State of Utah

2017-2018
Olene Walker
Housing Loan Fund
Program Guidance & Rules

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INTRODUCTION

MISSION STATEMENT

Support quality affordable housing options that meet the needs of Utah's individuals and families while maximizing all resources.

VISION STATEMENT

We promote all aspects of the development of quality, affordable housing for all people, so they can contribute their personal attributes to community health by:

- Investing in quality projects that are conceptually and financially sound, and maximize the leveraging of resources.
- Working in partnership with community-focused organizations to provide opportunities for people to improve their quality of life.
- Upholding high ethical standards, as defined by the state of Utah, in all of our funding reviews and decisions.
- Educating individuals, families and communities throughout the state about housing resources and information.

INTRODUCTION

The State of Utah – Department of Workforce Services ("DWS") - Housing and Community Development Division ("HCDD") is the designated administrator of the Olene Walker Housing Loan Fund ("OWHLF") for the State of Utah under Utah Code Annotated Section 9-4-703 through 708, (the "Code"), and all regulations promulgated thereunder.

The objective of the OWHLF is to develop housing that is affordable to extremely low, very low, low and moderate-income persons as defined by the Department of Housing and Urban Development ("HUD") with program rent and income limits updated annually by HUD.

To efficiently administer the OWHLF Program and to effectively allocate its limited Funds to those projects which best serve the needs of the State of Utah, the OWHLF Board (the "Board") has developed this Program Guidance & Rules. The Board is authorized and required by the Utah Code to establish criteria and procedures for allocating these funds and to incorporate them into the Program Guidance & Rules.

Part I: Administration Procedures:

This part sets forth the procedures, processes, and other pertinent information regarding the preparation, submission and processing of the applications for OWHLF funding.

Part II: **Multi-Family Programs and Applications:**

Rental – One (1) or more units generating income.

Non-Rental Special Needs – Group homes and transitional housing that do not generate income.

Part III: National Housing Trust Fund Programs and Applications:

National Housing Trust Fund - New rental housing for extremely low- and very low-income households, including homeless families.

Part IV: Single Family Programs and Applications:

Rural Rehabilitation and Reconstruction Program – Assistance for owner-occupied units located in rural Utah

Self-Help Home Ownership Development – Assistance for first-time homebuyers who provide labor to construct their own homes located in rural Utah in partnership with regional agencies and the USDA-RD.

Home Choice – Assistance statewide to provide owner-occupied housing to households with a disabled member(s).

Single Family Home Ownership Development – Loans for single family home ownership development projects that are “out-of-the-box” and do not fit in one of the previous three categories.

Part V: Definitions:

Written definitions of terminology and acronyms used within the Program Guidance & Rules.

Part VI: Exhibits and Forms:

Copies of various exhibits and forms required for application to OWHLF for funding.

PURPOSE AND GOALS

The OWHLF provides a fair and competitive process to stimulate the creation and preservation of housing by promoting projects that:

- Through cost containment and resource leveraging, efficiently utilize funds.
- Restrict the greatest number of units to the lowest possible rents for the longest period of time.
- Achieve equitable geographic distribution of resources.
- Provide housing for special needs populations including: transitional housing, elderly and frail elderly, and the physically and mentally disabled.
- Strengthen and expand the abilities of local governments, nonprofits, Community Housing Development Organizations (“CHDOs”) to design and implement strategies to create affordable housing.
- Promote partnerships among local government, nonprofits, CHDOs, and for-profits.

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ADMINISTRATIVE PROCEDURES

1. APPLICATION PROCESSING - GENERAL

The OWHLF Board intends this Program Guidance & Rules to be used by the HCDD staff in assembling, reviewing, qualifying, and nominating projects to the Board for approval pursuant to Administrative Rules promulgated in January 2006. Applications for OWHLF monies will be required to meet the guidelines of the 2017-2018 Program Guidance & Rules.

Applications will be submitted, inclusive of all exhibits and attachments as defined in the applications, as digital copies provided on a compact disc/digital video disc (CD/DVD), on a portable "thumb" data drive, or emailed as an attachment directly to the applicable Housing Program Manager. Incomplete applications will not be processed. Applications, once submitted, are considered final for review. If an applicant has received an allotment of Federal and/or state low-income housing tax credits ("LIHTC") from Utah Housing Corporation or has been approved for primary funding from other Federal funding source(s) such as HUD or USDA-RD, this will not be a guarantee of approval for OWHLF funding, as each application is scored and reviewed individually.

Applications and supporting documentation must be mailed or delivered electronically and/or physically to:

State of Utah - Department of Workforce Services
Housing and Community Development Division
1385 South State Street, Fourth Floor
Salt Lake City, Utah 84115

Upon completing the review of all applications, the HCDD-OWHLF staff will determine the level of funding necessary for the financial feasibility of the project and recommend the necessary level of OWHLF funds, which will then be reviewed and voted on for approval by the OWHLF Board. Every applicant has an obligation to notify the OWHLF-HCDD staff (hereafter referred to as staff), of any new or additional federal, state or local subsidies utilized by a project.

The Board reserves the right to reduce the fund allocation, if it determines the project to be over-subsidized. The Board may reject or discount at its sole discretion, an application from participants who have failed to honor contracts. The Board reserves the right to reject any application or impose additional conditions. The Board reserves the right to rescind a loan approval if it receives, subsequent to Board loan approval, information inconsistent or contrary to the representations made in the borrower's original or revised application(s).

2. OTHER CONDITIONS AND DISCLAIMERS:

This Program Guidance & Rules will be amended on an annual basis, as regulations are issued, or as the Board deems necessary to carry out the goals of the OWHLF.

No member, officer, agent or employee of the Board nor any other official of the State of Utah, including the Governor thereof, shall be personally liable concerning any matters arising out of, or in relations to the OWHLF allocation or administration of this plan.

3. OWHLF FUNDING AND OTHER FEDERAL REQUIREMENTS:

Much of the funding for OWHLF housing projects is Federal in nature, their source being either HOME annual entitlement funds or program income (loan repayment) funds, which are subject to numerous other Federal requirements, or National Housing Trust Fund annual entitlement funds or program income. Commitment of those funds to a single family or multifamily project will trigger several or even all of the following Federal requirements:

A. All Federally-funded housing projects will require the completion of an environmental review as specified in HUD's 24 CFR Part 58.22(a) (2013 Final Rule). **This environmental review must be completed prior to any Federal funds being committed to a specific project in HUD's IDIS system, and the project must have received a HUD-issued AUGF/*Authority to Use Grant Funds* or RROF/*Request for Release of Funds and Certification* (HUD-7015.15 or 7015.16) before any funds are drawn down.** Specific environmental review questions should be directed to Cheryl Brown, HCD's Environmental Officer by phone at 801-468-0118 or by email to cbrown@utah.gov.

B. All Federally-funded housing projects must follow Fair Housing requirements as outlined in Titles VI and VIII of the Civil Rights Acts of 1964 and 1968, Section 504 of the Rehabilitation Act of 1973, and Title II of the Americans with Disabilities Act of 1990, which prohibit discrimination in Federally-funded housing. Specific Fair Housing questions should be directed to Michele Hutchins, HUD's Equal Opportunity Specialist by phone at 801-524-6097 or by email at Michele.hutchins@hud.gov.

C. All Federally-funded housing projects under HUD's Section 3 provision of the Housing and Urban Development Act of 1968 require, to the greatest extent feasible, to provide job training, employment, and contracting opportunities to low- or very-low income residents. This will be reported to HCD at project completion and closeout, which is then reported by HCD to HUD on an annual basis. Specific Section 3 questions should be directed to Elias Wise, HCD's Section 3 Specialist at 801-468-0140 or by email to ewise@utah.gov.

D. If a Federally-funded housing project involves relocation of any existing residents, the Uniform Relocation Act of 1970 and/or Section 104(d) of the Housing and Community Development Act of 1974 will apply. Relocation information can be found on HUD's website at www.hud.gov. Three notices are required:

- **I.** **General Information Notice** informing all tenants of the project and that they may be displaced;
- **II.** **Notice of Relocation Eligibility** informing tenants that they will be displaced by the project and establishing their eligibility for relocation assistance and payments; and
- **III.** **90-Day Notice** informing tenants of the earliest date by which they will be required to move. A comparable replacement dwelling must be available and

the tenant informed of its location with sufficient time to lease prior to issuance of this notice.

Specific questions regarding relocation should be directed to Daniel Herbert-Voss, HCD's Relocation Specialist by phone at 801-468-0042 or by email at dhvoss@utah.gov.

This Residential Anti-Displacement and Relocation Assistance Plan (RARAP) is prepared by HCD in accordance with the Housing and Community Development Act of 1974 (the "Act"), as amended; and HUD regulations at 24 CFR 42.325 and is applicable to any HOME-assisted multifamily or single family project.

I. **Minimize Displacement.** Consistent with the goals and objectives of activities assisted under the Act, HCD will take the following steps to minimize the direct and indirect displacement of persons from their homes:

a. Evaluate housing codes and rehabilitation standards in reinvestment areas to prevent undue financial burden on established owners and tenants.
b. Encourage developers to stage rehabilitation of apartment units to allow tenants to remain in the building/complex during and after the rehabilitation, working with empty units first.
c. Require developers to arrange for facilities to house persons who must be relocated temporarily during rehabilitation.
d. Adopt policies to identify and mitigate displacement resulting from intensive public investment in neighborhoods.
e. Encourage use and availability of counseling centers to provide homeowners and tenants with information on assistance available to help them remain in their neighborhood in the face of revitalization pressures.
f. Where feasible, give priority to funding projects focusing on rehabilitation of housing, as opposed to demolition, to avoid displacement.
g. If feasible, demolish or convert only dwelling units that are not occupied or vacant occupiable dwelling units (especially those units which are "lower-income dwelling units" as defined in 24 CFR 42.305).
h. Providing HOME funding only to developers purchasing properties deemed essential to the need or success of the project.

II. Relocation Assistance to Displaced Persons. As a condition of receiving HOME funding from HCD, developers will provide relocation assistance for lower-income tenants who, in connection with an activity assisted under the HOME Program, move permanently or move personal property from real property as a direct result of the demolition of any dwelling unit or the conversion of a lower-income dwelling unit in accordance with the requirements of 24 CFR 42.350. A displaced person who is not a lower-income tenant, will be provided relocation assistance in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR Part 24.

III. One-for-One Replacement of Lower-Income Dwelling Units. HCD will fund projects that replace all occupied and vacant occupiable lower-income dwelling units demolished or converted to a use other than lower-income housing in

connection with a project assisted with funds provided under the HOME Program in accordance with 24 CFR 42.375.
Before entering into a contract committing HCD to provide funds for a housing project that will directly result in demolition or conversion of lower-income dwelling units, HCD will require the developer to make public by [describe how, such as publication in a newspaper of general circulation] and submit to HCD, under the Utah State HOME Program the following information in writing:

a. A description of the proposed assisted project;

b. The address, number of bedrooms, and location on a map of lower-income dwelling units that will be demolished or converted to a use other than as lower-income dwelling units as a result of an assisted project;
c. A time schedule for the commencement and completion of the demolition or conversion;
d. To the extent known, the address, number of lower-income dwelling units by size (number of bedrooms) and location on a map of the replacement lower-income housing that has been or will be provided. *NOTE: See also 24 CFR 42.375(d)*.
e. The source of funding and a time schedule for the provision of the replacement dwelling units;
f. The basis for concluding that each replacement dwelling unit will remain a lower-income dwelling unit for at least 10 years from the date of initial occupancy; and
g. Information demonstrating that any proposed replacement of lower-income dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the HUD-approved Consolidated Plan and 24 CFR 42.375(b).

To the extent that the specific location of the replacement dwelling units and other data in items 4 through 7 are not available at the time of the general submission, HCD will identify the general location of such dwelling units on a map and complete the disclosure and submission requirements as soon as the specific data is available.

IV. Replacement not Required Based on Unit Availability. Under 24 CFR 42.375(d), HCD may submit a request to HUD for a determination that the one-for-one replacement requirement does not apply based on objective data that there is an adequate supply of vacant lower-income dwelling units in standard condition available on a non-discriminatory basis within the area.

E. If OWHLF Federal HOME funds from HCD alone or in combination with other Utah participating jurisdiction HOME funds combined result in a total of 12 or more HOME-assisted units, prevailing-wage requirements under the Davis-Bacon Act of 1931 will also apply. For NHTF projects with 12 or more NHTF-assisted units, Davis-Bacon prevailing-wage requirements will also apply. Specific Davis-Bacon questions should be directed to Julie Tuimauga, HCD's Labor Standards Officer by phone at 801-468-0127 or by email to jtuimauga@utah.gov.

F. All Federally-funded housing projects under Section 281 of the National Affordable Housing Act of 1990 requires that reasonable efforts will be made for outreach and inclusion for minorities and women, and business entities owned by minorities (MBEs) and women (WBEs). This will be reported to HCD at project completion and closeout, which is then reported by HCD to HUD on an annual basis. Specific MBE/WBE questions should be directed to HUD's Denver office at 800-877-7573.

4. FUNDING CYCLES AND FUNDING COMMITMENTS/DISBURSEMENTS

Applications will be considered for funding according to the 2017-2018 Reservation Cycles as referenced on pages 17 and 38 of this Program Guidance & Rules. Upon approval by the Board for funding, funds are committed specifically for the project described in the application. For applications that are awarded/funded with Federal HOME or NHTF funds, the definition of "commitment" states that HOME funds may only be committed: (1) to a project that involves acquisition of standard housing if the property will be transferred within 6 months; or (2) to a project involving new construction or rehabilitation of housing if there is a reasonable expectation that construction will begin within 12 months. Consequently, the U.S. Department of Housing and Urban Development ("HUD") expects that participating jurisdictions ("PJs") that are in compliance with the regulations will have drawn funds for a project within 12 months of activity funding in IDIS. Section 92.502(b)(2) of the HOME regulations and Section 93 of the NHTF regulations permits HUD to automatically cancel an activity that has been committed in the system for 12 months without an initial disbursement of funds.

Any projects funded with Federal HOME or NHTF funds that have not closed the OWHLF loan and received a disbursement of funds within twelve (12) months of the original commitment date will be subject to cancellation and de-obligation of those funds, which will be returned to the set-aside pool from which they were allocated (if applicable). Applicants may re-apply for those funds in subsequent funding cycles.

Any projects funded with Federal HOME or NHTF funds that have had a commitment of funds for more than four (4) years but are not yet completed or closed out will be categorized by HUD to be terminated before completion. At this point HCDD will be required to obtain from HUD an extension to continue, a waiver, or HCDD must cancel the project and repay the HOME funds to HUD.

5. DELINQUENT LOANS AND CLOSEOUT REPORTS

New applications will not be accepted from any applicant, owner, affiliate, or principals with a financial interest, who are currently delinquent on any loans with the OWHLF or have not submitted requested closeout reports on currently-open projects to the OWHLF staff.

6. FUNDING SET-ASIDES

The Board has established the following set-asides:

A. Community Housing Development Organization (CHDO):

The Board will set aside at least 15 percent of the HOME funding for qualified CHDO's.

A project sponsor that applies for funds under CHDO status must be an official Utah CHDO with current status at the time of application. Please refer to the *CHDO Qualification Checklist* **(EXHIBIT L)**.

B. Rural Targeted Areas Set-Asides:

For the development of affordable rental housing in rural areas of Utah, the Board will set aside at least 20 percent of the overall funding available for projects located in those “Designated Areas” **(EXHIBIT C)** of the State adapted from the U.S. Department of Agriculture - Rural Development Service (“USDA-RD”) and the State of Utah Consolidated Plan. Unallocated funds shall revert to the general pool.

C. Special Needs Set-Asides:

At least 15 percent of the overall funds will be set aside for special needs housing defined as: Elderly, Frail Elderly, Mentally and/or Physically Disabled, Homeless, Persons with AIDS, and Transitional Housing.

D. Predevelopment Set-Asides:

As of July 1, 2013, OWHLF no longer funds predevelopment loans, so there is no more set-aside funding available.

E. Single Family Set-Asides:

The Board will set aside funds to be used for those purposes as described below as necessary to meet the 2016-2020 Consolidated Plan.

1. Rural Single Family Rehabilitation and Reconstruction Program
2. Home Choice
3. Rural Development Self Help Mutual Housing
4. State Match for other federal grants
5. Marketing
6. Individual Development Accounts

F. Grant Set-Asides:

A set-aside of five percent of the overall funds shall be made available as grants to qualified projects. At least 90 percent of the funds used as grants shall benefit persons or families whose income is at or below 50 percent of the median family income.

G. Capacity Building Set-Aside:

The OWHLF Board may allocate funds for the purpose of capacity building with the intent of assisting CHDOs, housing authorities, and other non-profit housing providers to increase their capacity to produce affordable housing units in both urban and rural locations throughout the State of Utah.

The assistance provided may include both financial and technical assistance.

H. Other Set-Asides:

The OWHLF Board may set aside available funding for the purpose of competitively soliciting proposals from developers and agencies to create affordable housing that meets the needs of targeted populations or areas.

7. ALLOCATION PRIORITIES

A. Statutory Priorities

The State of Utah Code annotated Section 9-4-703 through 708, sets forth selection criteria to be used to determine housing priorities that demonstrate:

- A high degree of leverage with other sources of financing;
- High recipient contributions to total project costs, including allied contributions from other sources such as professional, craft and trade services, and lender interest rate subsidies;
- High local government project contributions in the form of infrastructure improvements, or other assistance;
- Projects that encourage ownership, management, and other project-related responsibility opportunities;
- Projects that demonstrate a strong probability of serving the original target group or income level for a period of at least 15 years;
- Projects where the applicant has demonstrated the ability, stability, and resources to complete the project;
- Projects that appear to serve the greatest need;
- Projects that provide housing for persons and families with the lowest income;
- Projects that promote Culture benefits;
- Projects that allow integration into a local government housing plan; and
- Projects that would mitigate or correct existing health, safety, or welfare problems.

B. The Department of Housing and Urban Development (HUD) mandated 2016-2020 year Consolidated Plan created the following Priorities:

Through direct inquiry of housing service providers, state and local consolidated plans, and input from the public, the following housing needs were identified:

- Creation of safe and affordable multi-family rental housing for extremely low-, very low-, and low-income households, especially large unit properties;
- Creating accessible housing for persons with physical disabilities;
- Affordable housing for low-income households with members who have mental disabilities;
- Preservation and improvement of existing single family affordable housing through rehabilitation and replacement when necessary, emergency home repair and lead based paint removal;

- Create and improve housing solutions to provide housing for other homeless or persons at risk of becoming homeless;
- Insure adequate housing for persons and families with special needs;
- Increase homeownership opportunities for lower income families;
- Provide for housing planning and development technical assistance and training for local non-profit housing providers.

C. OWHLF Board Priorities

In conjunction with the housing needs identified above, the Board has established the following priorities:

- Housing that remains affordable for the greatest number of years;
- Creating housing affordable to households that are extremely low-, very low-, and low-income;
- Rehabilitating existing housing stock for tenants at the same or less than current rents;
- Increasing housing stock in rural and underserved communities;
- Providing affordable housing to special needs populations including: homeless, elderly and frail elderly, mentally and physically disabled, and large families through the availability of low-interest loans, grants and Tenant Based Rental Assistance (TBRA);
- Projects that give the residents a home ownership opportunity at some time in the future;
- Projects that incorporate unrestricted units and rent restricted units;
- Leveraging of OWHLF with other public and private financial resources.
- Projects that create “Mixed income” multi-family rental housing projects that combine subsidized, affordable rental units with market rate units when it is determined that the assistance is clearly creating affordable rents.
- Projects that incorporate services or programs needed for the housing population served.
- Projects that support the goals of local municipalities’ affordable housing plans.

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Part II
Multifamily Programs and Applications

(Rental Units and Non-Rental Special Needs Units)

OWHLF Board Approved November 3, 2016 Last Revised November 14, 2017

MULTIFAMILY RENTAL PROGRAMS AND APPLICATIONS
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Multi-Family Rental Units: One (1) or more units generating income.

Non-Rental Special Needs Units: Shelters, group homes, and transitional housing that do not generate income.

1. OWHLF RESERVATION CYCLES

Funds are made available through an application process. Reservations of funds are issued during a scheduled funding cycle. The Board shall hold four cycles for approval of applications.

Applicants applying for funds must submit a completed application (**EXHIBIT A**), including all required support and supplementary documentation, to HCDD on or before the dates indicated below. All completed and on time applications will be competitively reviewed by staff who will present the application to the Board members with funding recommendations made by staff within the cycle received. Applications must be submitted in the following cycles before 6:00 P.M. (Mountain Time) on the dates specified below:

Quarter	Submission Deadline	Board Meeting Date*	Submit To
Winter 2017/2018	Friday, December 8, 2017	Wednesday, January 17, 2018	DWS-HCDD
Spring 2018	Friday, March 9, 2018	Thursday, April 26, 2018	DWS-HCDD
Summer 2018	Friday, June 22, 2018	Thursday, July 26, 2018	DWS-HCDD
Fall 2018	Friday, September 14, 2018	Thursday, October 25, 2018	DWS-HCDD
Winter 2018/2019	Friday, December 7, 2018	Thursday, January 24, 2019	DWS-HCDD

*All Board meeting dates are subject to change depending on member availability

NOTE: All requests for OWHLF funding will be reviewed through submission of the standard *OWHLF Multifamily Application*, as the consolidated UHC/OWHLF/PAB application is no longer used after the Thursday, January 26, 2017 quarterly board meeting. If an applicant has also applied for Federal and/or state LIHTC to Utah Housing Corporation, or tax-exempt bonds through the Private Activity Bond Authority, a copy of that application must be submitted with the *OWHLF Multifamily Application*.

A decision on each application will generally be made no later than the Board Meeting Date for each cycle. However, the Board reserves the right to delay the decision to accommodate scheduling and processing. **All multifamily applications with supporting documentation to be considered will need to be submitted to HCDD electronically** – this can be done by providing HCDD with a CD/DVD containing digital files, a portable external “thumb” drive, emailing all documents to HCDD, or the use of the Internet dropbox.com service specifically set up for this purpose.

If the Board should find it necessary to modify the Reservation Cycle Submission Deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

2. PROJECT SELECTION PROCESS

A. Introduction

HCDD staff shall select applications for funding consideration and submission to the Board after the following review processes:

- Project Underwriting & Threshold Review (see section 2.B)
- Documentation Requirements (see section 2.C)
- Market Study & Project Reasonableness Review (see sections 2.I and 2.J)
- Multifamily Scoring and Calculation of OWHLF Amount (see section 2.K)

B. Project Underwriting and Threshold Requirements

Financial feasibility is critical to the long-term affordability of the project. The staff will review the application to determine if it meets minimum feasibility threshold requirements before scoring. The application must satisfy the following criteria:

- Application with supporting exhibits must be complete, signed, and submitted along with a digital copy in Microsoft Excel 2010 or later formats:
  - For all multifamily rental projects, please use the *OWHLF 2017-2018 Multifamily Application* available upon request or at the OWHLF website. **Beginning in 2017, all multifamily rental projects applying for 2018 and/or 2019 low-income housing tax credits ("Housing Credits") from Utah Housing Corporation ("UHC") along with OWHLF funds, will need to apply separately for OWHLF funding, but a copy of the *2018 Federal Housing Credit Consolidated Application Form* submitted to UHC must also be provided to OWHLF for comparison purposes.**
  - Only 2017-2018 electronic applications with write protection intact will be accepted.
- Project must commit to an affordability period required by Section 92.252 or Section 92.254 of CFR Part 92 (HOME Investment Partnership Program) as amended from time to time, or until the Promissory Note between Borrower and the State is paid in full, whichever is later.
- For acquisition/rehabilitation projects, all replacement reserve funds accumulated by the selling entity must be shown in the application "Sources and Uses" section.
- Project must provide evidence of site control (i.e. Real Estate Purchase Contract or equivalent).
- Applicant must provide, at the time of application, proof from the appropriate jurisdictional authority that the proposed project is permitted under the jurisdiction's current zoning code.
- A current appraisal or update (not older than 12 months), shall be required to be submitted for all acquisition, rehabilitation, and new construction projects to HCDD staff for review prior to loan closing. Boards' approval shall be conditional upon receipt of the appraisal.
- Project must demonstrate financial feasibility within the Board-established Safe Harbors **(EXHIBIT B)**. There may be some deviation with regards to Safe Harbors described in Exhibit B. However, the DCR, vacancy, minimum cash flow per unit and capital replacement reserve minimums are threshold items, but exceptions will be made for RD 515 and Section 8 HAP contract projects that have the opportunity for annual contract adjustments. All other applications below the minimums for these criteria will not be processed. See Exhibit B for further discussion.
- Projects applying for OWHLF assistance that are rehabilitation or acquisition/ rehabilitation may receive additional scoring of 10 points only in cases of Substantial Rehabilitation of

the property. Substantial Rehabilitation is defined as required repairs, replacements, and improvements that involve the replacement of three or more major building components and/or systems necessary to extend the useful life of the building(s) by at least twenty (20) years. Major building components and systems are defined as the following:

- Heating, ventilation, air conditioning (HVAC) systems – replacement of all HVAC units with units of AFUE 90%/SEER 13 or greater efficiency, or upgrades to a central boiler/chiller system to higher efficiency;
- Plumbing systems – replacement of at least 50% of all existing piping, connectors, and fixtures with new equipment and materials;
- Electrical systems – replacement of at least 50% of all existing electrical service panels, wiring, light fixtures, switching and outlets, and other infrastructure such as conduit and connectors with new equipment and materials;
- Roofing systems – replacement of at least 50% of all existing roof sheathing with new materials, and replacement of all roofing with new roofing surface materials; and,
- Structural and seismic upgrades – installation of seismic upgrades as may be required by local building code.

Estimates for determining the cost for substantial rehabilitation must include general requirements and fees for builder's overhead and profit as a proportionate amount of the actual direct construction costs as compared to total overall project costs. Direct construction costs do not include the cost of land, demolition, off-site improvements, non-dwelling facilities and administrative costs for project development activities.

