *Referrals.* DHCD intends to establish a web-based process for service providers to connect their target population-eligible clients to available unit's set-aside for that specific targeted population. When such a system is created by DHCD, applicants seeking HTF funding for any and all set-aside target population units must agree to provide notice of unit availability and accept tenant referrals from such a DHCD system.

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 2018 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 HTF, 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 2018 Actual Per Unit Cost and the Maryland HOME Subsidy Limit (effective). At no time will the per-unit development subsidy exceed the Maryland HOME Maximum Subsidy Limits (effective); these limits are:

Unit Size/Number of Bedrooms	Washington, DC and Baltimore PMSA 2018 Actual Per Unit Cost	Other Areas of State 2018 Actual Per Unit Cost	HOME Subsidy Limit (effective)
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

DHCD
Maryland Department of Housing and Community Development

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 unleveled 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.

<u>Lifts</u>

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.

<u>Repair Standard</u>
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.

<u>Replacement Standard</u>
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.

<u>EXTERIOR BUILDING CRITERIA</u>

<u>Access</u>

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

<u>Exterior Paint</u>

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

<u>Repair Standard</u>
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.

<u>Replacement Standard</u>
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 surfaces 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.

<u>Replacement Standard</u>
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

<u>Repair Standard</u>
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.

<u>Replacement Standard: Minimum Life: 6 Years</u>
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

<u>Repair Standard</u>
All bedrooms shall have closets with a door, clothes rod, and shelf.

<u>Replacement Standard: Minimum Life: 15 Years</u>
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

<u>Repair Standard</u>
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”.

<u>Replacement Standard: Minimum Life: 10 Years</u>
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

<u>Repair Standard</u>

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, pealing 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 doorjambs 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 somes with separate switch in all full baths.

<u>Basement/Crawl Space Insulation</u>

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.

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

XIV. HVAC

<u>Heating/Ventilation/Air Conditioning Plant</u>

<u>Repair Standard</u>
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.

<u>Replacement Standard</u>: 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.

<u>Distribution System</u>

<u>Repair Standard</u>

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.

<u>Replacement Standard</u>: 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

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.

SUPPART 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 CRF 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

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[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 (≤ 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 (≤ 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 receipted (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 Neighborhoods[3] 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 (RAD[4]) 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 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 HFT 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.