- As all projects for OWHLF assistance are required to construct or rehabilitate to ENERGY STAR or minimum HERS standards as detailed below, any rebates and grants provided by utility companies such as Questar Gas and Rocky Mountain Power or other partners such as the HCDD Weatherization Assistance Program must be detailed in the closeout packet and the use of those funds explained. It is the intent of the OWLHF Board that net rebates and grants be applied to reduce the balance of OWHLF funds loaned or applied to the overall project.
- Effective January 24, 2013, project developers receiving OHWLF funds may choose to achieve the new ENERGY STAR 3.0 level (for projects four stories or under) **<u>or</u>** a corresponding HERS level (without the additional EPA requirements). In some cases, developers will continue to meet ENERGY STAR 3.0 for their units because of requirements from other funding sources or because of utility rebates. In other cases, developers can choose to achieve the less-costly HERS Index only. In all cases involving projects at four stories or under, HERS scores must be prepared by an independent RESNET-accredited Home Energy Rating Organization.
- ENERGY STAR helps to maintain long term affordability in spite of rising utility costs while contributing to overall health and safety in housing units. For these reasons, projects receiving OWHLF funds will be ENERGY STAR qualified unless all cost effective measures have been implemented (where the SRI is $\leq$ 1.0 over a 15 year period) and a waiver granted by the Division of Housing and Community Development. Units including representative units for large multi-unit facilities shall be rated using an independent certified rater. If the project cash flow is not feasible due to incremental costs associated with ENERGY STAR compliance, the loan interest rate may be adjusted to accommodate project cash flow safe harbor requirements.
- In proposing rents and cash flow during the first year of occupancy following construction or rehabilitation, OWHLF-funded units built and qualified as ENERGY STAR may use the ENERGY STAR for the utility allowance baseline. The baseline must be calculated by the independent certified ENERGY STAR rater using the REM 12.41 2007 software (or

current version). For subsequent years, the cumulative average of actual consumption and current utility rates can be used as the baseline with up to a ±10% variance from the established baseline as special conditions warrant (dramatically warmer or calendar years, more occupants per unit, utility rate spikes, etc.). When units are ENERGY STAR, the differential utility allowances can be shifted to rent and cash flow. For joint applications for LIHTC and OWHLF and under tax credit rules, applicants may need to work with the local housing authority to create an ENERGY STAR-based utility allowance.

- Projects requesting funds for acquisition and rehabilitation must consider costs per unit consistent with the Rehab Threshold ranges by age as shown on Exhibit B, except as otherwise approved by HCDD staff. (See Exhibit E for Capital Needs Assessment requirements).
- HCDD staff will inspect all rehabilitation projects upon application, after rehab work has begun, and before the final draw is issued to verify that work was performed according to that itemized in the application or subsequent documents.
- Rehabilitation projects will be required to meet current rehabilitation code.
- Rehabilitation projects that are designed as either RD projects or HUD rent subsidized projects are required to submit all operating statements with application.
- A comprehensive independent third party market study is required on all projects according to the procedures in Section I below. See exception for rehab projects in Market Study section.
- A plan for affirmative marketing of units must be included with the project application. (**EXHIBIT W**)
- Letters of interest are required from financial sources for all projects. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Coverage Ratio. Letters of interest are also required for grants.
- Applications are prioritized for funding when they represent compliance with Utah State Code 10-9a-408 and 17-27a-408 requirements for local "Moderate Housing Plans".
- For rehabilitation projects, agencies are expected to work with area Weatherization Assistance Program agencies to incorporate weatherization assistance into the project. For low-income tax credit housing ("LIHTC") projects, when weatherization assistance affects project eligible basis, the assistance can be granted after closing and should reduce the OWHLF share in the project.
- Developer must be in good standing with all other Federal and state agencies sponsoring housing programs, i.e., low-income housing tax credit ("LIHTC"), tax credit investor, HOME, HUD, USDA-RD, etc. In instances where OWHLF and the developer and other legal entities are in litigation, any new proposals will be held for further consideration until resolution of the litigation occurs.
- Local Government Support and OWHLF Application
  Applicants for OWHLF funding should support the local community affordable housing plan. Therefore, the application shall include a letter from the relevant local jurisdiction which confirms that the proposed project meets the needs of certain populations identified in the local jurisdiction's affordable housing plan and that the project further supports the priorities and action items of the plan.

C. Documentation Requirements

The application must include all documentation supporting claims made. Documentation required to meet threshold requirements must be provided or the application will not be considered for funding. The OWHLF Documentation Checklist on page one of the application (**EXHIBIT A**) is provided to assist developers in properly documenting the Application. This page must accompany the application. Only updated information requested by staff or the Board, will be accepted after the application deadline.

D. Third-Party Documentation

a. Zoning
b. Site Control
c. Environmental assessment (excluding required questionnaire)
d. Property tax estimate
e. Memorandum Of Understanding with housing authority, etc.

E. Independent Comprehensive Market Study

This is required at the time of application on all new-construction projects over 25 units. Projects with 25 or fewer units must provide a comprehensive study within 90 days of receiving any conditional approval for funding. Applicants must submit the market study summary sheet (**EXHIBIT D**) with the market study.

F. Capital Needs Assessment

All Rehabilitation projects are required to provide a comprehensive Capital Needs Assessment on the project as a threshold item (see **EXHIBIT E** for details). Projects are required to provide an independent third party verification of rents charged (before negotiations were entered into for the purchase of the project) in the form of actual checks, audited rent rolls etc., for at least two years, with a CPA review or other independent third party approved by staff as part of the application.

G. Special Needs Units Documentation

For projects that have applied for OWHLF funds and have specific set-aside units for special needs populations listed in the application, a letter from the developer is required with each application explaining the developer's intention regarding special needs units that are consistent with letters received from the service provider(s). Service Provider Questionnaires (**EXHIBIT T**) for each special needs category specified in the application are required to accompany each application, one for a primary service provider and one for a secondary service provider. Also, the developer must indicate what steps will be taken to inform the service provider of a vacancy and what steps the project will take to keep the special needs units continuously occupied by the intended tenant population.
Please see Part II "Multifamily Programs and Applications" Section 8 Subsection F for "Special Needs Set-Aside Compliance Policy" and Part V "Definitions" for specific information regarding special needs set-aside units.

H. Environmental Review

A HUD Environmental review is required for ALL projects funded in whole or part with HOME (Federal) funds, NHTF funds, or state funding used as match for HOME funds. Project managers will be notified if their project is funded with HOME or NHTF funds. The HUD environmental review process must be completed prior to expenditure of any HOME, NHTF, or HOME state match funding. Project managers should refer to **EXHIBIT N** for instructions, and should allow at least 60 days to complete this process.

I. Relocation Requirements

Any OWHLF project awarded HOME or NHTF (Federal) funds, or state funding used as match for HOME funds involving acquisition, demolition, and/or rehabilitation of occupied existing housing and/or commercial development is subject to the Uniform Relocation Act of 1970 and/or Section 104(d) of the Housing and Community Development Act of 1974. Applicants must review and submit **EXHIBIT Y** as part of the OWHLF application process.

J. Market Study

The Board is an allocator of federal and state resources. The comprehensive market study (the "Market Study") is to inform the developer of the need for affordable housing and the best configuration/ design of a project. Interested parties, such as lenders and investors should determine for themselves the feasibility and merits of the project.
Independent Market Studies are required at time of application on all new-construction projects over 25 units. Projects with 25 or fewer units must provide a Market Study before the earlier of 90 days after receiving any conditional approval for funding that is no more than twelve (12) months old. Without the statutory required Market Study, the conditional approval of funding is null and void. Shelters, group homes, and transitional housing that do not generate income are required to provide documentation of need for service to the special population.

Rehabilitation Projects may submit applications without a market study where proposed rents do not exceed current rent levels in the project and the project is no less than 75 percent occupied. An independent third party must certify the current rent and occupancy levels in the project. Applicant may provide current leases, deposit slips and rent rolls with the supporting bank statements for the most recent 12-month period in lieu of a third party certification.
For complete instructions on preparing the market study, see EXHIBIT D.

K. Project Reasonableness

Projects must be developed and operated within the OWHLF *Multifamily Standard Operating Safe Harbor Guidelines* (**EXHIBIT B**). Substantial deviations from standards should be accompanied by thorough and defensible explanations to prevent rejection of the application.

Staff and Board review of documents submitted in connection with the OWHLF allocation process is for its own purposes. Staff and Board makes no representations to the owner or anyone else as to the financial viability of any project.

L. Calculation of Loan Amount

The electronic Microsoft Excel-based OWHLF application will automatically determine the overall score and loan limits based on the number of units, the bedroom size and AMI population being served. If you have any questions, please review **EXHIBIT K** which shows the current OWHLF loan subsidy limits as of November 2, 2017. Due to the limited nature of the funding available presently, projects continue to be limited to no more than $1,000,000 in total OWHLF funds per project.

Projects are subject to further evaluation to determine the amount of funds that may be requested. The staff is required to make these determinations at three specific times:

- Upon review of application.
- Upon approval of funding by the Board.
- Prior to loan closing.

During each project evaluation, the staff will consider, among other factors, the following:

- Sources of funds including debt terms, grants, all tax credit proceeds amounts, and payment schedules.
- Development and construction costs.
- Operational costs.
- Project cash flow.
- Scoring sheet evaluation.

Prior to funding, the applicant must certify to the staff the full extent of all federal, state and local subsidies, which apply (or which applicant expects to apply) to the project.
The staff reserves the right to review and/or inspect any information provided by an applicant with respect to project costs or financing, and the applicant agrees to provide such information when requested. Through the competitive system, projects with excessively high intermediary costs will run the risk of not receiving funding.

The staff will evaluate each proposed project's financial feasibility and viability by taking into consideration, without limitation:

- The proposed sources and uses of funds.

- The terms and conditions of the permanent financing package including debt, investor contributions, grants, etc.

- The Tax Credit purchase rate and net equity proceeds expected to be generated by the purchase of the credits.

- The reasonableness of the developmental and operational costs, including cash flow and

- Debt coverage ratios of the project.

The staff will utilize the Safe Harbor Schedule set forth in **EXHIBIT B** in the process of evaluating feasibility and determining funding needs. Projects that propose fiscal scenarios outside the staff's established Safe Harbors must provide reasonable explanation for such proposals and evidence of acceptance of such proposals by the project's lender and investor. The staff reserves the right, at its sole discretion, to reject the proposed scenario and underwrite the project using the established Safe Harbors.

Based on this evaluation, the staff shall underwrite for purposes of feasibility and will determine the amount of funds and the loan terms it will recommend for each application based on the pricing policy, loan terms, and loan products (EXHIBIT G). A similar analysis will be completed at the approximate date of allocation of the funding amount.

M. Affirmative Marketing Plan

In furtherance of the State of Utah commitment to nondiscrimination and equal opportunity in Housing, HOME-assisted project owners and contractors administering HOME programs for the state of Utah are required to establish procedures for affirmatively marketing their housing units and for affirmatively marketing loan or housing opportunities under any of the State Housing sponsored programs (see **EXHIBIT W** for details).

N. Competitive Bidding Process:

To maximize the impact of the Olene Walker Housing Loan Fund in creating the greatest number of high quality and durable housing units, applicants receiving OWHLF funding must demonstrate that construction costs are competitive. This competitiveness must be demonstrated by either conducting an open bidding process or by confirming cost competitiveness through an industry-accepted cost estimating standard software program such as Bid4Build or RS Means.

3. PROJECT SCOPE OF WORK

As an integral part of the HCDD contract, the project's Scope of Work will include specific project details (name of legal project owner, name of project, unit configuration and project physical address), the OWHLF Board funding approval date, the source(s) and amount(s) of funds, the number of HOME-assisted units, the number and type of special needs set-aside units, the number and type of handicap accessible units, terms (interest rate, length of loan and/or of amortization period, and type of loan) of the OWHLF loan, and specific project quality and design commitments as listed by the applicant in the approved application (see **EXHIBIT X** for an example).

4. ACCESSIBLE UNITS

Type "A" Fully Accessible ADA Units for Long Term Mobility-Impaired Tenants

Applications that specify one or more ADA set-aside units for Long Term Mobility-Impaired. Applicants are required to certify that those units are:

- Fully accessible Type A units;
- (Constructed as specified in) Accessible and Usable Buildings and Facilities Standard of the ICC/ANSI A117.11998 (International Code Council/American National Standards Institute), commonly known as the "Ansi Standard" which is referenced in both the 1997 UBC and 2003 IBC, which has been adopted by the State of Utah.

- Certified using the Architect's Certification (**EXHIBIT S** (a) signed by a licensed architect and the General Contractor's Certification, or **EXHIBIT S** (b) signed by the Project's General Contractor to be submitted with the Final Cost Certification). ·

- Filled with qualified households according to Section 5.B of the Compliance Monitoring Plan which also explains coordinating with referring entities to fill vacant ADA Units for Long Term Mobility-Impaired tenants.

- In corresponding ratio to the general mix of unit types in the project where there is more than 1 unit set aside as ADA, i.e., if there is an equal number of two and three bedroom units in the building, one 2 bedroom ADA unit and one 3 bedroom ADA unit should be set aside.

In addition to the above-specified units, all multifamily residential buildings are required to follow the 1997 Uniform Building Code and the 2003 International Building Code, which are inclusive of the Fair Housing Act. The seven basic guidelines are provided in **EXHIBIT U**. For exceptions, see IBC 1107.5.4. Also see HUD's *Fair Housing Act Design Manual*, which can be found in its entirety at the following website:

www.huduser.org/publications/destech/fairhousing.html.

This manual also explains the Type A, or fully accessible unit requirements.

5. PROJECT FEES

The Board will consider, at staff's recommendation, Project Fees, including, but not limited to:

- Developer overhead and profit.
- Contractor overhead, profit and general requirements.
- Development consulting fees.
- Administration and/or Management fees
- Incentive Fees
- Realtor fees

All fees must be reasonable with respect to the low-income housing objectives while sufficient to attract quality projects to the OWHLF. Any fees approved by the Board must comply with HUD Regulations.

- All related-party fees will be disclosed (using **EXHIBIT F-2**) during the application process and verified at the final cost certification
- If fees increase between application and final certification, the amount of the OWHLF loan will be reduced and the developer will repay the difference.

The Required Documentation for Closeout and Final Draw (**EXHIBIT H**) of each project requires that the project owner's CPA complete an audit and evaluation of all fee and overhead contracts whether with related or unrelated parties. The project developer must make full disclosure and allow the CPA access to all developer contracts in connection with preparation of the Final Cost Certification.

6. APROVAL OF FUNDING REQUEST

After each application has been processed and the funding amount has been determined, staff will present projects to the Board at its regularly scheduled meetings. The Board shall hear comments from applicants as required to best inform the full board on the project financial structure and general parameters.

A copy of the approved Board recommendation, with all conditional requirements imposed by the Board and staff shall become a permanent record in the applicant's file. This recommendation will then be presented to the Board at the regularly scheduled quarterly meetings. The Board will approve, deny, or delay the application. A copy of the completed project Conditional Project Commitment Agreement shall be provided at the conclusion of the meeting and the Board Chair and the applicant will sign it at that time.

It is this document that shall become the basis for the terms as outlined in the Loan Documents to be prepared by HCDD staff. No allowances or exceptions to the motion as originally approved by the Board shall be allowed. An applicant may request a change in the terms as outlined in the original motion of the board by reapplying to HCDD, with all updated, applicable financial information included, in subsequent funding rounds.

If funds for a housing activity are committed but none have been disbursed within twelve (12) months of initial commitment, those funds are subject to de-obligation and re-allocation by HCDD.

7. APPEALS PROCESS

During the scoring process, the applicant will receive notification of any discrepancies between OWHLF'S score determined during the project review/underwriting process and the score submitted by the applicant as calculated on their original application submitted to OWHLF. A reasonable period of time will be provided for the applicant to defend its submitted score using solely the information originally provided in its Application.

8. PROJECT STATUS REPORTING AND CONSTRUCTION MONITORING

All projects receiving funding approval will be required to provide status reports in a frequency and format prescribed by the HCDD staff.

Information requested will be project specific and may include such items as: zoning approvals, firm debt and/or equity financing commitments, changes in debt and/or equity financing commitments or agreements, reports on construction progress, site control, and an update of cost for analysis.

Staff will conduct project monitoring at four stages: 1) pre-allocation, 2) 20% construction; 3) 50% construction, and 4) a final construction inspection prior to final project closeout. At any of the construction inspections, if it is noted that construction items specified in the original application and/or the contractual Scope of Work have not been completed or performed as represented in the original application, the developer will be given thirty (30) days to make corrections before any additional funding draws can be executed. Failure to complete the project as represented in the application and Scope of Work will result in the developer's ineligibility for further OWHLF funds until the corrections have been completed. The BWG has the authority, based on the information obtained in the status reports, during construction inspections, or on recommendation from the staff to extend the period of funding or to rescind the approval and require the project to reapply under the then-current project conditions.

A Project Development Schedule (**EXHIBIT J**) must be completed and delivered to staff on or before April 1, and September 1, of each year the project is under development.

9. COMPLIANCE MONITORING PLAN

This Compliance Monitoring Plan (the "Plan") sets forth the procedures that HCDD shall follow, and those procedures that an owner of an OWHLF project shall be required to follow, to satisfy the requirements and regulations applicable to Federal HOME, NHTF, and state funds. As a condition to the allocation of OWHLF funds, owners are required to enter into a binding agreement to comply with the terms and conditions of this Plan. This Plan is part of the OWHLF's annual Program Guidance & Rules for the State of Utah.

A. Record Keeping Requirements

A Project Owner is required to keep separate records for each qualified low-income building in the project that show for each year in the compliance period:

1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);

2. The rent charged on each residential unit in the building (including any utility allowances);

3. The number of residential units that are low-income units and the number that are HOME assisted units (state, county, city, or consortium);

4. The number and ages of occupants in each low-income and HOME unit;

5. The status of all low-income and HOME/NHTF units needs to be tracked on the Compliance Report (See **EXHIBIT V**). The information on this report that is collected includes move-in/move-out dates, household size, gross income, AMI, recertification date, and other rent related information. Please see the instructions for filling out this form immediately following the exhibit;

6. The annual income certification of each low-income and HOME/HNTF tenant per unit;

7. Documentation to support each low-income tenant's income certification (for example, a third party verification of employment from the tenant's employer or other source of income, or certification of zero income from the tenant).

For purposes of the plan, tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8 of the Housing Act"), and not in accordance with the determination of gross income for federal income tax liability. As required by the 2013 Final HOME Rule, income determinations should be based on the anticipated income for the next twelve months.

B. Record Retention Requirements

An owner is required to retain the records described in Section A in accordance with CFR 24 Part 92.508. These requirements establish retention requirements as follows:

1. All Records pertaining to each fiscal year of HOME, NHTF, and Low-income funds must be retained for the most recent five-year period, except as provided in section 2 below.

2. Records may be retained for five years after the project completion date; except that records of individual tenant income verifications, project rents and project inspections must be retained for the most recent five-year period, until five years after the affordability period terminates.

C. Certification Requirements

1. An owner is required to file with HCDD at least annually, the Compliance Occupancy Report (**EXHIBIT V**), for the preceding 12-month period. In filing the information contained within, the owner certifies that the information is true and correct and that the supporting information has been collected and retained.
2. Each OWHLF-assisted multifamily project is required to submit financial statements for each year of operations. Financials that are independently audited are preferred, but unaudited/certified statements are acceptable if the project received less than $300,000 in total OWHLF funds.
3. The owner for each low income or HOME/NHTF assisted unit in the project must obtain the annual income certification. This information must be obtained for each tenant eighteen years of age and older prior to occupancy of any low-income unit and annually thereafter. Certifications shall be kept in each individual tenant file along with other tenant information including but not limited to income verification, lease documentation, and inspections.

D. Review and Inspection Requirements

An owner shall permit, and HCDD shall have the right to perform, an on-site property or file inspection of any OWHLF project, at least through the end of the compliance period and thereafter for such period determined by HCDD not to exceed the extended use period of the buildings in the project. HCDD will review the information required to be submitted on an annual basis. Verification of information may be required and reviewed at the HCDD staff discretion. HCDD will inspect all OWHLF-assisted projects in accordance with 24 CFR Part 92.504. These sections require property inspection based on the following timeline:

Number of units in the property	Inspection Required
1-4	Every 3 Years
5-25	Every 2 Years
26 or more	Annually

E. Frequency and Form of Certification

The certification and review requirements shall be made as described in section C and D through the compliance period. The certifications and reviews may be completed more frequently than on a twelve-month basis, provided that each twelve-month period is subject to certification. The staff monitors projects for compliance. Staff may report noncompliance to the division administration, the Board, HUD, and the Attorney General's Office.

F. Special Needs Set-Aside Compliance Policy

Applicant agrees to set aside and continually rent and properly equip unit(s) to the special needs that was agreed upon in the project Application (for funding from the Olene Walker Housing Loan Fund or OWHLF), the final OWHLF loan contract, and recorded Deed Restriction. Failure to fill the special needs set-aside units with the targeted population constitutes a violation of these agreements and may be considered a compliance issue, at the discretion of HCDD monitoring staff. If violation remains unresolved in a timely manner, project owners may jeopardize their future funding opportunities through the OWHLF. Exceptions may be permitted only after meeting Housing and Community Development Division (HCDD) requirements in attempting to rent to this population and demonstrating that no tenants with special needs are available to fill the particular units (see requirements for meeting this exception below).

All OWHLF applicants that receive OWHLF funding must register their property and the number of special needs set-aside units in that property with The Utah Affordable Housing Database (UAHD), managed by HCDD. Owners/managers of properties with set-aside units are required to establish working relationships with primary and secondary community service providers (CSP) so that the referral process for special needs tenants will be more successful. The use of the UAHD website does not preclude utilizing current community service providers or the Utah Housing Corporation Set-aside Tracker.

1. **Non-Accessible Unit Special Needs (See Accessible Units Below)**
   Non-accessible special needs units include, but are not limited to, those intended for people with Chronic Mental Illness (CMI), Developmentally Disabled (DD), Domestic Violence (DV), Elderly (ELD), Homeless (HOM), Transitional housing (TRANS) and Housing Opportunities for People with AIDS (HOPWA).

   a. Owners/managers have sixty (60) days to fill a set-aside unit that becomes available with the targeted population. This time period may begin up to, but not earlier than, four weeks before the existing tenant intends to vacate the unit.

      i. The manager must contact the primary CSP to obtain a referral as soon as they know the special needs unit will become vacant.

      ii. Should this provider fail to refer a qualified tenant(s) by the end of one week after contact, the manager should then contact the secondary CSP.

      iii. In the event that a qualified tenant is not referred to occupy the set-aside unit, and after 60 days total from initial notification of vacancy, owner/manager may then lease the unit to a non-special needs tenant.

      iv. If the manager chooses to lease to a non-special needs tenant that tenant must agree to be moved to a similar unit if the need for a special needs unit arises and there is a comparable unit available. A sample agreement will be made available to the manager upon request.

   b. Special requirements for **Transitional Housing (TRANS) units**: For transitional housing units, tenants are encouraged to transition to independent living within two years (24 months from initial occupancy), depending on the housing guidelines of the transitional units.

2. Type "A" Fully Accessible Units for Long-Term Mobility-Impaired Tenants (ADA units)

a. These units must be fully functional for tenants who have a long-term mobility impairment needing an accessible unit.

b. When one of these units becomes vacant, offer the unit:

i. First, to a current occupant of the project requiring the ADA features;

ii. Second, to an eligible qualified applicant on the waiting list (if any) requiring the ADA features. Note that this is the only instance where skipping applicants on the waiting list is allowed.

iii. Third, to your primary and secondary CSPs for referrals of ADA tenants.

iv. If possible, include the wheelchair logo in all advertisements for better recognition and response from your public audience.

3. Evidence of Due Diligence

During scheduled inspections, HCDD may ask to see the rental history of special needs units which may include written documentation showing steps taken to find a qualified applicant including communications with primary and secondary CSPs.

HCDD will consider other options on a case-by-case basis to assist project owners in their commitment to fill their set-aside units with the targeted special needs population. Project owners and site managers should work proactively with the referring organization(s) to ensure that their set-aside units are filled with tenants from the targeted population(s). This would include establishing a waiting list of pre-screened families or individuals that are waiting for a housing opportunity.

10. FINANCIAL SUBSIDY REVIEW

Staff shall conduct "subsidy layering" reviews on projects that directly or indirectly receive financial assistance from the U.S. Department of Agriculture Rural Development Service ("RD") or the U.S. Department of Housing and Urban Development ("HUD") inclusive of HOME, NHTF, CDBG, or HOPWA assistance, (the "Subsidy Layering Review"). These Subsidy Layering Reviews shall be conducted in accordance with guidelines established by RD and HUD with respect to the review of any financial assistance provided by or through these agencies to the project and shall include, without limitation, a review of: (a) the amount of equity capital contributed to a project by investors, (b) the project costs including all fees, and, (c) the contractor's profit, syndication costs and rates. In the course of conducting the review, the staff may disclose or provide a copy of the application to RD or HUD for their review and comments and shall take any other action deemed necessary to satisfy its obligations under the respective review requirements. HCDD staff may accept a review completed by Utah Housing Corporation.

Contingency amounts*:* All contingency amounts listed in the application must be accounted for within the final cost certification. If all contingency funds are not used, leftover contingency funds must be used to reduce the OWHLF loan.

11. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS, Utah Housing Corporation (UHC), investors and others as determined by the staff in evaluating and tracking the progress of the project. The staff complies with the provisions of GRAMA and Freedom of Information Acts.

12. SIGNAGE

The project owner must include Olene Walker Housing Loan Fund's name and logo on project signage during construction and press releases/interviews as the allocator of Loan Fund monies as applicable.

13. UTAH AFFORDABLE HOUSING DATABASE

Projects receiving OWHLF funds are required to be listed and maintained by the developer and/or property management company on the Utah Affordable Housing Database. Information listed should include units available for rent and units with special characteristics and set-aside agreements as previously described in sections F-1 & F-2.

14. AFFORDABLE HOUSING PLAN REQUIREMENTS

Per Utah State Code, 10-9a-408 and 17-2-7a-408 requires each city to complete a "Moderate Income Housing Plan" and perform a subsequent biennial review and report. OWHLF shall provide additional scoring consideration for applications representing projects in those cities and counties that have a required housing plan and report that is deemed acceptable by HCDD and has been completed according to state code within the previous 24 months.
Acceptability is determined by the qualitative rating tool developed by HCDD staff. Quality is rated based upon how current the plan/report is, populations targeted in the plan, how well the plan projects need and plans to meet the need. The acceptability threshold is 3.5.

15. ACQUISTION AND/OR REHABILITATION OF USDA RURAL DEVELOPMENT 515 PROPERTIES

In order for the Olene Walker Housing Loan Fund to make a decision as to the overall feasibility of a proposed Acquisition and Rehabilitation of a USDA RD 515 project, the following guidelines are established based on a nationwide survey.

According to the USDA Rural Development 515 program guidelines:

1. If a project **<u>IS</u>** eligible to be sold as a market project, the value of the project for purposes of the Olene Walker Housing Loan Fund will be determined by the Income to Value approach.

$$FMV = \frac{NOI \text{ (subject)}}{Ro \text{ (market cap rate)}}$$

2. If a project is **<u>NOT</u>** eligible to be sold as a market project, the sales price is restricted to the subordinated USDA RD 515 loan amount plus $4,000 - $7,000 per unit, depending upon the age and condition of the project.

16. FUND LEVERAGING

To optimize the leveraging of OWHLF monies, applicants are encouraged to consider other funding partnerships including interest bearing loans from financial institutions, bonds, and loans from other public agencies. In the analysis of funding partnership options, OWHLF staff can define creative loan options including delayed loan payments, etc. The Board has the discretion to consider and approve loan options, including deferred payments, but reserves the right to reconsider and rescind a deferred payment approved based on staff recommendation, and/or additional/supplemental information received regarding the Project.

17. MULTIFAMILY LOAN RESTRUCTURING POLICY

The Board gives OWHLF staff the authority to evaluate and approve or deny requests for deferrals of interest and principal loan payments for up to two (2) years. During the two-year deferral period for interest-bearing loans, interest will continue to accrue. All decisions will be made in consultation with the Division Director. The director of the Housing and Community Development Division will review and execute all contract amendments.

A request for change of any specific OWHLF loan terms (interest rate, amortization period, number of set-aside units, etc.) will be evaluated by OWHLF staff, but the Board must approve any recommended changes to previously-approved OWHLF loan terms.

The evaluation process for both loan payment deferral and change in existing loan terms will be based on the following processes and documentation requirements:

1. A written explanation for any request.

2. Current fiscal-year-to-date financial statements, including a balance sheet, detailed income statement, and cash flow statement in accordance with Generally Accepted Accounting Principles (GAAP).

3. As part of the annual OWHLF compliance reporting process, every OWHLF-assisted project is required to submit financials for each year of operations. Independently-audited financials are preferred, but unaudited/certified is acceptable if project received less than $300,000 in OWHLF funds. If any previous- or current-year required financials are missing, they must be provided to OWHLF staff prior to review of the request.

4. Current project rent roll, showing unit Area Median Income percentage levels as applicable, along with copy of current utility allowance (if applicable) being used.

5. Confirmation letters from all other funding sources concerning current status and involvement of loan restructure, including:
    - Impacts on the capital structure; and
    - Contact of other lenders who have loans in the project to request their involvement.

6. Detailed explanation of current market conditions affecting the project such as:

- Updated market study; or
- Third-party confirmation; or
- Project-marketing modification.

7, OWHLF staff will conduct an on-site visit of the property (this requirement may be satisfied as part of the multifamily compliance monitoring process if property has received a compliance review/inspection within six (6) months of the request).

Some of the issues that the OWHLF Board may need to consider before decisions are final:

1. The effect of the original loan conditions imposed on the project.

2. HCDD-OWHLF will be required to pay back Federal HOME funds if the project fails and HOME funds were used.

3. Were the loan funds used for state match requirements?

4. Is the project otherwise in compliance with OWHLF program requirements?

State of Utah

2017-2018
Olene Walker
Housing Loan Fund
Program Guidance & Rules

Part III
Housing Trust Fund
Programs and Applications

HOUSING TRUST FUND PROGRAMS AND APPLICATIONS
TABLE OF CONTENTS

1. INTRODUCTION

The National Housing Trust Fund ("NHTF") is an affordable housing production program established under Title 1 of the Housing and Economic Recovery Act ("HERA") of 2008, Section 1338 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Public Law 110-289), 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 households, including homeless families.

The Housing and Community Development Division ("HCDD") will receive and administer NHTF funds beginning in 2017. Funds will be distributed through a statewide application process.

These Program Guidance and Rules describe how Utah intends to distribute the NHTF funds and also describes what activities may be undertaken with NHTF funds and how recipients and projects will be selected.

2. ELIGIBLE ACTIVITIES AND RECIPIENTS

In accordance with 24 CFR Part 93.2, eligible activities are defined by HUD as follows:

(24 CFR 93.200)
(1) HTF funds may be used for the production, preservation, and rehabilitation of affordable rental housing and affordable housing for first-time homebuyers through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; for operating costs of HTF-assisted rental housing; and for reasonable administrative and planning costs. Not more than one third of each annual grant may be used for operating cost assistance and operating cost assistance reserves. Operating cost assistance and operating cost assistance reserves may be provided only to rental housing acquired, rehabilitated, reconstructed, or newly constructed with HTF funds. Not more than 10 percent of the annual grant shall be used for housing for homeownership. HTF-assisted housing must be permanent housing. The specific eligible costs for these activities are found in§§ 93.201 and 93.202. The activities and costs are eligible only if the housing meets the property standards in § 93.301, as applicable, upon project completion.
(2) Acquisition of vacant land or demolition must be undertaken only with respect to a particular housing project intended to provide affordable housing within the time frames established in the definition of "commitment" in§ 93.2.
(3) HTF funds may be used to purchase and/or rehabilitate a manufactured housing unit, and purchase the land upon which a manufactured housing unit is located. The manufactured housing unit must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability.

Forms of assistance to projects. A grantee may provide HTF funds as equity investments, interest-bearing loans or advances, non-interest-bearing loans or advances, interest subsidies consistent with the purposes of this part, deferred payment loans, grants, or other forms of assistance that HUD determines to be consistent with the purposes of this part. Each grantee has the right to establish the terms of assistance, subject to the requirements of this part.

Multi-unit projects.
(1) HTF funds may be used to assist in the development of one or more housing units in a multi-unit project. Only the actual HTF eligible development costs of the assisted units may be charged to the HTF program. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation. If the assisted and non-assisted units are comparable in terms of size, features,

and number of bedrooms, the actual cost of the HTF-assisted units can be determined by prorating the total HTF-eligible development costs of the project so that the proportion of the total development costs charged to the HTF program does not exceed the proportion of the HTF-assisted units in the project.
(2) After project completion, the number of units designated as HTF-assisted may be reduced only in accordance with§ 93.203, except that in a project consisting of all HTF-assisted units, one unit may be converted to an onsite manager's unit if the grantee determines the conversion is reasonable and that, based on one fewer HTF-assisted unit, the costs charged to the HTF program do not exceed the actual costs of the HTF-assisted units and do not exceed the subsidy limit established pursuant to § 93.300(a).

In accordance with 24 CFR Part 93.2, eligible recipients of funds are defined by HUD as follows:

Recipient means an organization, agency, or other entity (including a public housing agency, or a for-profit entity or a nonprofit entity) that receives HTF assistance from a grantee as an owner or developer to carry out an HTF assisted project. A recipient must:
(1) Make acceptable assurances to the grantee that it will comply with the requirements of the HTF program during the entire period that begins upon selection of the recipient to receive HTF funds, and ending upon the conclusion of all HTF-funded activities;
(2) Demonstrate the ability and financial capacity to undertake, comply, and manage the eligible activity;
(3) Demonstrate its familiarity with the 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
(4) Have demonstrated experience and capacity to conduct an eligible HTF activity as evidenced by its ability to
- (i) Own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development; or
- (ii) Design, construct, or rehabilitate, and market affordable housing for homeownership.
- (iii) Provide forms of assistance, such as down payments, closing costs, or interest rate buy downs for purchasers.

3. UTAH NATIONAL HOUSING TRUST FUND PRIORITIES

The State of Utah has elected to use HTF funds for the production of affordable housing through new construction, reconstruction, and/or acquisition and rehabilitation of affordable housing. This use of funds is in keeping with HCD's Consolidated Plan which lists "Increasing the Availability of Affordable Housing" as it's priority. HTF funds will not be used for homeownership housing (including first time home buyers), Project Based Rental Assistance, or for administration or planning costs. All HTF-assisted rental housing will meet a 30-year affordability period. HCD has elected to administer HTF funds directly and will not employ a sub-grantee to distribute funds.

Utah has not chosen to target affordability in general and as a result of HCD's efforts to end chronic homelessness and community input has also chosen to prioritize elderly and disabled and/or homeless individuals. Utah also has chosen to award points for rural projects and projects which include a PBRA component to their application.

The targeted populations which the NHTF is designed to reach are extremely low income persons/households. These are persons who make 30% or less of the Area Median Income (AMI).

4. NHTF APPLICATION DUE DATES

Funds are made available through an application process. Reservations of funds are issued during a scheduled funding cycle. The Board shall hold four cycles for approval of applications.

Applicants applying for funds must submit a completed application (**EXHIBIT A**), including all required support and supplementary documentation, to HCDD on or before the dates indicated below. All completed and on time applications will be competitively reviewed by staff who will present the application to the Board members with funding recommendations made by staff within the cycle received. Applications must be submitted in the following cycles before 6:00 P.M. (Mountain Time) on the dates specified below:

Quarter	Submission Deadline	Board Meeting Date*	Submit To
Winter 2017/2018	Friday, December 8, 2017	Wednesday, January 17, 2018	DWS-HCDD
Spring 2018	Friday, March 9, 2018	Thursday, April 26, 2018	DWS-HCDD
Summer 2018	Friday, June 22, 2018	Thursday, July 26, 2018	DWS-HCDD
Fall 2018	Friday, September 14, 2018	Thursday, October 25, 2018	DWS-HCDD
Winter 2018/2019	Friday, December 7, 2018	Thursday, January 24, 2019	DWS-HCDD

*All Board meeting dates are subject to change depending on member availability

A decision on each application will generally be made no later than the Board Meeting Date for each cycle. However, the Board reserves the right to delay the decision to accommodate scheduling and processing.

Effective for the January 2017 round, all applications for NHTF funding with supporting documentation to be considered will need to be submitted to HCDD electronically – this can be done by providing HCDD with a CD/DVD containing digital files, a portable external “thumb” drive, emailing all documents to HCDD, or the use of the Internet dropbox.com service specifically set up for this purpose.

If the Board should find it necessary to modify the Reservation Cycle Submission Deadlines to dates other than those set forth above, it will make reasonable efforts to inform interested parties of that modification.

5. NHTF SUBSIDY LIMITS

HCDD has chosen to use the HUD HOME Program Per Unit Subsidy Limits as a base limit from which to determine appropriate subsidy calculations for the HTF Program. HCDD’s NHTF subsidy limits will be calculated on a per-unit basis and will vary depending on unit size:

Maximum Per Unit Subsidy

SRO/Studio	$152,367
1 BR	$174,669
2 BR	$212,394
3 BR	$274,770
4+ BR	$301,612

HCD tracks per unit costs on previously funded projects. HCD has for years kept a close record of the average per-unit subsidy paid to projects funded by HOME funds. HCD uses this information to keep an ongoing updated 5-year average per unit subsidy. This average leads us to conclude that the stated maximum per unit subsidy proposed for the NHTF Program is a reasonable allowance for proposed projects. HCD is confident that this subsidy is an accurate limit based on actual construction costs and is a reasonable framework from which to review proposed requests for funding. As noted above HCD will also allow a high cost multiplier of 261% when circumstances dictate that such a multiplier is warranted.

HCD has chosen not to vary the subsidy limit by geography. This is due to a general inability to make broad generalizations regarding development costs differences in different regions of the state. HCD used the same data from which it gathers the 5-year average subsidy to attempt to identify patterns which would provide a reliable pattern for awarding additional funds for projects in certain areas of the state. However, no clear patterns are present in this data and no variety will be offered in the score of proposed projects on the basis of geography.

6. PROJECT SCORING

The following factors are considered as part of the project evaluation process. The score possible points awarded demonstrate the factors relative importance/weight.

National Housing Trust Fund Scoring Guide

I. Address HCD priority by increased number of units that target extremely low-income persons:

- Applicants will be awarded 10 base points for each extremely low-income unit at or below 30% AMI up to 20 units.

II. Targeting of lower Levels:

Scoring for 9% low-income housing tax credit projects

- 0 additional points for each 30% AMI or below unit
- 0 additional points for each 25% AMI or below unit
- 5 additional points for each 20% AMI or below unit
- 10 additional points for each 15% AMI unit

Scoring for all other low-income housing tax credit projects

- 5 additional points for each 30% AMI or below unit
- 10 additional points for each 25% AMI or below unit
- 15 additional points for each 20% AMI or below unit
- 20 additional points for each 15% AMI unit

III. Efficient use of funds:

- 15 points will be awarded to projects which use the 100% Fair Market Rent basis in lieu of the 120% Fair Market Rent.

IV. Targeting special needs persons:

- 2 points will be given to each unit set-aside for extremely low income elderly, disabled and/or homeless persons/households.

V. <u>Targeting rural areas</u>

- 2 points will be given to each project which is to constructed in rural Utah.

VI. <u>Project-based Rental Assistance</u>

- 2 points will be given to projects which include a Project-Based Rental Assistance component

VII. <u>Timely use of funds</u>

If staff determines that the applicant does not have the capacity to obligate funds or to develop the project in a timely manner the applicant will not receive funding despite meeting other criteria.

Other Criteria:

- Leveraging of funds is encouraged but will not be a criterion in scoring applications.
- HCD will not award additional points for projects wanting to use NHTF to fund Project Based Rental Assistance. However, projects which already include PBRA from other funding sources will be awarded the additional 2-point score.
- HCD will require eligible recipients to certify that housing assisted with NHTF funds complies with NHTF requirements. The certification will be included in the application package for the NHTF.
- No additional points will be awarded for projects guaranteeing affordability beyond the HUD required 30- year affordability period.

7. PROJECT UNDERWRITING AND THRESHOLD REQUIREMENTS

Financial feasibility is critical to the long-term affordability of the project. The staff will review the application to determine if it meets minimum feasibility threshold requirements before scoring. The application must satisfy the following criteria:

- Application with supporting exhibits must be complete, signed, and submitted along with a digital copy in Microsoft Excel 2010 or later formats:
    - For all multifamily rental projects, please use the *2017-2018 Multifamily Application* available upon request or at the OWHLF website.
    - Only 2017-2018 electronic applications with write protection intact will be accepted.
- Project must commit to an affordability period required by Section 92.252 or Section 92.746 of CFR Part 92 (National Housing Trust Fund Program) as amended from time to time, or until the Promissory Note between Borrower and the State is paid in full, whichever is later.
- For acquisition/rehabilitation projects, all replacement reserve funds accumulated by the selling entity must be shown in the application “Sources and Uses” section.
- Project must provide evidence of site control (i.e. Real Estate Purchase Contract or equivalent).

- Applicant must provide, at the time of application, proof from the appropriate jurisdictional authority that the proposed project is permitted under the jurisdiction's current zoning code.
- A current appraisal or update (not older than 12 months), shall be required to be submitted for all acquisition, rehabilitation, and new construction projects to HCDD staff for review prior to loan closing. Boards' approval shall be conditional upon receipt of the appraisal.
- Project must demonstrate financial feasibility within the Board-established Safe Harbors **(EXHIBIT B)**. There may be some deviation with regards to Safe Harbors described in Exhibit B. However, the DCR, vacancy, minimum cash flow per unit and capital replacement reserve minimums are threshold items, but exceptions will be made for RD 515 and Section 8 HAP contract projects that have the opportunity for annual contract adjustments. All other applications below the minimums for these criteria will not be processed. See Exhibit B for further discussion.
- Rehabilitation projects will be required to meet current rehabilitation code.
- A comprehensive independent third party market study is required on all projects according to the procedures in Section I below. See exception for rehab projects in Market Study section.
- A plan for affirmative marketing of units must be included with the project application. (**EXHIBIT W**).
- Letters of interest are required from financial sources for all projects. The letters of interest should stipulate the amount, loan terms and the lender's acceptable Debt Coverage Ratio. Letters of interest are also required for grants.
- Developer must be in good standing with all other Federal and state agencies sponsoring housing programs, i.e., low-income housing tax credit ("LIHTC"), tax credit investor, HOME, HUD, USDA-RD, etc. In instances where NHTF and the developer and other legal entities are in litigation, any new proposals will be held for further consideration until resolution of the litigation occurs.

8. DOCUMENTATION REQUIREMENTS

The application must include all documentation supporting claims made. Documentation required to meet threshold requirements must be provided or the application will not be considered for funding.The OWHLF Documentation Checklist on page one of the application (**EXHIBIT A**) is provided to assist developers in properly documenting the Application. This page must accompany the application. Only updated information requested by staff or the Board, will be accepted after the application deadline.

A. Third-Party Documentation

a. Zoning
b. Site Control
c. Environmental assessment (excluding required questionnaire)
d. Property tax estimate
e. Memorandum Of Understanding with housing authority, etc.

B. Independent Comprehensive Market Study

This is required at the time of application on new-construction projects over 25 units. Projects with 25 or fewer units must provide a comprehensive study within 90 days of receiving any conditional approval for funding. Applicants must submit the market study summary sheet (**EXHIBIT D**) with the market study.

C. Capital Needs Assessment

All Rehabilitation projects are required to provide a comprehensive Capital Needs Assessment on the project as a threshold item (see **EXHIBIT E** for details). Projects are required to provide an independent third party verification of rents charged (before negotiations were entered into for the purchase of the project) in the form of actual checks, audited rent rolls etc., for at least two years, with a CPA review or other independent third party approved by staff as part of the application.

D. Special Needs Units Documentation

For projects that have applied for NHTF funds and have specific set-aside units for special needs populations listed in the application, a letter from the developer is required with each application explaining the developer's intention regarding special needs units that are consistent with letters received from the service provider(s). Service Provider Questionnaires (**EXHIBIT T**) for each special needs category specified in the application are required to accompany each application, one for a primary service provider and one for a secondary service provider. Also, the developer must indicate what steps will be taken to inform the service provider of a vacancy and what steps the project will take to keep the special needs units continuously occupied by the intended tenant population.
Please see Part II *Multifamily Programs and Applications* Section 8 Subsection F for "Special Needs Set-Aside Compliance Policy" and Part V "Definitions" for specific information regarding special needs set-aside units.

E. Environmental Review

A HUD Environmental review is required for ALL projects funded in whole or part with NHTF (Federal) funds. Project managers will be notified if their project is funded with NHTF funds. The HUD environmental review process must be completed prior to expenditure of any NHTF funding. Project managers should refer to **EXHIBIT N** for instructions, and should allow at least 60 days to complete this process.

F. Relocation Requirements

Any project awarded NHTF (Federal) funds or state funding used as match for NHTF funds involving acquisition, demolition, and/or rehabilitation of occupied existing housing and/or commercial development is subject to the Uniform Relocation Act of 1970 and/or Section 104(d) of the Housing and Community Development Act of 1974. Applicants must review and submit **EXHIBIT Y** as part of the OWHLF application process.

G. Market Study

The Board is an allocator of federal and state resources. The comprehensive market study (the "Market Study") is to inform the developer of the need for affordable housing and the best configuration/ design of a project. Interested parties, such as lenders and investors should determine for themselves the feasibility and merits of the project.

Independent Market Studies are required at time of application on all new-construction projects over 25 units. Projects with 25 or fewer units must provide a Market Study before the earlier of 90 days after receiving any conditional approval for funding that is no more than twelve (12) months old. Without the statutory required Market Study, the conditional approval of funding is null and void. Shelters, group homes, and transitional housing that do not generate income are required to provide documentation of need for service to the special population.

Rehabilitation Projects may submit applications without a market study where proposed rents do not exceed current rent levels in the project and the project is no less than 75 percent occupied. An independent third party must certify the current rent and occupancy levels in the project. Applicant may provide current leases, deposit slips and rent rolls with the supporting bank statements for the most recent 12-month period in lieu of a third party certification.
For complete instructions on preparing the market study, see **EXHIBIT D**.

H. Project Reasonableness

Projects must be developed and operated within the OWHLF *Multifamily Standard Operating Safe Harbor Guidelines* (**EXHIBIT B**). Substantial deviations from standards should be accompanied by thorough and defensible explanations to prevent rejection of the application.

Staff and Board review of documents submitted in connection with the OWHLF allocation process is for its own purposes. Staff and Board makes no representations to the owner or anyone else as to the financial viability of any project.

Projects are subject to further evaluation to determine the amount of funds that may be requested. The staff is required to make these determinations at three specific times:

- Upon review of application.
- Upon approval of funding by the Board.
- Prior to loan closing.

During each project evaluation, the staff will consider, among other factors, the following:

- Sources of funds including debt terms, grants, all tax credit proceeds amounts, and payment schedules.
- Development and construction costs.
- Operational costs.
- Project cash flow.
- Scoring sheet evaluation.

Prior to funding, the applicant must certify to the staff the full extent of all federal, state and local subsidies, which apply (or which applicant expects to apply) to the project.
The staff reserves the right to review and/or inspect any information provided by an applicant with respect to project costs or financing, and the applicant agrees to provide such information when requested. Through the competitive system, projects with excessively high intermediary costs will run the risk of not receiving funding.

The staff will evaluate each proposed project's financial feasibility and viability by taking into consideration, without limitation:

- The proposed sources and uses of funds.
- The terms and conditions of the permanent financing package including debt, investor contributions, grants, etc.
- The Tax Credit purchase rate and net equity proceeds expected to be generated by the purchase of the credits.
- The reasonableness of the developmental and operational costs, including cash flow and
- Debt coverage ratios of the project.

The staff will utilize the Safe Harbor Schedule set forth in **EXHIBIT B** in the process of evaluating feasibility and determining funding needs. Projects that propose fiscal scenarios outside the staff's established Safe Harbors must provide reasonable explanation for such proposals and evidence of acceptance of such proposals by the project's lender and investor. The staff reserves the right, at its sole discretion, to reject the proposed scenario and underwrite the project using the established Safe Harbors.

Based on this evaluation, the staff shall underwrite for purposes of feasibility and will determine the amount of funds and the loan terms it will recommend for each application based on the pricing policy, loan terms, and loan products (**EXHIBIT G-1**). A similar analysis will be completed at the approximate date of allocation of the funding amount.

I. Affirmative Marketing Plan

In furtherance of the State of Utah commitment to nondiscrimination and equal opportunity in Housing, NHTF-assisted project owners and contractors administering NHTF programs for the state of Utah are required to establish procedures for affirmatively marketing their housing units and for affirmatively marketing loan or housing opportunities under any of the State Housing sponsored programs (see **EXHIBIT W** for details).

J. Competitive Bidding Process:

To maximize the impact of the NHTF in creating the greatest number of high quality and durable housing units, applicants receiving NHTF funding must demonstrate that construction costs are competitive. This competitiveness must be demonstrated by either conducting an open bidding process or by confirming cost competitiveness through an industry-accepted cost estimating standard software program such as Bid4Build or RS Means.

K. Project Scope of Work

As an integral part of the HCDD contract, the project's Scope of Work will include specific project details (name of legal project owner, name of project, unit configuration and project physical address), the NHTF Board funding approval date, the source(s) and amount(s) of funds, the number of NHTF-assisted units, the number and type of special needs set-aside units, the number and type of handicap accessible units, terms (interest rate, length of loan and/or of amortization period, and type of loan) of the NHTF loan, and specific project quality and design commitments as listed by the applicant in the approved application (see **EXHIBIT X** for an example).

L. Accessible Units

Type "A" Fully Accessible ADA Units for Long Term Mobility-Impaired Tenants

Applications that specify one or more ADA set-aside units for Long Term Mobility-Impaired Tenants are required to certify that those units are:

- Fully accessible Type A units;
- (Constructed as specified in) Accessible and Usable Buildings and Facilities Standard of the ICC/ANSI A117.11998 (International Code Council/American National Standards Institute), commonly known as the "Ansi Standard" which is referenced in both the 1997 UBC and 2003 IBC, which has been adopted by the State of Utah.
- Certified using the Architect's Certification (**EXHIBIT S** (a) signed by a licensed architect and the General Contractor's Certification, or **EXHIBIT S** (b) signed by the Project's General Contractor to be submitted with the Final Cost Certification). ·
- Filled with qualified households according to Section 5.B of the Compliance Monitoring Plan which also explains coordinating with referring entities to fill vacant ADA Units for Long Term Mobility-Impaired tenants.
- In corresponding ratio to the general mix of unit types in the project where there is more than 1 unit set aside as ADA, i.e., if there is an equal number of two and three bedroom units in the building, one 2 bedroom ADA unit and one 3 bedroom ADA unit should be set aside.

In addition to the above-specified units, all multifamily residential buildings are required to follow the 1997 Uniform Building Code and the 2003 International Building Code, which are inclusive of the Fair Housing Act. The seven basic guidelines are provided in **EXHIBIT U**. For exceptions, see IBC 1107.5.4. Also see HUD's *Fair Housing Act Design Manual*, which can be found in its entirety at the following website:

www.huduser.org/publications/destech/fairhousing.html.

This manual also explains the Type A, or fully accessible unit requirements.

M. Project Fees

The Board will consider, at staff's recommendation, Project Fees, including, but not limited to:

- Developer overhead and profit.
- Contractor overhead, profit and general requirements.
- Development consulting fees.
- Administration and/or Management fees
- Incentive Fees
- Realtor fees

All fees must be reasonable with respect to the low-income housing objectives while sufficient to attract quality projects to the NHTF. Any fees approved by the Board must comply with HUD Regulations.

- All related-party fees will be disclosed (using **EXHIBIT F-2**) during the application process and verified at the final cost certification
- If fees increase between application and final certification, the amount of the NHTF loan will be reduced and the developer will repay the difference.

The Required Documentation for Closeout and Final Draw (**EXHIBIT H**) of each project requires that the project owner's CPA complete an audit and evaluation of all fee and overhead contracts whether with related or unrelated parties. The project developer must make full disclosure and allow the CPA access to all developer contracts in connection with preparation of the Final Cost Certification.

N. Approval of Funding Request

After each application has been processed and the funding amount has been determined, staff will present projects to the Board at its regularly scheduled meetings. The Board shall hear comments from applicants as required to best inform the full board on the project financial structure and general parameters.

A copy of the approved Board recommendation, with all conditional requirements imposed by the Board and staff shall become a permanent record in the applicant's file. This recommendation will then be presented to the Board at the regularly scheduled quarterly meetings. The Board will approve, deny, or delay the application. A copy of the completed project Conditional Project Commitment Agreement shall be provided at the conclusion of the meeting and the Board Chair and the applicant will sign it at that time.

It is this document that shall become the basis for the terms as outlined in the Loan Documents to be prepared by HCDD staff. No allowances or exceptions to the motion as originally approved by the Board shall be allowed. An applicant may request a change in the terms as outlined in the original motion of the board by reapplying to HCDD, with all updated, applicable financial information included, in subsequent funding rounds.

If funds for a housing activity are committed but none have been disbursed within twelve (12) months of initial commitment, those funds are subject to de-obligation and re-allocation by HCDD.

O. Appeals Process

During the scoring process, the applicant will receive notification of any discrepancies between the NHTF score determined during the project review/underwriting process and the score submitted by the applicant as calculated on their original application submitted to OWHLF. A reasonable period of time will be provided for the applicant to defend its submitted score using solely the information originally provided in its Application.

P. Project Status Reporting and Construction Monitoring

All projects receiving funding approval will be required to provide status reports in a frequency and format prescribed by the HCDD staff.

Information requested will be project specific and may include such items as: zoning approvals, firm debt and/or equity financing commitments, changes in debt and/or equity financing commitments or agreements, reports on construction progress, site control, and an update of cost for analysis.

Staff will conduct project monitoring at four stages: 1) pre-allocation, 2) 20% construction; 3) 50% construction, and 4) a final construction inspection prior to final project closeout. At any of the construction inspections, if it is noted that construction items specified in the original application and/or the contractual Scope of Work have not been completed or performed as represented in the original application, the developer will be given thirty (30) days to make corrections before any additional funding draws can be executed. Failure to complete the project as represented in the application and Scope of Work will result in the developer's ineligibility for further NHTF funds until the corrections have been completed. HCDD has the authority, based on the information obtained in the status reports, during construction inspections, or on recommendation from the staff to extend the period of funding or to rescind the approval and require the project to reapply under the then-current project conditions.

A Project Development Schedule (**EXHIBIT J**) must be completed and delivered to staff on or before April 1, and September 1, of each year the project is under development.

Q. Compliance Monitoring Plan

This Compliance Monitoring Plan (the "Plan") sets forth the procedures that HCDD shall follow, and those procedures that an owner of an NHTF project shall be required to follow, to satisfy the requirements and regulations applicable to Federal HOME and state funds. As a condition to the allocation of NHTF funds, owners are required to enter into a binding agreement to comply with the terms and conditions of this Plan. This Plan is part of the OWHLF's annual Program Guidance & Rules for the State of Utah.

R. Record Keeping Requirements

A Project Owner is required to keep separate records for each qualified low-income building in the project that show for each year in the compliance period:

1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit);

2. The rent charged on each residential unit in the building (including any utility allowances);

3. The number of residential units that are low-income units and the number that are NHTF assisted units (state, county, city, or consortium);

4. The number and ages of occupants in each low-income and NHTF unit;

5. The status of all low-income and NHTF units needs to be tracked on the Compliance Report (See **EXHIBIT V**). The information on this report that is collected includes move-in/move-out dates, household size, gross income, AMI, recertification date, and other rent related information. Please see the instructions for filling out this form immediately following the exhibit;

6. For purposes of the Plan, tenant income is calculated in a manner considtent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8 of the Housing Act"), and not in accordance with the determination of gross income for federal income tax liability. As required by the Final NHTF Rule, income determinations should be based on the anticipated income for the next twelve months.

S. Record Retention Requirements

An owner is required to retain the records described in Section A in accordance with CFR 24 Part 93.407. These requirements establish retention requirements as follows:

1. All Records pertaining to each fiscal year of NHTF and Low-income funds must be retained for the most recent five-year period, except as provided in section 2 below.

2. Records may be retained for five years after the project completion date; except that records of individual tenant income verifications, project rents and project inspections must be retained for the most recent five-year period, until five years after the affordability period terminates.

T. Certification Requirements

1. An owner is required to file with HCDD at least annually, the Compliance Occupancy Report (**EXHIBIT V**), for the preceding 12-month period. In filing the information contained within, the owner certifies that the information is true and correct and that the supporting information has been collected and retained.
2. Each NHTF-assisted multifamily project is required to submit financial statements for each year of operations following the cost certification and with the final annual audit occurring the last year of the affordability period. Recipient will submit to HCDD a cost certification performed by a certified public accountant for each project assisted with NHTF funds.
3. The owner for each low income or NHTF assisted unit in the project must obtain the annual income certification. This information must be obtained for each tenant eighteen years of age and older prior to occupancy of any low-income unit and annually thereafter. Certifications shall be kept in each individual tenant file along with other tenant information including but not limited to income verification, lease documentation, and inspections.

U. Review and Inspection Requirements

An owner shall permit, and HCDD shall have the right to perform, an on-site property or file inspection of any NHTF project, at least through the end of the compliance period and thereafter for such period determined by HCDD not to exceed the extended use period of the buildings in the project. HCDD will review the information required to be submitted on an annual basis. Verification of information may be required and reviewed at the HCDD staff discretion. HCDD will inspect NHTF projects in accordance with 24 CFR Part 92.745. These sections require property inspection based on the following timeline:

12 months after project completion and at least once every three (3) years thereafter during the period of affordability.

The property owner must certify to HCDD that each building in the project is suitable for occupancy, taking into account state and local health, safety, and other applicable codes, ordinances, and requirements, and the ongoing property standards established by HCDD to meet the requirements of CFR Part 92.745.

V. Frequency and Form of Certification

The certification and review requirements shall be made as described in section C and D through the compliance period. The certifications and reviews may be completed more frequently than on a twelve-month basis, provided that each twelve-month period is subject to certification. The staff monitors projects for compliance. Staff may report noncompliance to the division administration, the Board, HUD, and the Attorney General's Office.

W. Special Needs Set-Aside Compliance Policy

Applicant agrees to set aside and continually rent and properly equip unit(s) to the special needs that was agreed upon in the project Application (for funding from the NHTF), the final NHTF loan contract, and recorded Deed Restriction. Failure to fill the special needs set-aside units with the targeted population constitutes a violation of these agreements and may be considered a compliance issue, at the discretion of HCDD monitoring staff. If violation remains unresolved in a timely manner, project owners may jeopardize their future funding opportunities through the NHTF. Exceptions may be permitted only after meeting Housing and Community Development Division (HCDD) requirements in attempting to rent to this population and demonstrating that no tenants with special needs are available to fill the particular units (see requirements for meeting this exception below).

All NHTF applicants that receive NHTF funding must register their property and the number of special needs set-aside units in that property with The Utah Affordable Housing Database (UAHD), managed by HCDD. Owners/managers of properties with set-aside units are required to establish working relationships with primary and secondary community service providers (CSP) so that the referral process for special needs tenants will be more successful. The use of the UAHD website does not preclude utilizing current community service providers or the Utah Housing Corporation Set-aside Tracker.

1. **Non-Accessible Unit Special Needs (See Accessible Units Below)**
   Non-accessible special needs units include, but are not limited to, those intended for people with Chronic Mental Illness (CMI), Developmentally Disabled (DD), Domestic Violence (DV), Elderly (ELD), Homeless (HOM), Transitional housing (TRANS) and Housing Opportunities for People with AIDS (HOPWA).

   a. Owners/managers have four weeks to fill a set-aside unit that becomes available with the targeted population. This time period may begin up to, but not earlier than, four weeks before the existing tenant intends to vacate the unit.

      i. The manager must contact the primary CSP to obtain a referral as soon as they know the special needs unit will become vacant.

      ii. Should this provider fail to refer a qualified tenant(s) by the end of one week after contact, the manager should then contact the secondary CSP.

iii. In the event that a qualified tenant is not referred to occupy the set-aside unit, and after 30 days total from initial notification of vacancy, owner/manager may then lease the unit to a non-special needs tenant.

iv. If the manager chooses to lease to a non-special needs tenant that tenant must agree to be moved to a similar unit if the need for a special needs unit arises and there is a comparable unit available. A sample agreement will be made available to the manager upon request.

b. Special requirements for **Transitional Housing (TRANS) units**: For transitional housing units, tenants are encouraged to transition to independent living within two years (24 months from initial occupancy), depending on the housing guidelines of the transitional units.

2. Type "A" Fully Accessible Units for Long-Term Mobility-Impaired Tenants (ADA units)

a. These units must be fully functional for tenants who have a long-term mobility impairment needing an accessible unit.

b. When one of these units becomes vacant, offer the unit:

i. First, to a current occupant of the project requiring the ADA features;

ii. Second, to an eligible qualified applicant on the waiting list (if any) requiring the ADA features. Note that this is the only instance where skipping applicants on the waiting list is allowed.

iii. Third, to your primary and secondary CSPs for referrals of ADA tenants.

iv. If possible, include the wheelchair logo in all advertisements for better recognition and response from your public audience.

3. Evidence of Due Diligence

During scheduled inspections, HCDD may ask to see the rental history of special needs units which may include written documentation showing steps taken to find a qualified applicant including communications with primary and secondary CSPs.

HCDD will consider other options on a case-by-case basis to assist project owners in their commitment to fill their set-aside units with the targeted special needs population. Project owners and site managers should work proactively with the referring organization(s) to ensure that their set-aside units are filled with tenants from the targeted population(s). This would include establishing a waiting list of pre-screened families or individuals that are waiting for a housing opportunity.

X. Financial Subsidy Review

Staff shall conduct "subsidy layering" reviews on projects that directly or indirectly receive financial assistance from the U.S. Department of Agriculture Rural Development Service ("RD") or the U.S. Department of Housing and Urban Development ("HUD") inclusive of NHTF, HOME, CDBG, or HOPWA assistance, (the "Subsidy Layering Review"). These Subsidy Layering Reviews shall be conducted in accordance with guidelines established by RD and HUD with respect to the review of any financial assistance provided by or through these agencies to the project and shall include, without limitation, a review of: (a) the amount of equity capital contributed to a project by investors, (b) the project costs including all fees, and, (c) the contractor's profit, syndication costs and rates. In the course of conducting the review, the staff may disclose or provide a copy of the application to RD or HUD for their review and comments and shall take any other action deemed necessary to satisfy its obligations under the respective review requirements. HCDD staff may accept a review completed by Utah Housing Corporation.

Contingency amounts*:* All contingency amounts listed in the application must be accounted for within the final cost certification. If all contingency funds are not used, leftover contingency funds must be used to reduce the NHTF loan.

Y. Common Application and Sharing of Information With Other Financial Sources

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS, Utah Housing Corporation (UHC), investors and others as determined by the staff in evaluating and tracking the progress of the project. The staff complies with the provisions of GRAMA and Freedom of Information Acts.

Z. Signage

The project owner must include Olene Walker Housing Loan Fund's name and logo on project signage during construction and press releases/interviews as the allocator of Loan Fund monies as applicable.

9. UTAH AFFORDABLE HOUSING DATABASE

Projects receiving NHTF/OWHLF funds are required to be listed and maintained by the developer and/or property management company on the Utah Affordable Housing Database. Information listed should include units available for rent and units with special characteristics and set-aside agreements as previously described in sections F1 and F2.

10. FUND LEVERAGING

To optimize the leveraging of OWHLF monies, applicants are encouraged to consider other funding partnerships, including interest-bearing loans from financial institutions, bonds, and loans from other public agencies. In the analysis of funding partnership options, OWHLF staff can define creative loan options, including delayed loan payments, grants, etc. The OWHLF Board has the discretion to consider and approve loan options, including deferred payments, but reserves the right to reconsider and rescind a deferred payment approval based on staff recommendation, and/or additional/supplemental information regarding the project.

11. REHABILITATION STANDARDS

HCDD's NHTF Minimum Housing Rehabilitation Standards are based on the inspectable and inspected areas from the HUD-prescribed physical inspection procedures (Uniform Physical Conditionss Standards). See **EXHIBIT Z: Rehabilitation Standards** for further detail.

State of Utah

WORKFORCE SERVICES
HOUSING & COMMUNITY DEVELOPMENT

Olene Walker Housing Loan Fund

2017-2018
Olene Walker
Housing Loan Fund
Program Guidance & Rules

Part IV
Single Family Programs and Applications

(Home Ownership)

SINGLE FAMILY PROGRAMS AND APPLICATIONS
TABLE OF CONTENTS

A. ADMINISTRATION OF THE RURAL UTAH SINGLE FAMILY RECONSTRUCTION AND REHABILITION PROGRAM

1. PURPOSE

For the Rural Utah Single Family Reconstruction and Rehabilitation Program (SFRRP) Application and the Rural Utah Single Family Rehabilitation and Reconstruction Program Guidelines, please see www.housing.utah.gov.

2. LOCAL ADMINISTERING AGENCIES

The SFFRP addresses Utah's rural housing needs by improving the quality of existing owner-occupied housing units. Funds have been allocated by the Olene Walker Housing Loan Fund Board to local associations of government ("AOG") agencies for administration of the SFRRP and provide service to the following counties:

Neighborhood Nonprofit Housing Corp:	Box Elder, Cache, Morgan and Rich
Southeastern Utah AOG:	Carbon, Emery, Grand, and San Juan
Uintah Basin AOG:	Daggett, Duchesne, Uintah
Six County AOG:	Juab, Millard, Piute, Sanpete, Sevier, and Wayne.
Housing Authority of Utah County:	Utah, Wasatch, Summit and Tooele

To apply for SFRRP assistance, apply directly to each of the six single family offices.

Successful applications are managed by the submitting agency with SFRRP administrative funding allocated to agencies per project at ten percent for reconstruction and 15 - 25 percent for rehabilitation.

All projects must be managed by local agencies in accordance with the "Rural Utah Single Family Rehabilitation and Reconstruction Program Guidelines 2017-18" as approved by the OWHLF Board on June 15, 2005, the HUD Single Family Program regulations, and HOME RULES.

B. ADMINISTRATION OF OTHER SINGLE FAMILY PROGRAMS

1. PURPOSE OF OTHER SINGLE FAMILY PROGRAMS

The other single family programs (HomeChoice, and Mutual Self Help) are designed to provide home ownership opportunities and improve quality of life by providing financial assistance to qualified low-income families and individuals in Utah. The Home Choice Program provides assistance to low income populations with special needs.

2. ADMINISTRATION FEES

These programs are administered by local agencies selected by the OWHLF Board. Agencies conduct outreach, application intake and approval, and project management. Certain agencies may be eligible for project administration. The agencies will have on-site administrative supervision, over-site, and compliance responsibilities for each project. Agencies will provide regular administrative and production reports to the OWHLF Board. These agencies may include:

- Public Housing Authorities
- Counties, cities and towns
- Association of Governments
- Non-Profit Organizations
- Indian Tribes

3. TECHNICAL ASSISTANCE FUNDS

Technical funds are available for training and capacity building with the intent of assisting local agencies to increase their capacity to maintain and produce low-income housing units.

4. AGENCY RESPONSIBILITES, OUTREACH AND MARKETING

The agencies must demonstrate the ability to operate the single-family programs with the following:

- Business management and administrative experience
- Background and experience in construction and implementation
- Experience working with residential loans and related financial transactions
  - Obligation to administer the program with a legal contract
  - Accounting of funds for compliance with federal and state funds
  - Compliance with federal and state program regulations and laws
  - Attendance at pertinent training

Marketing and outreach efforts should insure:

- Fair and equal housing opportunities for all eligible clients to participate
- There are sufficient applications to meet the housing goals of the Consolidated Plan

Each agency is responsible for soliciting applications through outreach and marketing to potential clients within their service area. They may advertise the program through newspapers, written communication to civic leaders, minority and community groups, published flyers, and neighborhood campaigning.
Methods and procedures for application intake may include rating and ranking procedures when applications exceed the available funding and meet the housing needs as identified in the regional Consolidated Plan by:

- Geographical preferences for specific neighborhoods on a revolving basis,
- Targeting populations such as elderly or disabled populations, or lowest of incomes,
- First-come, first-served to ensure fairness; applications shall be date stamped,
- Lottery when the program demand is greatest.

5. COMPLIANCE MONITORING

Monitoring will be completed to ensure program compliance. Unresponsiveness and noncompliance will be reported to HCDD administration, the Board, USDA Rural Development, HUD, and the Attorney General's Office as necessary. Monitoring to ensure program compliance will include, but is not limited to:

- Consistency with Regional and State Consolidated Plans
- Program targeting

- Income verification
- Property information including property standards to be met, condition of home, location, and value
- Mortgage limits (HUD and/or RD as applicable)
- Minimum and maximum subsidy
- Eligible costs
- Administrative requirements
- Construction management
- Procurement processes of the agency for selecting contractors, etc.
- Legal documents
- Loan closing, processing and servicing
- Onsite inspections and quality of work
- Program record keeping
- Financial management
- Other Federal and State requirements, including any items included as assurances per contract with HCDD
- Resale/recapture options
- Written agreements, contracts, and amendments

6. RECORD KEEPING

Each agency must establish and maintain sufficient records and provide access to the records for monitoring of compliance with program requirements, as per Attachment "G" of the contract. All records must be retained for the most recent five-year period following the close of the project, except for the following:

- Homeownership: five years, except for the documents imposing recapture/resale restrictions that must be retained for five years after the affordability period ends.
- Written agreements must be retained for five years after the agreement terminates.
- If any litigation, claim, negotiation, audit, monitoring, inspection or other action has been started before the expiration of the required record retention period; records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the required period, whichever is later.

7. REVIEW AND INSPECTION REQUIREMENTS

The agency will permit, and HCDD will have the right to perform, an onsite property and/or file inspection of any OWHLF project through the compliance period. Verification of information may be required and reviewed at HCDD staff discretion. HCDD will inspect the projects in accordance with 24 CFR Part 92.504 and all applicable State contract assurances.

8. PROJECT REPORTING

All projects receiving funding approval will be required to provide quarterly status reports. HCDD can request other project information at any time. If funds for a housing activity are committed but none have been disbursed within twelve (12) months of initial commitment, those funds are subject to de-obligation and re-allocation by HCDD. If a project has not commenced construction within one year of approval or if quarterly status reports or other information obtained by HCDD raise concerns regarding project progress or viability, HCDD can extend the period of funding, rescind approval, or require agencies to reapply. The report information requested will be project specific and may include:

- Zoning approvals issues
- Site control issues
- Reports on construction progress
- An update of costs
- Reports on application process
- Other project issues

9. COMMON APPLICATION AND SHARING OF INFORMATION WITH OTHER FINANCIAL SOURCES

Application information may be shared with other financially interested parties, including, but not limited to: participating lenders, IRS and others as determined by the staff in evaluating and tracking the progress of the project. HCDD is subject to and complies with the provisions of GRAMA and Freedom of Information Acts.

10. UTAH HOUSING EDUCATION COALITION

If funding is provided for a Homeownership Program from the Olene Walker Housing Loan Fund (OWHLF), the recipient Agency must become a participating member of the Utah Housing Education Coalition prior to release of any OWHLF funding.

C. PROJECT SELECTION

1. PROJECT SELECTION REQUIREMENTS

Agencies will establish evaluation criteria for application review. Application selection will be based upon compliance of the proposed project to the program criteria, feasibility, and merit of projects and will include the review of:

- Complete application with documentation required in the check list
- Agency recommendation to the OWHLF for the project summarizing the need
- Environmental review (see **EXHIBIT N**)
- Project underwriting, threshold requirements and the front and back end ratios as stated in each projects loan and pricing policies (see **EXHIBITS O, Q, R**, and **S**)
- Estimated closing costs
- Contingency reserve
- Sources of other funds including debt terms, grants and payment schedules
- Self-Help equity and family donations
- Debt structure and loan terms
- Construction details and costs
- Life and safety issues including other housing deficiencies in the work description and property standards
- Cost effectiveness of any rehabilitation in regards to the loan to value and bids
- Credit history
- Preliminary title report

- Homeowners insurance
- Property values
- Income and Area Median Income guidelines
- The cost reasonableness and completeness of the proposed construction, acquisition or development
- Contractor requirements and insurance
- All other documentation required in each application

Agency staff will visit project site and conduct an inspection of the property. HCDD staff may also visit the site in order to make a recommendation to the Olene Walker Housing Loan Fund Board indicating the appropriateness of the rehabilitation based on the existing condition of the property. Individual projects will be considered by the Board for funding on a first-come basis.

2. PROJECT REQUIREMENTS

- Agencies and related partners must be current on all outstanding OWHLF or HCDD obligations at time of application.

- Third party documentation is required.

- Property types can be a single-family property (one unit), a two-to-four-unit property, a condominium unit, a cooperative unit, or a unit in a mutual housing project (if recognized by law), and a manufactured home.

- Current zoning must permit single residential use of the proposed project site.

- Agencies must comply with all other applicable contract assurances, attachments, and requirements as contained within the HCDD Contract.

3. OWHLF FUNDING

The Board develops and approves an annual Program Guidance & Rules for these single-family programs. This process considers public comment from interested and affected agencies and potential borrowers. Applications must be submitted by the Board's deadlines. Any special funding requests to the Board must be submitted using a completed application (see **EXHIBIT A4**). Application shall include all required support and supplementary documentation to HCDD on or before the publicized due date and time.

4. PROJECT COST

New Construction: Funds may be used for new construction in ownership housing. Any project that includes the addition of dwelling units outside the existing walls of a structure is considered new construction.

Rehabilitation: This includes the alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a foundation. Rehabilitation may include adding rooms outside the existing walls of a structure, but also adding a housing unit that is considered new construction.

Reconstruction: This refers to building a structure on the same lot where housing is standing at the time of project commitment. It is also to build a new foundation or repair an existing foundation.

Reconstruction also includes replacing a substandard manufactured house with a new manufactured house. During reconstruction, the number of rooms per unit may change, but not the number of units.

Site Improvements: Improvements must be in keeping with the standard of surrounding projects. They include new, onsite improvements (sidewalks, utility connections, sewer and water lines. etc.) where none are present. They are essential to development or repair of existing improvements. For new units, offsite utility connections to an adjacent street are also eligible. Offsite infrastructure is not eligible.

Acquisition of Property: Acquisition of existing standard property or substandard property in need of rehabilitation for the ownership program is eligible.

Acquisition of Vacant Land: Funds for the acquisition of vacant land may be used if construction will begin within 12 months of purchase and all other funding has been applied for or committed to the project before the release of funds unless approved by the Board. OWHLF funds must be in first lien position. Land banking is prohibited.

Demolition: Funds may be used for demolition if construction will begin within 12 months.

Refinancing: Funds may be used to refinance existing debt on a single-family, owner-occupied property in connection with significant rehabilitation costs. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable.

Eligible Closing Costs

- Credit reports
- Fees for acceptable title evidence
- Fees for recording and filing legal documents related to the loan
- Attorney's Fees
- Appraisal fees
- Energy Audit

Eligible Rehabilitation and New Construction Costs

- Property and Rehabilitation Standards
- Cost effective energy improvements including items necessary to achieve ENERGY STAR
- Historic Preservation Standard
- Environmental requirements
- Flood Proofing requirements
- Lead-Based Paint remedying
- Termite elimination
- Physically Handicapped Accessibility requirements
- Local and State Code requirements
- Architectural and engineering fees
- Contingency Reserve of 10%
- Payoffs to other mortgage holders to make loan financially feasible
- Appliances

Ineligible Costs

- Luxury and/or discretionary items
- Purchase, installation, or repair of personal property
- Funds to pay the borrower or family members for their labor
- Payments to lien holders other than first mortgage

Property Standards

Properties must meet the following minimum standards:

- Local housing codes
- Building codes
- Rehabilitation Standards (Specifications for methods and materials)

5. CONTINGENCIES AND CHANGE ORDERS

A construction contingency of 10 percent of hard costs of a project may be added to individual contracts, and loan documents. Change orders must be approved with signatures of the homeowner, contactor, and
agency. Change orders will include the description of the specific changes, justifications, and costs from the agency and contractor.

For change order the documentation from the local agency will include but not limited to:

- Written summary of an on-site review
- Statement from the contractor of the need, justification and cost
- Change Order Form signed by the homeowner, contractor and agency

If contingency is not used in the project, the contingency will be used to reduce the principal balance of the loan.
In the case of a change order, the homeowner's debt structure and the borrower's ability to service the increase of the loan payment will be reviewed. If the change order is increased the loan document will be updated.
Loans may include escrows for payment of taxes and insurance if not included in the first mortgage.

6. SELECTION OF CONTRACTOR AND BUILDER

Agency will analyze and compare several bids and/or the agency cost estimate to assess:

- Cost reasonableness
- Adherence to the scope of work
- Ability to meet construction deadlines
- Contractor references

The contractor's bid will be consistent with market rates for:

- Labor and other wage expenses
- Materials
- Contractor overhead, profit

7. DEVELOPER FEE LIMITS ON HOME OWNERSHIP/SELF-HELP DEVELOPMENT

The maximum fee limit per unit is 10% of Costs (land not included). Costs = [Site Work + Construction + Contingency +A&E + Impact Fees] unless a waiver is requested and granted by the staff.

8. SCOPE OF WORK – Single Family Rehabilitation & Reconstruction Program

The proposed work must be adequate to extend the useful life of the property and to protect the value of the security for the term of the loan.

Property must have repairable deficiencies for any rehabilitation work to be authorized.

If funds beyond the OWHLF loan are needed to complete the rehabilitation, the borrower will submit commitment letters with additional loan amounts and terms. The additional funds will be a part of the underwriting calculations. Additional funds may be cash on deposit, cash on hand, cash surrender value of life insurance, proceeds from the sale of marketable securities or other assets, gifts of cash, or cash equivalents.

Property Standards:
Any rehabilitation work must be done in accordance with adopted written rehabilitation standards, property standards, housing codes, and building codes. Manufactured housing must meet the Manufactured Home Construction and Safety Standards as established by 24 CFR Part 3280. Installation of manufactured housing must comply with applicable state, and local laws and codes.

ENERGY STAR helps to maintain long term affordability in spite of rising utility costs while contributing to overall health and safety in housing units. For these reasons, projects receiving OWHLF funds will be ENERGY STAR or HERS qualified unless all cost effective measures have been implemented (where the SRI is $\leq$ 1.0 over a 15 year period) and a waiver granted by the Division of Housing and Community Development. Units shall be rated using an independent certified rater.

If the project cash flow is not feasible due to incremental costs associated with ENERGY STAR compliance, the loan interest rate may be adjusted to accommodate project cash flow safe harbor requirements.

9. SCOPE OF WORK – Self-Help Mutual Housing Program

OBJECTIVE: To leverage an affordable single family housing loan package that is primarily targeted toward low and very low income rural residents of Utah. Underwriting will be based on USDA Rural Development Direct 502 loans.

a) Applicants shall meet the basic eligibility criteria such as citizenship-legal alien.
b) Applicants must be unable to obtain conventional financing and shall have the financial capacity to meet the terms of the loan.
c) Applicants shall comply with credit history requirements as per RD Instruction 3550, paragraph 4.11, or have a joint FICO score of 660 or greater.
d) The total adjusted income of all adults age 18 and older living in the home shall be within the HUD Maximum Income Limits, based on the county where the homeowner shall reside.

e) Applicants shall have a PITI ratio of 31% and a total debt ratio of 41%. For very low income applicants, the PITI ratio may be up to 33% or the OWHLF principal and interest may be added to the back end ratio.
f) Applicants shall meet all the requirements in USDA Rural Development Handbook 3550 instructions.

The USDA Rural Development loan may be in first lien position. USDA-RD shall be responsible for the tax and insurance escrow account for each homeowner.

The Olene Walker Housing Loan Fund interest rates will match USDA Rural Development's interest rates. Those families who reach a minimum score of 120 on the Utah Green Building Checklist will receive a 1% discounted interest rate, not to go below 0%.

USDA Rural Development shall be responsible for doing all inspections at time of footing/foundation, four-way inspection, and final inspection. A Building Permit must be obtained at the borrower's cost. Local and city/county inspections are required so that all homes meet the building code requirements. A copy of each inspection shall be provided to each Self-Help agency for each home. In addition, each Self-Help agency shall provide sufficient oversight to assure a high level of quality construction for each home.

The last TEN PERCENT (10.%) of the homeowner's loan, or any other amount agreed upon, shall not be released until the Certificate of Occupancy has been issued by the City/County, and USDA Rural Development has made their final inspection. A copy of the Certificate of Occupancy, the Final Inspection, and Energy Star certificate shall be submitted to the Olene Walker Housing Loan Fund before final disbursement shall be made.

The Olene Walker Housing Loan Fund loan to the homeowner shall be closed simultaneously with the USDA Rural Development loan.

a) Olene Walker Housing Loan Fund interest shall start to accrue the first of the month following the closing.
b) Olene Walker Housing Loan Fund funds may be used for acquisition of the land or construction costs.
c) Olene Walker Housing Loan Fund loan shall not exceed $15,000.00 for each homeowner or $20,000.00 for each homeowner that reaches a minimum score of 120 on the Utah Green Building Checklist.
d) Olene Walker Housing Loan Fund loan is non-assumable.
e) Olene Walker Housing Loan Fund loan cannot be subordinated.
f) Olene Walker Housing Loan Fund loan is a regularly amortizing loan payable monthly over a period of 33 years.
g) Olene Walker Housing Loan Fund deferred loan is a loan where the principal and interest are deferred for 33 years. At the end of the 33 years or if the property is sold or conveyed, or the borrower ceases to use the property as his/her primary residence, the principal and interest will be payable in full.
h) Complete and accurate documentation of all expenditures shall be submitted to the Olene Walker Housing Loan Fund before funds shall be released to each Self-Help agency for each individual homeowner.
i) Olene Walker Housing Loan Funds may be used for lot purchase. A complete set of all loan documents, as well as a copy of the Settlement Statement, shall be submitted to OWHLF before any payment shall be released. Two weeks' notice is

required to process the check. The check will be made payable to the Title Company who is handling the closing.

j) All checks for payment of expenditures shall be made payable to both the homeowner and the contractor/supplier, and a copy of the check kept in each individual homeowner's file.
k) Each Self-Help agency is required to keep a separate accounting of each homeowner's expenditures.
l) Each Self-Help agency is required to keep a separate loan folder for each homeowner showing all expenditures, inspections, copies of all loan documents, application and verification of employment, verification of income, and all other documentation needed for the loan.
m) All original loan documents and the original title policy shall be held at the office of the Olene Walker Housing Loan Fund.
n) An environmental release from the State of Utah, Department of Workforce Services, Housing and Community Development Division is required before ahy funds can be spent or obligated. A copy of the release letter shall be in each homeowner's file.
o) Attachmeht J, Mutual Self Help Housing, to this contract shall be submitted with all applicable information provided before any funds can be released.
p) Contractor shall be responsible for preparing all loan documents in the form provided by the Division of Housing and Community Development.
q) There are no administrative funds with this contract.

FILES MAINTAINED BY CONTRACTOR – Payments shall be made only on a reimbursement basis. Contractor shall maintain a single file for this contract which shall include copies or originals of the following records:

1) The signed contract and all contract correspondence;
2) Deposit slips documenting that all payments made by HCDD have been deposited into the Contractor's account;
3) Invoices, billings, or statements documenting all expenditures made with these funds; and
4) Canceled checks for each expenditure made.

Supporting documentation must be submitted before any reimbursement shall be made.

UNALLOWABLE EXPENSES – No reimbursement shall be made for expenses incurred after the termination date of this contract. No reimbursement shall be made for billings received more than fifteen (15) days after the contract has expired.

D. UNDERWRITING

1. LOAN UNDERWRITING GUIDELINES

The Board makes no representations as to the financial viability of any project. The guidelines are to assist in applying the principles established.

Amortized Loans and Loan Underwriting Ratio: The forms of available assistance to keep the loan within the loan to debt ratios of each program are the following:

- Grants (available only in rare circumstances)

- Deferred payment loans
- Non-interest bearing loans
- Interest bearing loans

In order to leverage interest, subsidies and loan guarantees may be used.

- Interest subsidies. also referred as interest reduction grants and interest rate buy-downs, are paid directly to the lender to buy down the interest rate.
- Loan guarantees ensure payment, making a risky loan acceptable to a private lender; may not exceed 20 percent of the total outstanding principal guaranteed.
- Equity investments made in return for a share of ownership.

The housing expenses include:

- Monthly principal and interest payments
- Mortgage insurance premiums for all current and proposed debt secured by the property
- Rehab Loan
- Payments for real estate taxes and insurance

Total Monthly Debt (TMD) includes:

- Monthly principal, interest and mortgage insurance premiums payments, for all current and proposed debt secured by the property; Rehab Loan, and payments for real estate taxes and insurance
- Special assessments
- Payments on installment loans and monthly payment on revolving charge account debts with at least six remaining payments
- Alimony, child support or maintenance payments
- Health insurance

2. CALCULATING THE OWHLF LOAN AMOUNT

Evaluations to determine the amount of funding will be made upon review of application and upon approval of funding by the Contracting Agency. The evaluation will determine the amount of funds and the loan terms for each application based on the pricing policy and loan product specific program (see **EXHIBITS Q, R,** and **S**).

3. SUBSIDY REVIEW and THE 95 PERCENT OF MEDIAN PURCHASE PRICE

The maximum per unit subsidy is based on the HUD Section 234-Condominium program limits for the area as published by HUD (see **EXHIBIT K** for further information). The housing must be modest and the price cannot exceed the median purchase price for the area as described in the HUD FHA 203 (b) Limits as published by HUD each year.

4. FINANCIAL LEVERAGING

Agencies will coordinate and leverage funding with organizations operating in the same area. Letters of Interest are required from financial sources for the project. The Letter of Interest should stipulate the amount, loan terms and the lender’s acceptable Debt Service Coverage Ratio floor. Letters of Interest are also required for grants.

5. RECAPTURE OR RESALE

Recapture option is the mechanism to recapture all or a portion of the direct funding subsidy.

Resale option ensures the assisted unit remains affordable over the entire affordability term.

6. PROJECT APPROVALS

Home Ownership and Down Payment Assistance
The Board must review and approve each application to contract with the OWHLF for the program. A Request for Qualification will be required from the Agency at the end of each contract period for review and approval by the Board.

The Agency will approve eligible applications for funding.

Home Choice
The Agency will approve eligible applications for funding.

<u>Homebuyer Education</u> – All borrowers will participate in the program that meets the standards of the Fannie Mortgage product. The HomeChoice Committee will approve eligible applications for funding.

<u>Early Delinquency Counseling</u> - Borrowers must sign an agreement to participate in delinquency counseling in the event of default.

<u>Verification of Income</u> - Lenders will verify the borrower's income for two full years and verify any special resources of income have a remaining term of at least three years from the date of the mortgage application.

Fannie Mae and approved lenders will determine the feasibility and merits of the project, but will also underwrite to OWHLF, State, and Federal requirements.

Projects will be brought before the OWHLF Board for ratification. The information provided to the HCDD staff will list:

- Borrower address and family size
- Type of disability and which family member is disabled
- Accessibility construction and costs
- Annual income and AMI
- Purchase price, loan type, loans and interest rates of each loan
- Monthly payment
- Lender
- Funding date
- Other funds

E. FINANCING

1. LOAN SETTLEMENT

The escrow agent shall be a title company. Following the completion of the loan closing the escrow agent will immediately record the Loan documents requiring recordation, disburse any funds required to be disbursed, and issue the title insurance policy.

2. LOAN TERMS

Title
Fee Simple Title is required. The title to the property must be cleared of all liens and encumbrances such as judgments, past due property taxes, and mechanics liens, etc.

Insurance
A current certificate of fire or homeowners insurance will be submitted before the loan is closed. If the property is located in a flood plain, flood insurance must be obtained.

Escrow Accounts
Escrows for payment of taxes and insurance may be collected.

Collections
HCDD will pursue foreclosure when attempts at negotiating a new loan payment schedule have failed, when real property taxes are delinquent or insurance coverage is not maintained on the property.

Loan Payoffs and Reconveyance
When loans are paid in full HCDD will reconvey the Trust Deed associated with the loan to the property owner.

Death of Borrower
The entire loan is due and payable upon the death of the borrower.

Refinance of Loan
A borrower may experience a change in circumstances that negatively affects his or her ability to pay the loan obligation. HCDD may agree to refinance the remaining outstanding balance at a more favorable interest rate or term, provided the borrower qualifies under the current income guidelines.

Due and Payable
The total amount of the loan becomes immediately due and payable when:

- The property is sold, conveyed, disposed, assigned, or transferred.
- The owner of the property ceases to make the property their primary residence.
- A priority lien is refinanced.

State of Utah

WORKFORCE SERVICES HOUSING & COMMUNITY DEVELOPMENT

Olene Walker Housing Loan Fund

2017-2018 Olene Walker Housing Loan Fund Program Guidance & Rules

Part V Definitions

DEFINITIONS

1. *Adjusted Gross Income (AGI):* This is used for determining income as defined for purposes of reporting under the Internal Revenue Service's (IRS) Form 1040 series for individual federal annual income tax purposes.

2. *Affordability:* Requirements that relate to the cost of housing both at initial occupancy and over established timeframes.

3. *After Rehab Value or Maximum Mortgage Limits:* HOME maximum purchase price or after-rehab value limits are based on the Section 203(b) Single Family Mortgage Limits. Participating jurisdictions also have the option of determining their own limits in accordance with the procedures described in the HOME regulations at 24 CFR 92.254. HUD's Office of Single Family Housing determines the Section 203(b) limits.. However, there is no comprehensive list of Section 203(b) limits for all jurisdictions. The latest limits for a particular jurisdiction must be obtained from the appropriate HUD Single Family Homeownership Center (HOC).

4. *Anticipated Income:* Income eligibility is based on anticipated income. When collecting income verification documentation, also consider any likely changes in income. Prior year's tax return does not establish income; nor does it provide adequate source documentation; but is a source for comparison.

5. *Area Median Income (AMI) For the Area:* Established Median income of the Metropolitan Statistical Area ("MSA") or County. When comparing the income of the prospective Borrower to the Median Income for the Area, the median income for a family of corresponding size shall be utilized. Income statistics meeting this definition are published by HUD pursuant to Section 3(B)(2) of the National Housing Act of 1937.

6. *AUGF (Authority to Use Grant Funds):* This is a HUD-required form (Form HUD-7015.15) that releases HUD funding to be issued to a project that has applied for and received approval for OWHLF funding.

7. *Building Code:* Building codes are the legal regulations that each city and state enacts and enforces for all new and old buildings, including homes. Building codes often include property standards, new construction specifications, and rehabilitation standards. The "rehabilitation" of "existing building" chapters of local building codes indicate which parts of the rest of the code (the new construction specifications) you must follow in order to meet the "property standards." Most model building codes already include some rehabilitation codes (sometimes called "existing building" codes). If the local code does not have "rehabilitation" or "existing building" chapters, the three model building codes as well as HUD's Nationally Applicable Recommended Rehabilitation Provision ("NARRP") are helpful guides.

8. *Borrower:* one or more individuals, who receive approval of a Loan. The Borrower(s) will (collectively) own the property to be rehabilitated or constructed, and all owners will execute the legal documents evidencing and securing the loan.

9. *Community Housing Development Organization (CHDO):* are specific non-profit organizations that have been certified by HOME participating jurisdictions. The CHDO develops affordable housing and receives 15% of HOME set-a-side funds. These sub-recipients are entities that operate independently of the participating jurisdiction. They differ from other non-profits due to different administrative requirements.

10. *Consolidated Plan:* a plan of up to five years in length which describes a community's need, resources, priorities and proposed activities to be undertaken with certain HUD funding, including funding under the HOME and NHTF Programs. The Plan is updated annually.

11. *Corporation:* a legal entity duly organized as a for-profit or not-for-profit Corporation with, appropriate documentation on file with the state regulatory agencies, and which has fulfilled all legal requirements for engaging in the business of owning and renting real property.

12. *Deferred Loan (soft seconds):* Loans which are not fully amortized. Some or all principal and interest payments are deferred to the time of a sale or transfer of the property or at the end of a fixed time. These loans can accrue interest or be non-interest bearing. The property is the collateral.

13. *HCDD:* Housing and Community Development Division within the Department of Workforce Services that administers the Olene Walker Housing Trust Fund and manages the OWHLF loan portfolio.

14. *Dwelling Unit*: Residential space which, after Rehabilitation, will qualify under the laws of the state and locality as a place of permanent habitation or abode for a Household of one or more individuals.

15. *Eligible Activities:* Activities which assist homeowners with the repair, rehabilitation or reconstruction of the owner-occupied unit.

16. *ENERGY STAR* is a program provided by the U.S. Environmental Protection Agency for certifying housing units at energy efficiency level 15 percent more efficient than the International Energy Conservation Code (IECC).

17. *Final Rule:* For HOME, the Final Rule published at 24 CFR Part 92 on July 24, 2013, effective on January 1, 2014. For the NHTF, the Interim Rule published at 24 CFR Part 93 on January 30, 2015 effective March 1, 2015.

18. *FHA Mortgage Limits* are HUD Mortgage Maximums set per County for the current year.

19. *General Property Improvements (GPI):* Rehabilitation that does not correct a deficiency, but may be needed to complete a correction of a deficiency and to maintain quality and investment standards.

20. *Graduated Payment Mortgage or "GPM":* Instrument that secures a note in which the Interest Rate and/or monthly payment increases at pre-determined times during the term of the loan rather than remaining fixed.

21. *Home Energy Rating System (HERS):* A nationally-recognized industry standard method developed to measure a home's energy efficiency by assessing its energy consumption; the lower the score, the more energy efficient the home is.

22. *HOME Investment Partnership Program:* HUD administered affordable housing program.

23. *HOME Funds:* Funds for the "HOME investment partnership", a federal housing block grant program administered by the Department of Housing and Urban Development and granted to participating jurisdictions. It is all appropriations for the HOME Program, plus all repayments and interest or other returns on the investment of these funds.

24. *Homeownership:* Fee Simple Title or a 99 year lease.

25. *Household*: Person or group of persons permanently residing in a single Dwelling Unit.

26. *Household Income:* Monthly income of all persons 18 years of age or older living in the property, or who have an ownership interest in the property. One type of income will be calculated using HUD adjusted gross income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040 series for individual federal annual income tax purposes. Other income may be based on Section 8 guidelines.

27. *Housing Quality Standards (or "HQS"):* As defined by HUD at 24 CRF 982, housing that provides decent, safe, and sanitary housing at an affordable cost to low-income families, establishing minimum quality criteria for standard housing for the health and safety of program participants using 13 key aspects of housing quality. Used as an inspection guide for the Section 8 voucher program.

28. *HUD*: U.S. Department of Housing and Urban Development

29. *Incipient Deficiencies:* problems or defects which, if not corrected, would reasonably be expected to deteriorate into actual deficiencies under the Local Rehabilitation Standards within two years.

30. *Initial Inspection* identifies property deficiencies such as violations of housing standards, incipient housing and code violations, site considerations such as

surrounding properties, remains of previous structures, and buried structures such as tanks.

31. *Interest Bearing Loans:* Amortizing loans where repayment is expected on a regular basis, usually monthly, so that over a fixed period of time, all of the principal and interest is repaid. The property is used as collateral.

32. *Interest Rate*: Stated rate of interest charged to Borrowers on the outstanding principal balance on Loan. This can take the form of a "simple" interest rate that calculates interest ONLY on the Loan's outstanding principal balance, or a "compounding" interest rate that calculates interest on BOTH the Loan's outstanding principal and any unpaid or accrued interest amounts.

33. *Internal Revenue Service (IRS):* The federal department having jurisdiction over the low income housing tax credit (LIHTC) program, as mandated by Congress. The program is administered by each states' delegated staff, who is in turn regulated by the Internal Revenue Service.

34. *IRS Adjusted Gross Income*: Final Rule allows the HOME participants to determine annual income by using the calculation for "adjusted gross income" outlined in the federal income tax IRS Form 1040.

35. *Loan Term:* Determined by the amount of monthly payment Borrowers qualify for.

36. *Loan to Value Ratio:* 95% of "after rehab" value; value of the property must support the loan.

37. *Local Rehabilitation/ Housing Standards:* Housing standards adopted by the Olene Walker Housing Loan Fund Board.

38. *Low Income Family Loan:* Loan given to a Borrower(s) whose Annual Gross Income does not exceed 80% of the median family income for the area (adjusted for family size). HUD may establish, on an exception basis, income ceilings higher or lower than 80% of median income for an area.

39. *Low Income Housing Tax Credit (LIHTC):* An affordable housing program created by the Tax Reform Act of 1986 providing tax credits to producers of affordable housing defined as targeted to households with income at or below 60% of AMI.

40. *Minority Person*: persons, including but not limited to women, Blacks, American Indians, Alaskan Natives, Hispanics, Asians, and Pacific Islanders.

41. *Multi-bank Funds (Bank Pool)*: a commitment of funds for acquisition and Rehabilitation Loans provided by a group of local banks. An agreement defining terms and interest will be negotiated each year. Funds will be used with CDBG and HOME funding to provide monies for interest bearing loans.

42. *National Housing Trust Fund (NHTF):* HUD administered affordable housing program.

43. *NHTF Funds:* Funds for the "National Housing Trust Fund", a federal housing block grant program administered by the Department of Housing and Urban Development and granted to participating jurisdictions. It is all appropriations for the NHTF Program, plus all repayments and interest or other returns on the investment of these funds.

44. *New Capacity:* This is new construction of affordable housing, or conversion of formerly market-rate units to affordable units through acquisition and/or rehabilitation. Projects with previous Federal subsidy such as LIHTC, USDA-RD 515, or HUD Section 8 and/or 202 Elderly/811 Disabled projects, will not be considered as new capacity.

45. *New Construction:* The creation of new dwelling units. Any project that includes the creation of additional dwelling units outside the existing walls of a structure is also considered new construction.

46. *Non-Interest Bearing Loan:* Principal amount of loan is paid back on a regular basis over time, but no interest is charged. The property is collateral. Such loans are made when the borrower is able to make regular payments but even a small amount of interest is not affordable.

47. *Olene Walker Housing Loan Fund (OWHLF):* A pool of funds, inclusive of state, federal and program income used exclusively to support affordable housing in the state of Utah.

48. *Owner Occupied*: One-to-four unit property owned by the Borrower(s) whose principal residence is a Dwelling Unit in that property.

49. *Property Standards/Housing Code:* Property Standards are the housing quality standards used to determine whether a housing unit is decent, safe and sanitary. They are the standards against which the actual physical condition of the property is judged in the inspection process. Using the property standard as a baseline, a housing inspector determines the scope of rehabilitation necessary to address the physical deficiencies of a unit. The HOME final rule (92.251(a)(1)) and NHTF Final Rule (93.301(b)(1)) requires that every unit being rehabilitated with HOME and/or NHTF funds meet a property standard. The rehabilitation will comply with the S.L.C. Housing Code, and the International Building Code (IBC).

50. *Project Completion:* All necessary title transfer requirements and construction work have been performed; the project complies with all HOME and NHTF requirements: the final drawdown has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD.

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

52. *Rehabilitation*: Improvement or repair of an existing structure to provide decent, safe and sanitary dwelling units. This will include the provision of such sanitary or other facilities as are required by applicable Local Rehabilitation Standards and Housing Codes. Rehabilitation requiring work so excessive as to be equivalent to new construction or reconstruction of the property may be demolished and rebuilt.

53. *Rehabilitation Escrow Account*: Account that will be established for the receipt and disbursement of Rehabilitation Loan funds on behalf of Borrowers.

54. *Rehabilitation Standards (also see Substantial Rehabilitation):* Standards for the rehabilitation work that will bring substandard housing into compliance with the property standard. The written rehabilitation standard prescribes the methods and materials to be used in rehabilitation. The written rehabilitation standards are sometimes referred to as "specs", or specifications, and include details such as the grade of lumber to be used, the number of nails per square foot, the type of material that can or cannot be used for doors serving as fire exits, the distribution pattern and material of roofing tiles, etc. The written rehabilitation standard provides a common basis for contractor bids. This is particularly important because, by ensuring that all contractors are bidding work using identical methods and materials, it enables the HOME or NHTF participating jurisdiction (PJ) to make an accurate determination of the cost reasonableness of bids. By holding all contractors to a single rehabilitation standard, consistent, high quality rehabilitation work is assured. The HOME and NHTF Final Rules requires each PJ to adopt written rehabilitation standards for rehabilitation work assisted with HOME funds.

55. *Request for Qualification (RFQ):* Tool to qualify a Rural Provider Agency for the Single Family Rehabilitation and Reconstruction Program.

56. *RROF (Request for Release of Funds and Certification):* This is a HUD-required form (Form HUD-7015.16) that requests the release of HUD funding to be issued to a project that has applied for and received approval for OWHLF funding.

57. *Rural Provider Agency (RPA),* Organization that contracts with the Division of Housing and Community Development that administers the Single Family Rehabilitation and Reconstruction Program.

58. *Scope of Work:* Attachment to HCDD contract document that lists the project funding approval, source of funds [Federal or state], Board-approved loan terms, number of

assisted units, and any additional set-aside units. For multifamily projects, specific detail is also listed regarding project quality and design commitment as represented in the original OWHLF application.

59. *Set-Aside Unit(s):* Units that are to be occupied specifically by targeted special-needs populations; i.e., chronically mentally ill, domestic violence, HOPWA, etc., as listed in the original OWHLF application. Categories are defined as follows:

a) *Accessible Disabled Unit (ADU) – taken from 42 United States Code 126.12102:* The term “disability” means, with respect to an individual, a physical or mental impairment that substantially limits one or more major life activities of such individual, a record of such impairment; or being regarded as having such an impairment.

b) *Developmentally Disabled (DD) – taken from 42 USC 144.15002:* The term “developmental disability” means a severe, chronic disability of an individual that is attributable to a mental or physical impairment or combination of mental and physical impairments; is manifested before the individual attains age 22; is likely to continue indefinitely; results in substantial functional limitations in three or more major life activities and reflects the individual’s need for lifelong or extended services.

c) *Domestic Violence (DV) – taken from UCA 77.36.1 and Title IV, sec. 40001-40703 of the Violent Crome Control and Law Enforcement Act of 1994 HR 3355:* Person(s) who were the victim of any criminal offense involving violence or physical harm or threat of violence or physical harm, or any attempt, conspiracy, or solicitation to commit a criminal offense involving violence or physical harm, when committed by one cohabitant against another or children in common.

d) *Elderly (ELD) – taken from 24 CFR Section 621:* A person who is 62 years of age or older or a household containing at least one person 62 years of age or older.

e) *Farm Labor (FARM) – taken from Section 514(f)(3) of the Housing Act of 1949 amended on June 18, 2008:* Any person (and the family of such person) who received a substantial portion of his or her income from primary production, handling, and processing of agricultural or aquacultural commodities without respect to the source of employment.

f) *Maturing Foster Child (MFC) – taken from 45 CFR Section 1355.20:* A foster child is one under 18 years of age that has been placed in care with adults other than their parents. Upon reaching the age of eighteen the child is no longer considered as a foster child but as a legal adult.

g) *Homeless (HOM) – taken from 42 CFR 119.1.11302:* An individual who lacks a fixed, regular, and adequate nighttime residence; and an individual who has a primary nighttime residence that is a publicly or privately operated shelter; an institution that provides a temporary residence for individuals intended to be institutionalized; or a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings (includes chronically homeless individuals).

h) *Housing Opportunities for Persons with AIDS (HOPWA) – taken from 24 CFR 574.3:* Units set aside for low-income people with HIV/AIDS and their families.

i) *Transitional Housing (TRANS) – taken from the Stewart B. McKinney Homeless Assistance Act, 42 U.S.C.A. 11301 (http://uscode.house.gov/download/pls/42C119.txt):* The term "transitional housing" means housing the purpose of which is to facilitate the movement of individuals and families experiencing homelessness to permanent housing within 24 months or such longer period as the Secretary determines necessary.

i) *Veteran (VET) - taken from the United States Census Bureau:* A person who has served on active duty in the Armed Forces of the United States. This does not include inactive military reserves or the National Guard unless the person was called up to active duty.

k. *Workforce Housing (WORK) – taken from the Urban Land Institute:* Rental housing that is affordable to households of low, moderate, and above moderate income earning between 60% and 120% of AMI.

l) *People with Chronic Mental Illness (CMI) – taken from HCDD policy:* An individual who is 18 years or older who has a psychiatric disorder and is currently, or anytime during the past year, had a functional impairment in one or more life activities.

60. *Single Family Rehabilitation Program:* Developed to provide qualified rural homeowners an inspection service and loans to eliminate deficiencies on their property and to eliminate slum and blight from neighborhoods.

61. *Single-Family Property*: Property devoted solely to residential use and having from one to four Dwelling Units after Rehabilitation.

62. *Stable Monthly Income:* Borrower's verified gross income that is likely to continue, based on foreseeable economic circumstances.

63. *Standard Housing:* Housing that meets the minimum qualifications of HUD's Housing Quality Standards ("HQS").

64. *Substandard Housing (also referred to as "Substandard but Suitable for Rehabilitation):* Housing that does not presently meet the minimum qualifications of HUD's Housing Quality Standards ("HQS") for occupancy but is suitable for rehabilitation.

65. *Substantial Rehabilitation:* As defined by HUD Handbook 4460.1, required repairs, replacements, and improvements that involve the replacement of 50 percent or more of two or more major building components (roofing, wall structure, foundation, plumbing, central heating/air conditioning systems, or electrical systems) whose cost exceeds either 15 percent of the property's fair market value replacement cost or $6,500 per unit multiplied by the present high cost percentage (HCP).

66. *Subsidy Limits:* As of November 18, 2015, HOME and NHTF maximum per unit subsidy limits are based on the Section 234-Condominium for elevator-type projects set by HUD's Office of Multi-Family Housing Programs. The per-unit subsidy requirements are described in the HOME regulations at 24 CFR 92.250. The minimum HOME/NHTF investment in rental housing or homeownership is $1,000 times the number of HOME-assisted units as described in the HOME regulations at 24 CFR 92.205(c).

67. *Technical Assistance (Agency)* is provided to assist agencies in, but not limited to: property inspections, cost estimates, work descriptions, bidding and construction oversight.
68. *Technical Assistance (Property Owner)*: Provided to the property owners, Association of Governments and Housing Authorities by the HCDD. This assistance includes property inspections, cost estimates, work descriptions, bidding and construction oversight.

69. *Total Debt on the Property:* Liens superior to the OWHLF Loan (principal only) secured by the property and the principal of the Rehab Loan.

70. *Underwrite*: the process of assessing the financial risks of a particular Loan, based upon information gathered. Underwriting will be based on a careful analysis of (1) whether there is a need for Rehabilitation; (2) whether the requirements detailed in these guidelines are met; (3) the likelihood that the prospective Borrower will repay the Loan, including the prospective Borrower's ability to afford the loan and the prospective Borrower's credit worthiness; (4) the security available for the loan; (5) the scope of the proposed Rehabilitation work; (6) and a certification of adherence to program requirements.

71. *U.S. Department of Agriculture Rural Development Service USRDA*: Staff of the federal government agency responsible for economic and housing development in rural areas. Formerly known as the Farmer's Home Administration.

72. *Verifications:* Agency must verify income using such sources as wage statements, interest statements, and unemployment compensation statements as well as other 3rd party verifications as listed in the file check list in the single family application. Verifications are valid for six months.

State of Utah

2017-2018
Olene Walker
Housing Loan Fund
Program Guidance & Rules

Part VI
Exhibits and Forms

OWHLF Board Approved November 3, 2016 Last Revised November 14, 2017

STATE OF UTAH
OLENE WALKER HOUSING LOAN FUND
2016-2017 PROGRAM GUIDANCE & RULES

EXHIBITS AND FORMS
TABLE OF CONTENTS

OWHLF PROGRAM APPLICATIONS **EXHIBIT A**

1. OWHLF Multifamily Rental (one or more rental units) with rental income and non-rental special needs (access at housing.utah.gov)

2. National Housing Trust Fund – use the standard *OWHLF Multifamily Rental* application described under #1.

3. Single Family Rehabilitation and Reconstruction Program (access at housing.utah.gov)

4. Home Ownership/Self-Help Mutual Housing Program Development (access at housing.utah.gov)

5. Single Family Home Ownership Development (access at housing.utah.gov)

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT B

SAFE HARBOR SCHEDULE

2017-2018 Multifamily Applications will be underwritten with the following Safe Harbors.

<u>Financing Safe Harbors</u>

Debt Service Coverage Ratio[1]:

Hard debt:	minimum 1.15:1	maximum 1.25:1

Financing Terms:

Publicly funded debt: Prevailing terms of funding agency.

<u>Operating Safe Harbors</u>

Operating Expenses:*	**Minimums**
Studio & SRO	$2,800 per unit
1 bedroom	$2,900 per unit
2 bedroom	$3,100 per unit
3 bedroom	$3,250 per unit
4 bedroom	$3,400 per unit
5 bedroom	$3,550 per unit

∗ Excludes capital replacement reserves and taxes. Assumes tenants pays electrical and gas utilities and owner pays typical municipal fees. Deviations from the Safe Harbor must be supported in writing by the investor and lender.

Cash Flow[2]:

Minimum annual cash flow per unit:		200% threshold of minimum:
▪ 1 bedroom or smaller	$350	$700
▪ 2 bedroom units	$375	$750
▪ 3 bedrooms or larger	$400	$800
▪ 4 bedroom or larger	$425	$850

Capital Replacement Reserves[3]:

Replacement Reserve Minimum per unit annually unless funded at closing:

Rehabilitation Projects	$350
Other Projects	$300

Vacancy[3]:

Projects with 1 – 25 units:	minimum 7%	maximum 10%
Projects with more than 26 units:	minimum 5%	maximum 8%

[1]The DCR can be higher in cases where the debt structure and low income targeting produce a distorted ratio resulting in per-unit cash flow below minimum aggregate amounts. Otherwise, if DCR is higher than the maximum 1.25:1, the loan interest rate is subject to adjustment to bring DCR within the specified range.

[2]If aggregate cash flow per unit is greater than 200 percent of the minimum aggregate cash flow as calculated by the project's unit mix, the interest rate on the OWHLF loan may be subject to adjustment.

[3]The DCR, vacancy, minimum cash flow per unit and capital replacement reserve minimums are threshold items, but exceptions may be made at the discretion of the Board, upon recommendation by Staff, in the event that market conditions or other unique circumstances warrant consideration of an exception

EXHIBIT C

RURAL TARGETED AREAS

In accordance with the 2016-2020 Consolidated Plan:

Bear River Region (Box Elder, Cache, Rich Counties):
None presently

Uintah Basin Region (Daggett, Duchesne, Uintah Counties):
Altamont, Ballard, Manila, Myton, Naples, Roosevelt, and Vernal
Ute Tribal Area surrounding Fort Duchesne

Southeastern Region (Carbon, Emery, Grand, San Juan Counties):
Kenilworth, East Carbon/Sunnyside, Green River, Emery, Thompson, South Moab/Spanish Valley, Mexican Hat, and LaSal

Six County Region (Juab, Millard, Piute, Sanpete, Sevier, Wayne Counties):
Eureka, Elsinore, Wales, Torrey, and Hanksville

Mountainlands (Summit, Utah, Wasatch Counties):
Daniels, Charleston, Midway

Wasatch Front Region (Davis, Morgan, Salt Lake, Tooele, Weber Counties):
Wendover

Five County Region (Beaver, Garfield, Iron, Kane, Washington Counties):
Alton, Enoch, Enterprise, Hatch, Henrieville, LaVerkin, and Orderville

EXHIBIT D

MARKET STUDY INSTRUCTIONS

1. **Market Study Checklist and Certification Of Independence**

- Fill out the Checklist with page numbers from the report that cover each item at the beginning of the report.

- Sign the bottom of the Checklist to certify that the Market Study was performed independently and without influence by the applicant.

2. **Market Study Summary**

- Create a summary of each checklist item. It is not uncommon for analysts to dedicate a separate page for each discussion summary item or have two summary items per page. This summary should come after the Checklist and precede the main body of the market study.

- Or the summary discussions can be integrated into the report. Begin each section of the report with the checklist item and its summary, and provide the backup discussion and data immediately following to make complete sections.

3. **Market Study Company Information**

- Attach the Market Study Company Information sheet to the Market Study.

EXHIBIT D (continued)

MARKET STUDY SUMMARY SHEET AND CERTIFICATION OF INDEPENDENCE

Project: ____

Developer/Sponsor: ____

Please indicate the correlating page, which addresses the following questions: Page #

- Assess whether there is a sufficient pool of prospective qualified tenants for the income targeted and/or any special needs populations, each income level (5 percent over and 10 percent under the committed AMI levels). Include capture rate analysis. ______
- Are public transportation, employment centers, community centers, etc. readily available to the type of tenant population expected to occupy the project? ______
- Is the project configuration (unit size, bedrooms, amenities) consistent with market's expectations and need? ______
- Are rents sufficiently lower than the market to facilitate project rent-up considering the level of amenities in the proposed project? ______
- What are current market needs in the community (vacancy, etc.) and how will this project impact them? Are there underserved markets? ______
- Is overbuilding a risk in the current or foreseeable market? ______
- Assess in detail the probable impact the subject project will have on existing tax credit projects in the market area. Similar rent tiers should be evaluated. ______
- Evaluate & explain the effect the project will have on local & community competitors? ______
- Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions. ______
- Evaluate & explain the effect the project will have on local and community competitors? ______
- Does the proposed operating budget and vacancy rate adequately reflect anticipated market conditions. ______
- Address other pertinent issues and conditions. ______
- The analyst must do primary research and site visitation to analyze Demographic data, new renovations & construction, etc. ______
- A precise delineation of market area is required. ______
- Special analysis is required to determine the retention rate of existing tenants for rehabilitation projects. ______
- Market studies must be less than 90 days old at the time of the application's submission to HCDD. ______
- Give conclusions and recommendations for making the project more marketable and attractive. "Tell it like it is." ______
- How many studies has the analyst done in this market? Over what period of time?______
- The Analyst qualifications, education and experience. ______
- Local Community Affordable Housing Plan summary, if available. ______

The undersigned hereby certifies that the market study was performed independently and without influence by the applicant or any relation thereof.

Date: ___________________________
Company:___________________________
By:___________________________
Title:___________________________

EXHIBIT D (continued)

MARKET STUDY COMPANY INFORMATION

For 2013-14, all analysts must submit the following information. Please include all items on the checklist:

1. Contractor name, address, telephone, fax, primary contact and email.

2. Description of services provided and percent of time in each of the service areas.

3. Statement of experience. Include specifics for all project experience, including name of project, location, number of units, type of units (family, elderly, other special needs), financing subsidies in project (rental assistance, tax credits, other public agency financing), and date of completion.

4. Copy of license as an appraiser in the State of Utah. (If applicable)

5. List of counties where you would accept assignments.

6. Approximate fee range you would charge to complete work. If your fee will change based on location or size of project, this should be clearly indicated in the explanation.

7. Time Requirement. How long will it take you to complete your work?

8. Names and experience of individuals who will be conducting site and community inspection/study of projects.

9. List of references with addresses and telephone numbers from financial institutions, government agencies and developers.

10. Market Study

EXHIBIT E

CAPITAL NEEDS REQUIREMENTS

OWHLF applicants for acquisition/rehabilitation must submit as a threshold item a Physical Condition Assessment (PCA) or recent Capital Needs Assessment (CNA) and replacement reserves analysis. The PCA/CNA must have been performed within six months of the submission date of this application.

The PCS/CNA shall include the following four (4) components:

1. Critical Repair Items: All health and safety deficiencies or violations of Section 8 housing quality standards, including any/all Federal Lead Based Paint and, asbestos requirements and FHA's regulatory agreement standards that require immediate remediation.

2. Twelve-Month Physical Needs. An estimate of repairs, replacements and significant deferred and other maintenance items that will need to be addressed within 12 months. Includes the minimum market amenities needed to restore the property to the affordable housing standard adequate for the rental market for which the project is approved.

3. Long Term Physical Needs. An estimate of the repairs and replacement items beyond the first year that are required to maintain the project's physical integrity over the next 20 years, such as major structural systems that will need to be replaced during this period.

4. Analysis of Reserves for Replacement. An estimate of the initial and monthly deposit to the Reserves for Replacement Account needed to fund the project's long term physical needs (20 years), accounting for inflation, the existing Reserves for Replacement balance (if any), and the Expected Useful Life of the major building systems. This analysis should include the cost of the twelve-month physical needs, but not any work items that would be treated as operating expenses.

Statement of Work

1. The CNA shall be written with detailed narrative and accompanying color photographs and shall describe the property's exterior and interior physical condition, including architectural and structural components and mechanical systems.

2. The report shall:

   a. Identify in detail any repair items that represent an immediate threat to health and safety. Identify all other significant defects, deficiencies, items of deferred maintenance, and material building code violations, (individual and collectively, physical deficiencies) that would limit the expected useful life of major components or systems.

   b. Provide estimated costs to remedy the detailed physical deficiencies. Identify immediate needs and estimate the needs for the next 20 years, accounting for inflation, the existing Reserves for Replacement balance (if any), and the **Expected Useful Life** of the major building systems. This analysis should include the cost of the twelve-month capital improvement needs, excluding operating expenses.

   c. Provide Replacement Reserve Schedule including an estimate of the initial and annual deposits, (projected to increase at the operating cost adjustment factor), based on the useful life of the major building systems. The term of the analysis should correspond to the mortgage period plus two years.

EXHIBIT E (continued)

3. The report shall identify physical deficiencies as a result of:

   a. A visual survey.

   b. A review of any pertinent documentation.

   c. Interviews with the property owner, management staff, tenants, interested community groups and government officials.

4. The report shall provide a description of directly observed potential onsite environmental hazards.

5. The report shall assess the twelve-month physical needs. The standard is a non-luxury standard adequate for the rental market. The physical needs identified should be those necessary for the project to retain its market position as an affordable project in a decent, safe, and sanitary condition (recognizing any evolution of standards appropriate for such a project). The twelve-month physical needs should include those improvements the project requires to compete in the market. Where a range of options exists, the most effective options for rehabilitation should be chosen, when both capital and operating costs are taken into consideration.

   The report shall determine the cost-benefit of each significant work item in the rehabilitation plan (i.e. greater than $5,000 per work item) that represents an improvement to the product, an upgrade to current elements or that could be considered to reduce the operating expenses. Examples: individual utility metering, extra insulation, thermo pane windows, water savers on showers and toilets, automatic setback thermostats, and durable siding. Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of the building systems as needed.

6. An independent consultant, an architect, general contractor or engineer, any of who must be licensed in the state of Utah, shall prepare the report.

7. The report shall explain how the project will meet the requirements for accessibility and visibility to persons with disabilities, to the extent applicable.

8. The CNA report or PCA report, in addition to the four major aforementioned components, at a minimum shall include the following subcomponents.

   a. Project Summary Sheet.
   b. Executive Summary (discussion of the physical condition of the property and any major repair/rehab items observed).
   c. An index.
   d. Introduction of the report.
   e. Building evaluation (property identification-survey, legal description of property).
   f. Site improvement evaluation/analysis (utilities, parking, paving, sidewalks, sewer and drainage, landscaping, trash enclosures/compactors and general site improvements).
   g. Building Architectural and Structural Systems Evaluation (foundation superstructure and floors, roof structures and roofing, exterior walls and stairs, siding, downspouts, and common areas energy efficiency, tenant amenities, playgrounds and playground equipment.
   h. Building Mechanical and Electrical Systems Evaluation (building HVAC, plumbing, electrical, elevators, fire protection/security systems).

EXHIBIT E (continued)

i. Interior Dwelling Units Evaluation (interior finishes, walls, ceilings, paint, kitchen and appliances, carpet, vinyl, interior doors, shelves, cabinets, vanities, closets, interior HVAC, plumbing, bathroom fixtures, electrical fire protection systems, security systems).
j. Evaluation/Analysis of Other Structures.
k. Environmental Evaluation.
l. Estimated Useful Life Analysis (computation of Repairs and Replacement Reserves).
m. The basis for identifying any item for repair or replacement.
n. Unit cost breakdown shall be provided for multiple items (i.e. stoves, refrigerators, cabinets, bathroom fixtures, etc).
o. Acknowledgements (who prepared report, when report was prepared, who received report, and when report was reviewed).
p. Appendices (photographs, site plans, maps title report etc.).
q. Identification of any observed hazards, flammable or explosive facilities/ operations in the immediate area of the project; and State whether the project is located in a Flood Plain.

9. The firm or person who prepared or supervised the preparation of the report must sign the Report.

10. Submit one (1) original of the report to HCDD.

11. The architectural report must include the following:

a. Total floor area in square feet for the entire development, units and common area..
b. Units will provide the furnishings as stated in the application (range, hood, refrigerator, exhaust fans, grab bars, etc.).
c. A final report itemizing the extent of renovation and replacement and summary comparing the CNA report submitted to HCDD and final results.

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT F-1

PROJECT OWNER IDENTITY OF INTEREST CERTIFICATION

Project Name: ____

Address: ____

City: ____

The Board requires a full disclosure of all related party transactions affecting the payment of fees to the developer or contractor. The staff must be notified of any changes in such relationships during the life of the Project.

Applicant hereby certifies that the following comprise all related party transactions for the project and the amount/fee involved in the transaction:

Name of Related Party	Relation	Role	Amount of Renumeration or Fee to be Paid Related Party

The undersigned certifies that the above represent all fees and profit from the development of the project that will be obtained by related parties and that there are no undisclosed related party transactions involving the project owner/applicant, developer, contractor, officers, consultants, landowners, intermediaries, Realtors, etc.

Project Owner / Applicant Name

____ ________________

Name Date

Title:

EXHIBIT F-2

FEE SUMMARY SHEET AND CERTIFICATION

Project: ____

Developer/Sponsor: ____

1. Is a **Developer Fee** associated with the project?

   Yes ____ No _____

   a. To whom will the Developer Fee be paid? ______________________________

   b. How much is the Developer Fee? $__________________________________

   c. When is the Developer Fee to be paid? ________________________________

   d. What is the source of funds that will be used to pay the Developer Fee?

   ____

2. Is a **Development Consulting Fee** associated with the project?

   Yes _____ No ____

   a. To whom will the Consulting Fee be paid? _____________________________

   b. How much is the Consulting Fee? $_________________________________

   c. When is the Consulting Fee to be paid? _______________________________

   d. What is the source of funds that will be used to pay the Consulting Fee?

   ____

3. Is a **Contractor/Builder Fee** associated with the project?

   Yes ______ No ______

   a. To whom will the Contractor/Builder Fee be paid? _______________________

   b. How much is the Contractor/Builder Fee? $____________________________

   c. When is the Contractor/Builder Fee to be paid? _________________________

   d. What is the source of funds that will be used to pay the Contractor/Builder Fee?

   ____

EXHIBIT F-2 (continued)

4. Is an **Administration Fee** associated with the project?

   Yes ______ No _______

   a. To whom will the Administration Fee be paid? ____________________________

   b. How much is the Administration Fee? $_______________________________

   c. When is the Administrative Fee to be paid? _____________________________

   d. What is the source of funds that will be used to pay the Administration Fee?

   ____

5. Is an **Asset Management Fee** associated with the project?

   Yes ______ No _____

   a. To whom will the Asset Management Fee be paid? _________________________

   b. How much is the Asset Management Fee? $_____________________________

   c. When is the Asset Management Fee to be paid? __________________________

   d. What is the source of funds that will be used to pay the Asset Management Fee?

   ____

6. Is a **Management Fee** associated with the project?

   Yes ______ No _______

   a. To whom will the Management Fee be paid? _____________________________

   b. How much is the Management Fee? $__________________________________

   c. When is the Management Fee to be paid? ________________________________

   d. What is the source of funds that will be used to pay the Management Fee?

   ____

EXHIBIT F-2 (continued)

7. Is an **Incentive Fee** associated with the project?

   Yes ______ No _______

   a. To whom will the Incentive Fee be paid? ________________________________

   b. How much is the Incentive Fee? $____________________________________

   c. When is the Incentive Fee to be paid? _________________________________

   d. What is the source of funds that will be used to pay the Incentive Fee?

   ____

8. Is a **Realtor Fee/Commission** associated with the project?

   Yes ______ No _____

   a. To whom will the Realtor Fee/Commission be paid? _______________________

   b. How much is the Realtor Fee/Commission? $___________________________

   c. When is the Realtor Fee/Commission to be paid? _________________________

   d. What is the source of funds that will be used to pay the Realtor Fee/Commission?

   ____

If there are additional Fees related to the Project that are not included in the above list, attach a separate sheet of paper which lists the additional Fees and provides the requested information relative to each additional Fee.

The undersigned hereby certifies that all the Fees related to the Project are listed above, or in the attached additional sheet(s).

Date: __________________________

Company:_____________________________

By:_____________________________

Title:_____________________________

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT G-1

NATIONAL HOUSING TRUST FUND – SUMMARY TERMS

Loan Terms: The following terms outline the repayment terms for NHTF funds awarded to a project to reduce the rent to 30% AMI. It is intended that these funds will be secured by a Subordinate Deed of Trust. A Deed Restriction will also be recorded against the property for a minimum of thirty (30) years. These terms have been established to meet the requirements of HUD and will be reviewed on a regular basis by the NHTF/OWHLF Board.

Loan Amount: The maximum amount awarded to any project will be determined by the OWHLF Board.

Units: Minimum and maximum units funded in a project will be determined by the OWHLF Board.

Interest Rate: The interest rate will be zero percent (0%) unless the loan is in default, in which case the interest rate will increase to eight percent (8%).

Payments: Principal and interest payments are not required prior to maturity of the loan unless the property is sold, refinanced, or transferred in whole or in part. At the earlier of the sale, refinance, transfer, or loan maturity, Bonus Interest will be paid in accordance with the following loan repayment procedures (under "Loan Payments").

Repayment Terms:

1. Interest and Rates

(a) Interest (sometimes referred to as "Fixed Interest") shall accrue on the unpaid Principal Amount from the date hereof at the fixed interest rate of zero percent (0%) per annum. Interest shall accrue daily on the outstanding principal balance until paid, regardless of maturity or judgment, and shall be calculated on the basis of a 360-day year simple interest basis by applying the ratio of the annual interest rate over a year of 360 days (365/360), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal is outstanding.

(b) In addition to Fixed Interest described above, Borrower shall pay to Lender as "Bonus Interest" an amount equal to the "Applicable Percentage" (as hereinafter defined) multiplied by the "Net Proceeds" (as hereafter defined) received from every financing other than the original Loan (as hereafter defined) obtained to develop the Project (hereinafter defined), refinancing, transfer, conveyance, sale or exchange of or secured by all or any portion of or any interest in the Project (hereinafter collectively referred to as a "Transfer"), prior to the "Permanent Loan Maturity Date". Any such Transfer will be conditioned upon Borrower receiving the prior written approval of Lender, which approval my not be unreasonably withheld.

(c) Notwithstanding anything to the contrary contained in this Promissory Note, if an Event of Default occurs, interest at eight percent (8%) per annum shall thereafter accrue on the unpaid Principal Amount and upon any Bonus Interest (as defined herein) which shall become due and is not timely paid after such Event of Default.

EXHIBIT G-1 (Continued)

2. Loan Payments

(a) Bonus Interest will be paid in accordance with the following procedures:

(i) Simultaneously with the receipt of Net Proceeds resulting from any Transfer, the total amount of Bonus Interest shall be computed and paid to Lender.

(ii) If no sale, exchange, or other disposition of the entire Project occurs prior to the Permanent Loan Maturity Date (whether that date results from acceleration not cured as authorized by statute or as provided by agreement or otherwise), Borrower shall pay to Lender, Bonus Interest based upon the fair market value of the Project, or the portion thereof that has not been sold or disposed of, as of that date, determined as follows:

- from the fair market value figure shall be deducted an amount equal to reasonable out-of-pocket expenses that would have been incurred as part of an actual sale of the Project or the remaining portion of the Project;
- next, any outstanding principal balance of any loan secured by the Project, plus any current and payable interest accrued thereon since the last regularly scheduled interest payment date for such loan, which Lender has previously agreed will have priority to this Loan will be deducted;
- next, previously received by Borrower from the proceeds of transfers in reimbursement or payment of Borrower's Equity will be deducted; and the Applicable Percentage of the remainder will be paid to Lender as Bonus Interest together with:

a. The amount of any accrued and unpaid interest and other charges due under the terms of this Promissory note; and
b. The amount of the unpaid Principal Amount.

Notwithstanding the foregoing, no portion of Borrower's Equity shall be payable to Borrower until the Principal Amount and accrued Fixed Interest is paid in full. In the event that this Promissory Note is accelerated and the Project is sold through foreclosure of the Deed of Trust or exercise of the power of sale exercised in the Deed of Trust, there shall become due and payable to Lender upon such acceleration Bonus Interest calculated in the manner provided in this Paragraph (and not based on the price bid or paid at such foreclosure sale) and such Bonus Interest shall be due and payable to Lender prior to any payment or return of Borrower's Equity or other payment to Borrower. If Borrower and Lender are unable to properly agree upon the fair market value of the Project or the remaining portion of the Project, or the fair market value of the property received in an exchange, either determination will be resolved by an appraisal by an MAI appraisal mutually acceptable to the Borrower and Lender.

3. Prepayment

The undersigned shall have the right to prepay any amount of the Fixed Interest or Principal Amount without penalty; provided Borrower shall give Lender written notice of its intent to prepay not later than ten (10) days prior to intended payment date.

EXHIBIT G-1 (Continued)

4. Definitions

For purposes of this Promissory Note certain terms are defined as follows:

(a) Applicable Percentage. "Applicable Percentage" shall mean on the date that any Bonus Interest is payable, a fraction (expressed as a percentage to the nearest tenth of a percent), the numerator of which is the original Principal Amount of this Promissory Note, and the denominator of which is the sum of the original Principal Amount of this Promissory Note and the Borrower's Equity.

(b) Borrower's Equity. "Borrower's Equity" shall mean the sum of (i) all capital contributions made to Borrower by its Members, including but not limited to contributions made by any and all investors, excluding tax credit investors; and (ii) the sum of all development fees which are deferred and payable only in the event of a Transfer.

(c) Net Proceeds. "Net Proceeds" from a Transfer, shall mean the entire consideration paid for or received as a result of the Transfer, less only the following amounts which shall be paid in the priority listed:

- All direct, out-of-pocket expenses attributable to the Transfer transaction; provided that no expense paid to an affiliated company of Borrower or its Manager in excess of amounts which would be reasonably comparable for similar services shall be included in such allowable expenses;
- Any amounts then due or required to be paid as a result of the Transfer under any loan to which Lender has previously agreed will have priority to this Loan;
- Any amounts due Borrower's tax credit investor; and
- An amount to Borrower equal to "Borrower's Equity" (as defined herein below) less any amount previously received by Borrower from the proceeds of a Transfer in reimbursement or payment of Borrower's Equity; provided, however, no portion of Borrower's Equity shall be paid to Borrower until the outstanding Principal Amount of this Promissory Note, Fixed Interest thereon, and accrued but unpaid Bonus Interest is fully paid.

The remaining proceeds shall constitute "Net Proceeds" and the "Applicable Percentage" of that amount will be paid to Lender as Bonus Interest. Simultaneous with the payment of such Additional Interest and in the event of a sale, exchange or other disposition of the entire Project, the total outstanding Principal Amount and all other accrued but unpaid interest shall be due and payable. The foregoing allocation of proceeds will apply to one of several Transfers on a cumulative basis.

The transferee in any partial Transfer of the Project that may be consented to by Lender shall take title to its interest subject to the terms of the Security Instruments unless the portion of the Project subject to the Transfer is released from the lien of the Security Instruments.

In the event the Transfer is in exchange for other property, the "entire consideration" resulting from the Transfer, for purposes of determining Net Proceeds, will be the fair market value at the time of the Transfer of the property received plus any "Boot" received by the Borrower, less any "Boot" payable by Borrower. If any consideration received by Borrower is in a form other than cash, the Additional Interest due hereunder will, nevertheless, be payable to Lender in cash.

Any proceeds of a Transfer that are received by Lender before commencement of or during the appraisal process which proceeds relate to the Transfer or Permanent Loan Maturity Date triggering the appraisal, will be deposited in a joint escrow account until such time as the appraisal is issued in accordance with the above. These proceeds will be invested during the appraisal process as mutually directed and any additional amounts earned will be added to and become a part of the entire consideration received from such Transfer.

EXHIBIT G-2

MF PRICING POLICY, LOAN PRODUCTS AND LOAN DEFINITIONS

PRICING POLICY

Interest Rate:

Average Project % AMI Served:	Eligible* Interest Rate:
56 – 60%	3.0%
51 – 55%	2.5%
46 - 50	2.0%
41 - 45	1.5%
36 - 40	1.0%
35 and less	TBD

*Interest rates are subject to adjustment based on project cash flow and debt coverage ratio calculated at time of application and underwriting performed by OWHLF staff as detailed below.

DCR: If DCR is above the maximum of 1.25 as noted in Safe Harbor Schedule (Exhibit B), the interest rate on the loan is subject to adjustment to bring DCR within the specified range.

Cash Flow: If aggregate per-unit cash flow is greater than 200% of the minimums as noted in the Safe Harbor Schedule (Exhibit B), the interest rate on the loan may be subject to adjustment.

Deferred Developer Fee:
If the project's funding sources include a Deferred Developer Fee, the interest rate listed for that source must be equal to or less than the proposed OWHLF loan interest rate.

Other Entity Funding:
If the project's funding sources include a deferred or other loan from a related entity, such as a development arm or other non-profit division of the development organization, the interest rate listed for that source must be equal to or less than the proposed OWHLF interest rate.

Late Fee: Five percent of total amount due.

Default Rate: The greatest of ten percent per annum or the default rate of priority lien in effect at time of default.

Fees: None.

LOAN PRODUCTS

All loans will be secured by a Trust Deed Note, a Trust Deed, and a Deed Restriction, which will be recorded in the county the property is physically located at.

Amortizing Loan:

Term/Amortization: The lesser of 30 years or five years less than the remaining useful life of collateral as determined by appraisal review on new construction, and the evaluation of staff for acquisition and/or rehabilitation.

Repayment: Mandatory monthly payments of principal and interest are required after the project is placed-in-service.

Interest rate: See Pricing Policy above.

Deferred Loan:

Term: The lesser of 30 years or five years less than the remaining useful life of collateral, as determined by appraisal review.

Repayment: Deferment and/or extensions may be granted at the discretion of the Board on a case-by-case basis. Due to loan servicing and compliance monitoring costs incurred by OWHLF on all multifamily projects, all cash flow loans will require a minimum $1,000 annual payment.

Interest rate: See Pricing Policy above.

Grant: For an applicant to be considered for a Grant the targeted AMI must be 30 percent or less. A deed restriction will be recorded which requires repayment of the Grant with a change of use, change in targeted population, or sale of the property.

Cash Flow Loan: In most cases, cash flow loans are discouraged except for projects with AMI 30% or below that are geared for the homeless or other special needs groups.

All applicants applying for cash flow loans will be required to submit a minimum of three (3) letters of denial from other lenders. For rehabilitation projects, any equity taken out of the project within the last ten (10) years of ownership shall be disclosed in the application and may be subject to inclusion in overall project financing.

Due to loan servicing, financial review, and compliance monitoring costs incurred by OWHLF on all multifamily projects, all cash flow loans will require a minimum $1,000 annual payment.

Servicing of loan debt from Surplus Cash, defined as:

Surplus Cash: Any cash from all sources remaining at the end of the applicable fiscal period, (i) after the payment (on a thirty day current basis) of (a) all sums due or currently required to be paid under the terms of the mortgage loan, (b) any amounts required to be deposited in the reserve fund for replacements established with respect to the Project, and (c) all obligations of the Project, including operating expenses and escrow deposits for taxes and insurance, (other than the mortgage loan) and excluding company administration fees (unless required by HUD); and (ii) after the segregation of (a) an amount equal to the aggregate of all Special Funds required to be maintained by the Project, and (b) all tenant security deposits held, together with accrued interest thereon payable to the tenant pursuant to the laws of the state.

As part of the application, or prior to approval, the Applicant shall provide a list of all items/expenses/funds that will be attributed to the Project and which Applicant intends to segregate and deduct as “Special Funds” in its calculation of surplus cash.

If a Project will be going through a HUD Mark-To-Market restructure, then the Applicant must provide a “Cash Flow Projection for Sizing the Second Mortgage” from the Participating Administrative Entities (“PAE”). In the event the PAE does not complete a “Cash Flow Projection for Sizing the Second Mortgage”, applicant will provide a proforma identifying the anticipated surplus cash flow available to service the OWHLF loan. The “Cash Flow Project for Sizing the Second Mortgage” and/or the proforma shall be submitted by applicant at the time of application, or prior to loan approval.

NOTE: Cash flow language and/or definition will not be changed to accommodate private investor requirements.

LOAN SPECIFICS

Loan Types: Permanent loans for newly constructed projects, refinancing for the purpose of preserving affordability, or acquisition/rehab projects. Loans shall be of a minimum amount necessary to achieve affordability targets when combined with available private resources. **Predevelopment loans are no longer available from the OWHLF as of July 1, 2013**.

Project Types: Rental, mixed use, supportive housing and/or special needs housing serving residents with average project restricted rents at or below 50 percent of the area median income as determined by HUD unless otherwise approved by the OWHLF Board.

Disbursement: OWHLF funds are generally available for drawdown upon loan closing, with **5% or $5,000 minimum “hold-back”** of total awarded funds held back until completion reporting for final closeout in IDIS and/or WebGrants is submitted by the project developer. Different types of multifamily projects are paid out as follows:
a) **New Construction** – all but the minimum hold-back will be paid out at the time of loan closing.
b) **Acquisition/Rehabilitation and Rehabilitation-Only** – funds will be paid out on a reimbursement basis as submitted with the exception of the minimum hold-back as described above.
c) **Acquisition Only** – all but the minimum hold-back will be paid out at the time of loan closing.

Security: Trust Deed with Assignment of Rents

Loan Term: 30 year maximum term unless otherwise approved by the Board

EXHIBIT G-2 (continued)

Pre-Payment: No prepayment penalty. Pre-payment does not disallow the criteria outlined in the loan documents guaranteeing the continued use and period of affordability as outlined in the documents.

Loan Amount: **Minimum**: $1,000 per unit.
Maximum: $1,000,000 per project

Match Funds: **With Other Participating Jurisdiction Funds:** Projects located in other participating jurisdictions (as established by HUD) are required to secure match funds from the participating jurisdiction of not less than .50:1 with OWHLF. Sources include, but are not limited to, entitlement funds, fee waivers, or other local government funds and services.

PENALTIES

Good Standing All applicants not presently in good standing with the OWHLF will not be allowed to apply for available funds until the outstanding issues have been resolved and cleared. Issues affecting an organization's standing with the OWHLF include:

- Overdue payments on current OWHLF loans
- Failure to submit annual compliance reports and financial documentation as required
- Previously-funded and completed projects that have not been closed out in OWHLF systems within a reasonable period of time

Late Charges: All OWHLF loans and payments are presently serviced by the Department of Administrative Services – Division of Finance, through which all billing and loan servicing takes place. Loan payments are due the first of the month, and payments received after the 15^{th} day of the month are subject to a 5% late charge of the billable principal amount (see "Late Fee" under Pricing Policy).

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT H

REQUIRED DOCUMENTATION FOR CLOSEOUT AND FINAL DRAW

The following documents (as project applicable) must be executed and returned to the staff before final disbursement.

1. Owner's Project Certification Statement
2. Owner's Tax Credit Detailed Cost Breakdown (applicable only to projects with LIHTC)
3. Owner's Certification of Costs Report for total project
4. Project Source of Funds Statement
5. CPA Certification of Costs Report for total project costs
6. CPA Certification of Costs Report Building by Building (LIHTC projects only)
7. Minority Business Enterprises and Women Business Enterprises Affidavits (required only for all projects utilizing HUD funding)
8. Section 3 Report (HUD funding only)
9. Household Characteristics Form
10. Multifamily Rental Project Compliance Report
11. Affirmative Marketing Plan (projects with 5 or more HOME-assisted units)
12. Subsidy Certification (HUD 202, 811, or Proj-Based Section 8; USDA RD 515)
13. Project Completion Form
14. Copy of blank tenant lease
15. Copy of LIHTC IRS Form 8609 form(s) issued by UHC (applicable only to projects with LIHTC)
16. Copy of Certificate of Occupancy
17. Copy of final appraisal submitted to priority lien holder
18. Architect's and General Contractor's Certifications
19. ENERGY STAR or HERS Certification
20. Davis-Bacon Compliance (projects with 12 or more HOME-assisted units only)
21. Completed and signed HOME Agreement (Federal HOME funds only)

EXHIBIT I

GENERAL REQUIREMENTS

To assist applicants in properly categorizing costs, and thereby avoiding re-categorizing by Staff when determining compliance with Fee requirements, and General Requirement Limitations; the staff shall allow the following items to be included under General Requirements for the purpose of determining eligible basis and fee limits.

- Supervision and job site engineering.
- Job office expenses including clerical wages, whether onsite or offsite, if for the project.
- On-site temporary buildings, tool sheds, shops and toilets.
- Temporary heat, water, light and power for construction.
- Temporary walkways, fences, roads, siding and docking facilities, sidewalk and street rental.
- Construction equipment rental not in trade item costs.
- Clean up and disposal of construction debris.
- Medical and first aid supplies and temporary facilities.
- Watchman's wages, security cost, and theft and vandalism insurance.

Items not listed above, including, but not limited to, salaries of owners, partners or officers of the general contracting firm shall not be allowed under General Requirements.

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT J-1

PROJECT DEVELOPMENT SCHEDULE – ***New Projects***

Project Name:____

Activity	Source of Funds	Expected Date	Completed Date
A. Site			
Option/Contract		________	________
Site Analysis		________	________
Site Acquisition		________	________
Zoning FINAL Approval		________	________
B. Financing			
1. Construction Loan	________		
Application		________	________
Conditional Commitment		________	________
Firm Commitment		________	________
***2.* Permanent Loan**	________		
Application		________	________
Conditional Commitment		________	________
Firm Commitment		________	________
***3.* Other Sources of Funds**			
Type & Source	________		
Application		________	________
Award		________	________
Type & Source	________		
Application		________	________
Award		________	________
Type & Source	________		
Application		________	________
Award		________	________
C. Plans & Specs (Final)		________	________
D. Closing/Site Transfer/Environmental		________	________
E. Construction Begins		________	________
F. Carryover Submission		________	________
G. Occupancy Certificate		________	________
H. Lease Up		________	________
I. Placed in Service		________	________
J. Final Cost Certification		________	________

EXHIBIT J-2

PROJECT DEVELOPMENT SCHEDULE – ***Rehab Projects***

Project Name:____

Activity	Source of Funds	Expected Date	Completed Date
A. Site			
Option/Contract		________	________
Site Analysis		________	________
Site Acquisition		________	________
Zoning FINAL Approval		________	________
B. Financing			
***1.* Construction Loan**	________		
Application		________	________
Conditional Commitment		________	________
Firm Commitment		________	________
***2.* Permanent Loan**	________		
Application		________	________
Conditional Commitment		________	________
Firm Commitment		________	________
***3.* Other Sources of Funds**			
Type & Source	________		
Application		________	________
Award		________	________
Type & Source	________		
Application		________	________
Award		________	________
Type & Source	________		
Application		________	________
Award		________	________
C. Plans & Specs (Final)		________	________
D. Due Diligence/Environmental		________	________
E. Syndicator Closing		________	________
F. Acquisition of Property		________	________
G. Construction Begin		________	________
H. Carryover Submission		________	________
I. Final Cost Certification		________	________

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT K

MULTIFAMILY PROJECTS – LOAN LIMITS AND SCORING SHEET

Projects receiving tax credits in a Qualified Census Tract or Difficult Development Area will no longer receive a deduction in the calculation of Olene Walker Housing Loan Fund amount**.** Two methods will be used to determine the maximum amount a multifamily project is eligible to up to the maximum loan amount of $1 million, with the **lower of the two amounts used**:

1) OWHLF LOAN SUBSIDY LIMITS:

OWHLF loan requests are calculated and reviewed on a per-unit amount based on HUD's Section 234-Condominium loan subsidy limits multiplied by the high-cost multiplier for the county in which the project is located. These limits replace the discontinued 221(d)(3) program, so HCDD has been directed by HUD to use the limits in force as of November 18, 2015 multiplied by the high-cost multiplier of 240% statewide until further notice. As approved by the OWHLF Board on November 3, 2016, and effective May 17, 2017 the amount of OWHLF loan subsidy allowed is based on the number of units within a targeted AMI range, as detailed in the following table – the lower the targeted AMI is for individual units, the higher amount of subsidy allowed per unit (rounded to the nearest dollar):

234-C Limits: Non-Elev/Elev	Unit Size	50% Subsidy AMI <35%	40% Subsidy AMI <40%	30% Subsidy AMI <45%	20% Subsidy AMI <50%	10% Subsidy AMI ≤60%	Calculation
$55,862	SRO/Studio	$27,931	$22,345	$16,759	$11,172	$5,586	# Units * Limits * 240%
$58,787		$29,393	$23,515	$17,636	$11,757	$5,879	# Units * Limits * 240%
$64,410	1 bedroom	$32,205	$25,764	$19,323	$12,882	$6,441	# Units * Limits * 240%
$67,391		$33,695	$26,956	$20,217	$13,478	$6,739	# Units * Limits * 240%
$77,680	2 bedroom	$38,840	$31,072	$23,304	$15,536	$7,768	# Units * Limits * 240%
$81,947		$40,973	$32,779	$24,584	$16,389	$8,195	# Units * Limits * 240%
$99,433	3 bedroom	$49,716	$39,773	$29,830	$19,887	$9,943	# Units * Limits * 240%
$106,013		$53,006	$42,405	$31,804	$21,203	$10,601	# Units * Limits * 240%
$110,772	4+bedroom	$55,386	$44,309	$33,232	$22,154	$11,077	# Units * Limits * 240%
$116,369		$58,184	$46,548	$34,911	$23,274	$11,637	# Units * Limits * 240%

2) OWHLF MAXIMUM LOAN AMOUNTS PER LOW-INCOME UNIT:

Also as approved by the OWHLF Board on November 3, 2016, OWHLF loan requests are also calculated and reviewed based on a maximum per-low-income unit amount based on a running five-year average of OWHLF funds received per low-income unit per project type, amounts effective November 2, 2017 and updated annually:

Acquisition/Rehabilitation:	$19,842 maximum per low-income unit/$1 million total maximum loan
New Construction:	$16,120 maximum per low-income unit/$1 million total maximum loan
Rehabilitation Only:	$41,287 maximum per low-income unit/$1 million total maximum loan
Acquisition Only:	$38,530 maximum per low-income unit/$1 million total maximum loan

OWHLF SCORING:

All multifamily projects applying for OWHLF funding will be scored and ranked according to the following eight areas of criteria (100 points maximum):

EXHIBIT K (continued)

1. Project Area Median Income ("AMI") Targeting **Maximum Scoring = 15 points**

Does the project have an overall calculated AMI targeting of:

- Less than 30% AMI – 15 points
- From 30.01% - 35% - 12 points
- From 35.01% - 40% - 9 points
- From 40.01% - 45% - 6 points
- From 45.01% - 50% - 3 points
- 50.01% or higher – 0 points

2. Unit Size **Maximum Scoring = 5 points**

Are at least 10% of the total units:

- 4 bedroom units – 5 points
- 3 bedroom units – 4 points
- 2 bedroom units – 3 points
- 1 bedroom units – 2 points
- Studio/SRO units – 1 point

3. Leveraging **Maximum Scoring = 25 points**

Total eligible cost divided by OWHLF loan request multiplied by 3:

For example, $6,250,000 total eligible cost / $750,000 OWHLF request = 8.3333
8.3333 multiplied by 3 = 24.9999, or 25 (25 is maximum score possible)

4. Community Support **Maximum Scoring = 10 points**

If the community that the proposed project will be located in presently has an Affordable Housing Plan ("AHP"), the project will receive an additional 5 scoring points. If a letter is provided from the community that verifies that the project is consistent with the identified needs and goals of the AHP,the project will receive an additional 5 scoring points for a total of 10 scoring points possible.

5. Rural Areas **Maximum Scoring = 10 points**

Is the project located in a county with population of:

- Less than 15,000 – 10 points
- 15,000 – 26,000 – 7 points
- 26,001 – 75,000 – 5 points
- 75,001 – 100,000 – 2 points
- Over 100,000 – 0 points

6. Substantial Rehabilitation of Existing Projects **Maximum Scoring = 10 points**

Projects applying for OWHLF assistance that are rehabilitation or acquisition/rehabilitation may receive additional scoring of 10 points only in cases of Substantial Rehabilitation of the property. Substantial Rehabilitation is defined as required repairs, replacements, and improvements that involve the replacement of three or more major building components and/or systems necessary to extend the useful life of the building(s) by at least twenty (20) years. Major building components and systems are defined as the following:

a) Heating, ventilation, air conditioning (HVAC) systems – replacement of all HVAC units with units of AFUE 90%/SEER 13 or greater efficiency, or upgrades to a central boiler/chiller system to higher efficiency;
b) Plumbing systems – replacement of at least 50% of all existing piping, connectors, and fixtures with new equipment and materials;
c) Electrical systems – replacement of at least 50% of all existing electrical service panels, wiring, light fixtures, switching and outlets, and other infrastructure such as conduit and connectors with new equipment and materials;
d) Roofing systems – replacement of at least 50% of all existing roof sheathing with new materials, and replacement of all roofing with new roofing surface materials;

e) Structural and seismic upgrades – installation of seismic upgrades as may be required by local building code, and,
f) ENERGY STAR upgrades – installation of additional energy efficiency upgrades, such as additional wall, floor, or attic insulation, replacement windows and doors, and more efficient appliances in units to meet U.S. EPA ENERGY STAR or HERS minimum thresholds as certified by an independent HERS rating organization (unless a project meets HCDD's waiver requirements of a payback period greater than 15 years).

Estimates for determining the cost for substantial rehabilitation must include general requirements and fees for builder's overhead and profit as a proportionate amount of the actual direct construction costs as compared to total overall project costs. Direct construction costs do not include the cost of land, demolition, off-site improvements, non-dwelling facilities and administrative costs for project development activities.

<u>7. New Capacity</u> **Maximum Scoring = 20 points**

Projects will receive additional scoring for creating new affordable unit capacity based on the total units within the project and the number of new or additional units added. For example, if a project consists of 50 total units which include 10 existing affordable units and 40 new affordable units, the project would be 80% new capacity and would receive 16 of the 20 possible points (rounded up or down to the nearest whole number).

<u>8. "Green" Projects</u> **Maximum Scoring = 5 points**

While presently not required, all multifamily rental projects will receive additional scoring for compliance with one of the following "green" certifications:

Enterprise Foundation's "Green Communities Checklist"
LEED's "Silver" or higher rating
RCAC's "Green Checklist" (rural single family only)

100 points total possible

EXHIBIT L

COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) QUALIFICATION CHECKLIST

Community housing development organizations (CHDOs): All CHDOs applying for OWHLF funds must meet the HUD definition of a CHDO.
Community housing development organization means a private nonprofit organization that:
1. Is organized under State or local laws;
2. Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
3. Is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization. A community housing development organization may be sponsored or created by a for-profit entity, but:

   i. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm.

   ii. The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for profit entity may not appoint the remaining two-thirds of the board members; and

   iii. The community housing development organization must be free to contract for goods and services from vendors of its own choosing;

4. Has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986;

5. Does not include a public body (including the participating jurisdiction). An organization that is State or locally chartered may qualify as a community housing development organization; however, the State or local government may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of the participating jurisdiction or State recipient. Board members appointed by the State or local government may not appoint the remaining two-thirds of the board members;

6. Has standards of financial accountability that conform to 24 CFR 84.21, "Standards for Financial Management Systems;"

7. Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or bylaws;

8. Maintains accountability to low-income community residents by:

   i. Maintaining at least one-third of its governing board's membership for residents of low-incomeneighborhoods, other low-income community residents, or elected representativeof low-income neighborhood organizations. For urban areas, "community" may be a neighborhood or neighborhoods, city, county or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and

   ii. Providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing;

EXHIBIT L (continued)

9. Has a demonstrated capacity for carrying out activities assisted with HOME funds. An organization may satisfy this requirement by hiring experienced key staff members who have successfully completed similar projects, or a consultant with the same type of experience and a plan to train appropriate key staff members of the organization; and

10. Has a history of serving the community within which housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, a newly created organization formed by local churches, service organizations or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.

Please answer all questions and provide supporting documentation.

LEGAL STATUS

The nonprofit organization is organized under state or local laws, as evidenced by:

_______ a Charter, **OR** ______ Articles of Incorporation

No part of its net earnings inure to the benefit of any member, founder, contributor, or individual as evidenced by:

_______ a Charter, **OR** ______ Articles of Incorporation

Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 502(c) of the Internal Revenue code of 1986, as evidenced by:

_____ a 501 (c) certification from the IRS ______ other

Has among its purposes the provision of decent housing that is affordable to low and moderate-income people, as evidenced by a statement in the organization's:

______ a Charter, **OR** ______ Articles of Incorporation

______ Bylaws, **OR** ______ Resolutions

CAPACITY:

Conforms to the financial accountability standards of Attachment F of OMB Circular A110, "Standards for Financial Management System", as evidenced by:

______ A notarized statement by the president, or chief financial officer of the organization;

Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

______ Resumes and/or statements that describe the experience of accomplished key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR

______ Contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff members.
Has a history of serving the community where housing to be assisted with HOME funds will be used, as evidenced by:

EXHIBIT L (continued)

______ A statement that documents at least one year of experience in serving the community, OR

______ For newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

Please provide a statement from the CHDO, or its parent organization that shows one year of service to the community from the date the State of Utah provides HOME funds to said organization. The statement must include:

A description of the organizations history (or its parent organizations history) such as:

(1) Developing new housing, rehabilitating existing stock or managing housing stock and;

(2) Developing delivery mechanisms for essential services that have lasting benefits for the community, such as housing counseling services, or childcare facilities.

The statement must be signed by the president of the organization or by a HUD approved representative.

ORGANIZATIONAL STRUCTURE

Maintains at least one-third of its governing boards membership for residents of low-income neighborhoods, other low income community residents, or elected representatives of low-income neighborhood organizations as evidenced by the organization's:

______ Bylaws,
______ Charter, OR
______ Articles of Incorporation

Provides a formal process for low-income program beneficiaries to advise the organization in all of its decisions regarding the design, site, development, and management of all affordable housing projects, as evidenced by:

______ The Organization's bylaws,
______ Resolutions, OR
______ A written statement of operating procedures approved by the governing body.

A state or local government can charter a CHDO, however, the state or local government may not appoint more than one-third of the membership of the organization's governing body and no more than one-third of the governing board members are public officials, as evidenced by the organization's:

______ Bylaws,
______ Charter, OR
______ Articles of Incorporation

If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's:

______ Bylaws,
______ Charter, OR
______ Articles of Incorporation

RELATIONSHIP WITH FOR-PROFIT ENTITIES

The CHDO is not controlled, nor receives direction from individuals, or entities seeking profit from the organization, as evidenced by:

______ The Organization's Bylaws, OR
______ A Memorandum of Understanding.

A CHDO may be sponsored or created by a for-profit entity, however: The for-profit entity's primary purpose does not include the development, or management of housing, as evidenced in its Bylaws:

______ Yes ______ No

AND;

The CHDO is free to contract for goods and services from the vendor(s) of its own choosing, as evidenced in the CHDO's:

______ Bylaws,
______ Charter, OR
______ Articles of Incorporation

[ii]Under the HOME program, for urban areas, the term, and "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county or multi-county area (but not the whole state), provided that the governing board contains low-income residents from each of the multi-county areas.

EXHIBIT M

ACRONYMS AND PROGRAM GLOSSARY:

ADA — American Disabilities Act, and its associated acts of Congress. Specific architectural regulations have been developed to house persons that are dependent on wheelchairs for mobility and other physical impairments.

ADDI — American Dream Down-payment Initiative. A HUD program that provides down-payment assistance for low income first time home buyers.

AMI — Area Median Income. This statistic of county income is estimated annually by the Department of Housing and Urban Development. It serves as a basis for determining the incomes and rents to be used in the program.

CDBG — Community Development Block Grant. This is a program administered by the Department of Workforce Services in the state of Utah. It is a federal program designed to assist local municipalities in developing infrastructure such as water treatment plants, bridges, roads, etc. Occasionally it is used in a tax credit project to obtain land or to develop sewer, water and other infrastructure on or to the site.

CHDO — Community Housing Development Organization. A nonprofit housing development corporation whose mission and organizational structures are defined by HUD. This type of organization can obtain various funds on a priority basis from HUD and other sources, because of its' mission.

CP — Consolidated Plan a HUD required plan that identifies community development, economic development, and housing priorities for the State of Utah.

DWS — Department of Workforce Services: The department that includes the Housing and Community Development Division.

DCR — Debt Coverage Ratio is a commonly used measure of project feasibility. It is the annual Net Operating Income before taxes divided by the annual debt service.

HCDD — Housing and Community Development Division. This is the Utah state division that administers various housing resources through the OWHLF.

HOME — HOME Funds. The "HOME Investment Partnership" is a federal housing block grant program administered by the Department of Housing and Urban Development and granted to states. It provides loans at below market interest rates to assist affordable housing projects in achieving below market rents. The Department of Workforce Services as well as various participating jurisdictions administer this program throughout the State of Utah.

HOPE — This is a housing loan and grant developed by the Department of Housing and Urban Development to assist the development of housing. It is also used in home ownership programs for down payment assistance.

HOPWA — Housing of Persons With AIDS. The program is used to develop housing and assist in the operation of the project by providing rent subsidies for persons with AIDS or HIV.

EXHIBIT M (continued)

HUD Department of Housing and Urban Development. A federal department responsible for housing. They are the regulatory body over Public Housing Authorities and provide funds for various housing priorities.

IRC Internal Revenue Code of 1986, as amended. The document setting forth all tax laws for the United States of America. IRC §42 regulations come from this document and various other legislative sources.

IRS Internal Revenue Service. The federal department having jurisdiction over the program, as mandated by Congress. The program is administered by each states' delegated staff, who is in turn regulated by the Internal Revenue Service.

LIHTC Low Income Housing Tax Credit. This is a federal affordable housing program under the jurisdiction of the Department of the Treasury – Internal Revenue Service which provides federal tax credits over ten years in exchange for rent and income restrictions. Often it is called "Section 42" referring to the IRS tax code section.

LURA Land Use Restriction Agreement. The agreement declaring the terms of the low-income use and the term restrictions. This document is recorded on the land title as public notice of the restrictions.

NHTF National Housing Trust Fund. This is a housing loan and grant program developed by the Department of Housing and Urban Development to assist the development and/or operations of extreme low-income housing at or below 30% of AMI.

OWHLF Olene Walker Housing Loan Fund. A pool of funds, inclusive of state, federal and program income used exclusively to support affordable housing in the state of Utah. Formerly known as the Olene Walker Housing Trust Fund.

PHA Public Housing Authority. An independent organization set up to provide housing assistance within a community. They are the issuing agent for HUD Section 8 vouchers and certificates. They also may have ownership interest in housing units.

PUD Planned Unit Development. This is a form of ownership typical of townhouse construction. Each owner of a unit owns the land under their unit and a percentage of any common area, unlike a condominium, where the owner owns a percentage of the project and the area within their unit.

RD U.S. Department of Agriculture Rural Development Service, a staff of the federal government responsible for economic and housing development in rural areas. Formerly known as the Farmer's Home Administration.

SRO Single Residential Occupancy. This is a very small rental unit that usually has a small kitchenette with common bathroom and shower facilities. It is generally built for households having only one person.

EXHIBIT N

HUD ENVIRONMENTAL REVIEW REQUIREMENTS

It is important for all recipients to understand that there are certain environmental review requirements for projects funded with HUD (HOME) dollars. If any part of the project is funded with HUD dollars the whole project is “tainted” and is subject to HUD’s environmental regulations.

Step 1. Recipient will be notified by an HCD Housing Specialist if their project will be funded with HOME (HUD) Funds.

Step 2. Recipients must not proceed with their project in any way, including awarding construction bids or acquiring property, without first completing the HUD environmental review process in HCD’s WebGrants system. Instructions and resources are available on the HCD website and by contacting Cheryl Brown at cbrown@utah.gov. **It should not be assumed that environmental reviews completed on behalf of other HUD/HOME funding sources for the project (such as from counties [Salt Lake, Weber, Utah, etc.] or cities [Salt Lake City, Provo, Ogden, etc.] will be accepted by HCDD; in situations of multiple sources of HUD funding it is better to complete the reviews concurrently.**

Step 3. **All** HUD funded (HOME entitlement, HOME program income, state match, state match program income, and/or NHTF funds) projects require an environmental review. Larger projects involving new construction require a larger, more involved review including a 30 day public comment period. A Phase I review does not address all of HUD’s requirements. **Recipients should allow at least 60 days to complete the process**. Smaller projects involving re-construction of existing properties require a smaller review and no public comment period if no environmental criteria are “triggered” during the review process.

Step 4. Recipients must obtain an “Environmental Clearance” letter from the HCDD Environmental Review Officer (Cheryl Brown) prior to committing funds or incurring costs related to the project. Any costs incurred prior to the release will be denied.

EXHIBIT O

RURAL UTAH SINGLE FAMILY REHABILITATION AND RECONSTRUCTION PROGRAM

Pricing Policy, Loan Products, and Loan Terms

Interest Rate:

%AMI	Interest Rate:
50 or below	0 to 2.0%
51 – 60	2.5%
61 – 80	3.0%

Interest rate is based on actual income as defined below and will be determined on a case-by-case basis to keep the payment within the debt coverage ratios.

Late Fee: Five percent of monthly payment.

Fees: None.

Income Eligibility: Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.

Loan Payment: Calculation is based as adjusted gross income as calculated on the IRS 1040 Form, plus nontaxable income.

Eligible Borrower: Applicant's income to debt ratio is evaluated for families at or below 80 percent of the area median income as determined by HUD. The Borrower must occupy the property as principal residence and purchase the property through an approved form of ownership.

Collateral Evaluation: To include review of appraisal or tax evaluation notice or comparables.

Amortizing Loan: **Term/amortization:** Not to exceed 30 years. Exceptions may be considered on a case-by-case basis.

Repayment: Mandatory monthly payments of principal and/or interest. The entire unpaid principle balance, accrued interest, and accrued late charges are due upon death of the borrower(s) or sale of the property.

Deferred Loan: **Term:** Not to exceed 30 years.

Repayment: Principal and interest may be deferred. The entire unpaid principle balance, accrued interest, and accrued late charges are due upon death of the borrower(s) or sale of the property.

Loan Types: Permanent loans for projects. Refinancing is for preserving affordability with substantial rehabilitation, or acquisition/rehab projects.

Security: Loan will be secured by a recorded Trust Deed on the subject property.

EXHIBIT O (continued)

Other Requirements:	Homeowner/Hazard insurance, flood insurance (if required), and proof property taxes are currently paid in full.
Max. Property Value:	The value of any eligible homebuyer/homeowner-occupied property may not exceed 203 (b) FHA Mortgage Limits published annually by HUD.
Subsidy Limit:	The subsidy limit may not exceed the 221(d)(3) limits as published annually by HUD
LoanToValue:	Combined loan–to-value should not exceed 95 percent of property value.
Debt Coverage Ratio:	Should not exceed approximately 38 percent ratio for debt and 30 percent for housing payments.
Prepayment:	Permitted with no prepayment penalty.
Loan Amount:	Minimum is $1,000 and maximum is project based.
Recapture/Resale:	None

EXHIBIT P

ENERGY STAR AND HERS RATING PROCEDURES (Multifamily, Single Family Projects)

When applying for funds from the Olene Walker Housing Loan Fund:

1) All new construction must be ENERGY STAR certified **OR** must have a HERS rating showing that the project will be at least 15% more efficient than the state's current energy code.
2) Rehabilitation projects must also be Energy Star certified **OR** have a HERS rating as previously described when using OWHLF funds unless a waiver is granted from the Division of Housing and Community Development ("HCDD").

Both new and rehabilitation projects must obtain an independent Home Energy Rating System ("HERS") score to determine ENERGY STAR eligibility. Projects receive an initial score during design and final score after construction is completed. It is important for developers to work carefully with the HERS rater to develop a strategy that achieves the lowest, most cost effective final score.

Although ENERGY STAR applies to both new and existing units, ENERGY STAR is a more difficult and expensive achievement for existing units. The costs of ENERGY STAR compliance including cost increments for equipment and envelope upgrades over and above the current statewide energy code and rating costs should be included in the overall project budget. The HERS rater will provide applicants with the list of upgrades that can be implemented to achieve ENERGY STAR qualifying status. Once project development is completed and the OWHLF closeout packet is assembled, applicants must submit the final certificate showing the preliminary score from the HERS rater for each project.

Facilities three stories or fewer with or without a central heating and cooling system require a sampling of individual housing units by the certified rater. The independent HERS raters generally charge $300 - $350 per unit for multifamily ratings. For projects within the Rocky Mountain Power and/or Questar Gas service areas, the HERS rater can help prepare special rebate documentation for submittal to Rocky Mountain Power and Questar Gas, and help the applicant work with the utility representative.

For facilities over three stories with central heating and cooling plants, ENERGY STAR compliance can be determined by rating the entire facility using the "other building" category at EPA's ENERGY STAR website:
https://www.energystar.gov/index.cfm?c=evaluate_performance.bus_portfoliomanager

It should also be noted that existing multifamily units may be eligible for retrofit grant or loan funding in conjunction with the Utah Weatherization Assistance Program:
http://community.utah.gov/housing_and_community_development/weatherization_assistance_program.
For a list of independent HERS raters, please contact Daniel Herbert-Voss (801-486-0042; dhvoss@utah.gov) at the Utah Division of Housing and Community Development.

ENERGY STAR focuses on a housing unit's energy efficiency. Solar and other renewable features are independent of the ENERGY STAR rating. Developers choosing to include renewable energy features over and beyond ENERGY STAR can request funding from HCDD for the additional upgrades as part of the overall project costs. For any energy efficient units (with or without any renewable features), the utility allowances can be based on the actual utility usage and costs estimated by a certified and independent HERS rater or independent professional energy provider. After rehabilitation or construction, the allowance can be based on actual utility charges from the previous year.

EXHIBIT P (Continued)

Projects may also be eligible for Federal and state energy efficiency and renewable tax credits. For additional information, see: http://geology.utah.gov/sep/incentives/index.htm.

Procedures for New Construction – Individual or Centrally Heated/Cooled Systems (1 – 3 Stories)

Step 1: Notify project architect that the proposed building's drawings and specifications must be ENERGY STAR certified.

Step 2: Developer contacts the HERS rater, and the HERS rater can complete ratings or train and certify other HERS raters. For the new units, a HERS rater reviews plans and specifications for necessary upgrades that achieve an ENERGY STAR rating which is approximately 15% more efficient than the current state energy code.

Step 3: Work with the HERS rater to submit a pre-application to the utility company(ies) for possible rebates (this must be submitted prior to construction).

Step 4: From the review, the rater prepares an improvement analysis based on cost effective measures and the estimated incremental costs to a project's overall cost.

Step 5: The developer includes the upgrades in the overall and proposed project budget and request for funding. At the time of application, the developer also submits the initial HERS score contained on a HERS rater's certificate or a letter from the HERS rater that the project should be ENERGY STAR qualified based on preliminary drawings and specifications.

Step 6: The developer selects contractors who are knowledgeable and sensitive to energy efficiency

Step 7: The HERS rater completes interim inspections of the construction site to ensure that contractors are meeting ENERGY STAR specifications.

Step 8: Once the units are completed, the HERS rater samples the units and conducts tests and inspections to confirm the ENERGY STAR score.

Step 9: The developer submits the final ENERGY STAR certificate to HCDD with the final closeout packet.

Step 10: The developer applies for the utility rebates (if in RMP and/or QGC service areas). The utility rebates help offset the cost of the rating.

Procedures for New Construction – Individual or Centrally Heated/Cooled Systems (4+ Stories)

Step 1: Notify project architect that the proposed building's drawings and specifications must be ENERGY STAR certified.

Step 2: Work with the architect to submit a pre-application to the utility company(ies) for possible rebates (this must be submitted prior to construction).

Step 3: Generally, new multifamily units that are centrally heated and cooled and that are 4 stories or higher are processed on-line for ENERGY STAR compliance through the EPA ENERGY STAR rating system for commercial buildings. In such cases, the architect prepares plans and specifications in accordance with the EPA ENERGY STAR's targeted energy consumption baseline. For additional information, please see the following link: http://www.energystar.gov/index.cfm?c=target_finder.bus_target_finder

Step 4: The developer includes the upgrades in the overall and proposed project budget and request for funding. At the time of application, the developer also submits the initial ENERGY STAR score or a letter from the architect that the building should be ENERGY STAR qualified based on preliminary design and specifications.

EXHIBIT P (Continued)

Step 5: The developer selects contractors who are knowledgeable and sensitive to energy efficiency

Step 6: The architect completes interim inspections of the construction site to ensure that contractors are meeting ENERGY STAR specifications.

Step 7: Once the units are completed, the architect completes a final rating through the EPA ENERGY STAR website to ensure that the building meets the ENERGY STAR qualifying threshold.

Step 8: The developer submits the final ENERGY STAR certificate to HCDD with the final closeout packet or as soon as the certificate is available.

Step 9: The developer submits the final closeout packet to HCDD, and applies for the utility rebates (if in RMP and/or QGC service areas). The utility rebate for larger buildings that use central heating and cooling systems is based on the amount of KwH and Kw saved. Unlike smaller buildings where a rebate per unit is available, a representative of Rocky Mountain Power will calculated the applicable rebate for these larger buildings.

Procedures for Rehabilitation – Individual or Centrally Heated/Cooled Systems (1-3 Stories)

Step 1: Contact the HERS rater. For existing units, the HERS rater conducts a diagnostic inspection and review of the units (a sample of units for large facilities), suggesting energy improvements to achieve ENERGY STAR.

Step 2: The developer works with the HERS rater to submit a pre-application to the utility company(ies) for possible rebates (this must be submitted prior to construction).

Step 3: From the inspection and review, the rater prepares a list of cost effective individual energy efficiency measures and can estimate costs to be added to the rehabilitation project for each measure.

Step 4: The developer includes the upgrades in the overall and proposed project budget and request for funding. At the time of application, the developer submits documentation of the initial ENERGY STAR score or a letter from the HERS rater that the project should be ENERGY STAR qualified based on preliminary drawings and specifications.

Step 5: The developer selects contractors who are knowledgeable and sensitive to energy efficiency

Step 6: The HERS rater completes interim inspections of the construction site to ensure that contractors are meeting ENERGY STAR specifications.

Step 7: Once the units are completed, the HERS rater samples the units and conducts tests and inspections to confirm the ENERGY STAR score.

Step 8: The developer submits the final ENERGY STAR certificate to HCDD with the final closeout packet.

Step 9: The developer files for the utility rebates if the project is located within the Rocky Mountain Power and/or Questar Gas service area. The utility rebate, which averages over $250 per unit, helps offset the cost of the rating.

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT Q

SELF-HELP/HOMEOWNERSHIP DEVELOPMENT
Pricing Policy, Loan Products, and Loan Terms

Base Interest Rate:	Interest rates will match USDA Rural Development's interest rates. Those families who reach a minimum score of 120 on the Utah Green Building Checklist will receive a 1% discounted interest rate, not to go below 0%.
Income Eligibility:	Determined by the IRS Form 1040 as defined by HUD.
Late Fee:	Five percent of the monthly payment.
Default Rate:	The greater of ten percent per annum or the default rate of priority lien in effect at time of default.
Fees:	None.
Eligible Developer:	OWHLF will evaluate applicant's and/or members' financial and management strength, property development or management experience.
Collateral Evaluation:	To include review and approval of development budget, appraisal, lender income analysis, jurisdictional approvals, community support, degree of affordability.
Appraisal:	Provide a current appraisal approved by priority lien holder.
Other Requirements:	Homeowner/Hazard insurance, flood insurance (if required), and proof property taxes are currently paid in full. As-built property survey required.
Max. Property Value:	The value of any eligible homeowner-occupied property may not exceed 95 percent of the FHA Mortgage Limits published annually by HUD.
Loan-to-Value:	Combined Loan-to-Value will not exceed 95 percent of property value.
Recapture and Resale:	Determined with the Affordability Period. Mandatory recapture is due upon death or sale of the property.
Amortizing Loan:	Olene Walker Housing Loan Fund loan is a regularly amortizing loan payable monthly over a period of 33 years.
Loan Types:	Loans will be of a minimum amount necessary to achieve affordability targets when combined with available private resources.
Security:	First or second position deed of trust
Prepayment:	Permitted with no prepayment penalty.
Match Funds:	Not required.

EXHIBIT R

HOME CHOICE - Physically or Mentally Disabled Clients
Pricing Policy, Loan Products, and Loan Terms

Interest Rate:	Between zero to five percent.
Late Fee:	Five percent of monthly payment.
Fees:	None
Income Eligibility:	Determined by the IRS definition of adjusted gross income as defined for reporting on IRS Form 1040.
Eligible Borrower:	Disabled owner or disabled family member at or below 80 percent area median income. The Borrower must occupy the property as a principal residence and purchase the property through an approved lender Qualifying Ratios: Borrower's debt ratio will not exceed 50/50 percent
Closing Costs:	May be funded within the requirements of Fannie Mae's Home Start Program or other down payment/closing assistance programs.
Recapture and Resale:	Mandatory recapture is due upon death or sale of the property.
Down Payment:	Three percent down payment is based on the sales price. The borrower must contribute $500 from their funds. The remainder may come from gifts or grants
Cash Reserves:	The borrowers are required to have two months' mortgage payments (PITI) in reserves after closing. One month's reserve must come from the owner's funds. The second month can come from a letter from the OWHLF guaranteeing the second month. The reserve shall be maintained in a verified account.
Loan Term:	Loan term matches the first mortgage.
Combined LTV Ratios:	Subordinate financing when used to supplement a borrower's contribution for the closing cost and down payment assistance, must have grant like terms if the CLTV ratio is over 97 percent and may not exceed 105 percent. If subordinate financing is used for accessibility modification in addition to closing costs and down payment assistance the CLTV ratio may not exceed 120 percent
Maximum Property Value:	The value may not exceed 95 percent of the FHA Mortgage Limits as published annually by HUD
Subordinate Financing:	Must be approved by the lender's lead Fannie Mae Regional Office. Subordinate financing may consist of a 2nd or 3rd lien mortgage where different funding sources are used

EXHIBIT R (continued)

Collateral Evaluation:	To include review of appraisal, tax evaluation notice or comparables
Amortizing:	**Loan term amortization:** Fifteen to thirty year fixed rate, fully amortizing, level payment mortgage
Repayment:	Mandatory monthly payments of principal and interest
Loan Types:	Permanent loans for initial purchase of property, refinancing for the purpose of preserving affordability, or providing accessibility improvements to the property. Loans shall be of a minimum amount necessary to achieve affordability targets when combined with available private resources
Security:	Second position deed of trust subordinate to private institutional lender
Prepayment:	Permitted with no prepayment premium
Loan Amount:	Minimum is $1,000 and maximum is project based
Buy-downs:	Temporary interest rate buy downs are not permitted
Mortgage Insurance:	No.
Other Requirements:	Homeowner/Hazard insurance, flood insurance (if in flood plain). Property is the principle residence and the owner will occupy the property immediately following completion of work.

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT S-1

ARCHITECT'S CERTIFICATION

The undersigned, being a duly licensed architect registered in the State of Utah, has prepared for ______________________________ (Project Owner) final plans, working drawings and detailed specifications (and addenda) dated _____________ in connection with certain real property located at _ ______________________________ known as (the Project).

I hereby certify that I am a licensed Architect, License No. _______ , with the requisite skills and experience to provide the professional services necessary to assist in the product of the units proposed by Project Owner and that I have experience on development(s) of similar magnitude and construction type as this Project. I am knowledgeable of all federal, state, and local requirements and the requirements of:

(i) Architectural Barriers Act
(ii) Section 504
(iii) Fair Housing Act Title VIII
(iv) Americans with Disabilities Act Title II
(v) State of Utah fair housing laws and building codes compliant with ANSI 117A.

I certify that the final design, plans, and specifications will comply with these requirements.

I hereby certify that ________(#) fully accessible Type "A" ADA residential unit(s) has been designed for long-term mobility-impaired tenants which meet(s) the minimum federal and state law requirements in those plans and specifications listed above.

The undersigned hereby certifies to the Project Owner and Utah Housing Corporation that the Plans and Specifications for the Project have been duly filed with and have been approved by all appropriate governmental and municipal authorities having jurisdiction over the Project and that the Project as shown on the Plans and Specifications is in compliance with all requirements and restrictions of all applicable zoning, environmental, building, fire, health and other governmental ordinances, rules and regulation. All conditions to the issuance of building permits have been satisfied. In the opinion of the undersigned, the Project has been constructed in a good and workmanlike manner substantially in accordance with the Plans and Specifications and is free and clear of any damage or structural defects that would in any material respect affect the value of the Project. In the further opinion of the undersigned, all of the preconditions have been met justifying the issuance of:

(i) The permanent certificate(s) of occupancy for the Project (or the letter or certificate of compliance or completion stating that the construction complies with all requirements and restrictions of all governmental ordinances, rules and regulations), and

(ii) Such other necessary approvals, certificates, permits and licenses that may be required from such governmental authorities having jurisdiction over the Project pertaining to the construction of the Project.

The Project will be in compliance with all current zoning, environmental and other applicable laws, ordinances, rules and regulations, restrictions and requirements, including without limitation Title III of the Americans with Disabilities Act of 1990 and the Fair Housing Act.

EXHIBIT S-1 (continued)

There are no buildings or other municipal violations filed or noted against the Project. All necessary gas, steam, telephone, electric, water and sewer services and other utilities required to adequately service the Project, are now available to the Project. All street drainage, water distribution and sanitary sewer systems have been accepted for perpetual maintenance by the appropriate governmental authority or utility.

Dated: ______________________________

PROJECT ARCHITECT:

By: ______________________________
(signature)

Print Name: ______________________________

Title: ______________________________

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT S-2

GENERAL CONTRACTOR'S CERTIFICATION

The undersigned has served as general contractor of the real property constructed at _________ _______________________________ known as ____________________________(Project name) for ___ _______________________________(Project Owner).

The undersigned hereby certifies to the Project Owner and Housing and Housing and Community Development, that the Project was constructed or rehabilitated in conformity with the Plans and Specifications dated ___________________. [PLEASE NOTE: THIS DATE MUST MATCH THE PLANS AND SPECIFICATIONS DATE IN ARCHITECT'S CERTIFICATE]

Dated: _____________________________________

GENERAL CONTRACTOR FOR PROJECT:

By: ____
(signature)

Print Name: ________________________________

Title: _____________________________________

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT T

SERVICE PROVIDER QUESTIONNAIRE

This form is used by HCDD to determine the capacity of the applicant to meet the needs of residents as described in the Program Guidance & Rules. All applicants requesting consideration for resident services for Special Needs Housing, Support for Families in Transition, or Elderly Housing with Supportive Services must complete and include this form with the application.

Project Name: ____

Project Owner Name: ____

Service Provider Name: ____

Please attach answers to questions 1 through 11 in narrative form.

GENERAL INFORMATION

1. Summarize the service provider's mission and goals for the current fiscal year.

2. How many years has the service provider been active in delivering social services? If the service provider has no experience in delivering social services, describe the service provider's experience with and knowledge of the community that the service provider will serve. Identify other community agencies with whom the service provider will collaborate.

3. Describe other activities, aside from social services, in which the service provider is engaged.

EXPERIENCE IN SERVICE-ENRICHED HOUSING

4. Is the service provider currently involved in service enriched housing programs? If yes, summarize experience in providing supportive services onsite for residents. Include name of housing development(s), property Management Company, and type of services provided. If no, please describe methods that will be used to increase your company's knowledge and understanding of providing service-enriched housing.

5. Describe collaborative efforts that demonstrate the service provider's capacity to deliver supportive services. Please identify organizations or companies involved in the collaboration and the nature of the organization's involvement.

PERSONNEL

6. How many people are employed by the service provider organization?

7. List the job titles of personnel who will work directly with residents of the proposed property. Attach an organizational chart.

8. Attach resume(s) of key personnel who will be responsible for providing services in this proposed development. If new staff must be hired in order to implement the work at this property, attach job description(s), including qualifications and identify resources to pay for cost of salaries.

EXHIBIT T (continued)

9. Are key personnel currently involved in service-enriched housing programs at other properties? If yes, explain how many properties, how many total units, where they are located, and how staff's time will be divided between current responsibilities and responsibilities at the new development.

STAFF PROFESSIONAL DEVELOPMENT

10. List the names of the professional training courses/workshops/seminars that staff who will be involved with this project have completed over the past 3 years. (List job title of staff, training attended, and date of training.)

11. Will participation in this service-enriched housing program require additional staff professional development? If yes, describe training and/or skills that will need to be developed or improved.

SERVICE PROVIDER'S OFFICE LOCATION(S)

Address of Principal Office: ______________________________

Name/Title of Contact Person: ______________________________

Telephone: ______________________________

Fax Number: ______________________________

Email ______________________________

Areas Served (County, Neighborhood, etc.) ______________________________

Other office close to proposed development: ______________________________

Address: ______________________________

Telephone: ______________________________

Address: ______________________________

Telephone: ______________________________

A. Is the service provider a subsidiary of another organization? **Yes** **No** (circle one)

If yes, please provide name and address of the parent organization and describe relationship, tax status.

EXHIBIT T (continued)

B. Indicate the total number of clients served during the last fiscal year. Identify the amounts and sources of funding.

Client/Service Type	Number Served	Funding Level	Funding Source
Senior/Elderly Services			
Adult/Family Services			
Children/Youth Services			
Addictions			
MH/MR			
Education/Job Readiness			
Long Term Mobility-Impaired Services			
Other			

C. Has the service provider or any of its current personnel ever been involved in governmental investigation or judicial action or settlement concerning charges of a violation of local, state or federal laws or regulations concerning discrimination, fair housing violations or other civil rights laws, or concerning violations of federal, state or local regulations regarding use of funds?
Yes **No**

D. Have any service grants or contracts held by the service provider over the past five years been terminated prior to their expiration dates? **Yes** **No**

E. Have any grants or contracts held by the service provider over the past five years not been renewed upon expiration? **Yes** **No**

If you answered yes to questions C, D, or E, attach an explanation or any supporting documentation necessary to explain the circumstances surrounding these situations.

I certify that the information contained herein and attached is accurate and complete.

Name of CEO/Executive Staff ______________________________
Signature ______________________________
Title ______________________________
Organization Name ______________________________
Date ______________________________

EXHIBIT U

THE GUIDELINES FROM THE FAIR HOUSING ACT DESIGN MANUAL

The design requirements of the Guidelines to which new buildings and dwelling units must comply are presented in abridged form below. Dwelling units are not subject to these requirements only in the rare instance where there are extremes of terrain or unusual characteristics of the site. Such instances are discussed in detail in Chapter One: "Accessible Building Entrance on an Accessible Route."

REQUIREMENT 1
Accessible Building Entrance on an Accessible Route: Covered multifamily dwellings must have at least one building entrance on an accessible route, unless it is impractical to do so because of terrain or unusual characteristics of the site. For all such dwellings with a building entrance on an accessible route the following six requirements apply.

REQUIREMENT 2
Accessible and Usable Public and Common Use Areas: Public and common use areas must be readily accessible to and usable by people with disabilities. See Chapter Two.

REQUIREMENT 3
Usable Doors: All doors designed to allow passage into and within all premises must be sufficiently wide to allow passage by persons in wheelchairs. See Chapter Three.

REQUIREMENT 4
Accessible Route Into and Through the Covered Dwelling unit: There must be an accessible route into and through the dwelling units, providing access for people with disabilities throughout the unit. See Chapter Four.

REQUIREMENT 5
Light Switches, Electrical Outlets, Thermostats and Other Environmental Controls in Accessible Locations: All premises within the dwelling units must contain light switches, electrical outlets, thermostats and other environmental controls in accessible locations. See Chapter Five.

REQUIREMENT 6
Reinforced Walls for Grab Bars: All premises within dwelling units must contain reinforcements in bathroom walls to allow later installation of grab bars around toilet, tub, shower stall and shower seat, where such facilities are provided. See Chapter Six.

REQUIREMENT 7
Usable Kitchens and Bathrooms: Dwelling units must contain usable kitchens and bathrooms such that an individual who uses a wheelchair can maneuver about the space. See Chapter Seven.

For further information about the Fair Housing Accessibility Guidelines, call:

U.S. Department of Housing and Urban Development: 1-303-672-5430 TDD 1-303-672-5248

Fair Housing Information Clearinghouse: 1-800-343-3442 TDD 1-800-290-1617

HUD's Fair Housing Act Design Manual is available at the following website:

www.huduser.org/publications/destech/fairhousing.html.

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT V

Department of Workforce Services
Compliance Report (Example Only – Contact HCDD For Current Version)

Project Name: ______________________________
Address: ______________________________
Buildings: ______________________________
Manager: ______________________________
Date: ______________________________
Reporting Period From: __________ To: ___________

	SRO	Studio	1	2	3	4
No. of Units	____	____	____	____	____	____
No. of HOME Units	____	____	____	____	____	____
No. Low HOME Rent Units	____	____	____	____	____	____
No High HOME Rent Units	____	____	____	____	____	____

										A	B		C	
Tenant Name	Unit #	# of Bed-rooms	House-hold Size	Gross Annual Income of Tenants	% of Area Median Income	Date of Last Annual Re-cert	Move In Date	Move Out Date	Lease Date	Lease Rent	Tenant Paid Utilities	Total Rent Plus Utilities	Allowable Home Rent & Utilities	Rent Assistance

A) Including any owner-paid utilities.
B) If tenant pays utilities, enter from PHA utility allowance worksheet. If utilities are included in rent, enter “incl.”
C) Enter from HUD published limits for High or Low HOME rent as applicable.

Attach additional sheets and comments as needed.

I certify the above information is true and correct. Owner or property manager signature: ____________________ Date: __________________

HCDD Reviewer: ______________________________ Date Reviewed: __________

EXHIBIT W

POLICY AND PROCEDURES FOR AFFIRMATIVE MARKETING PLAN

Applicability

All HOME assisted projects with five (5) or more units.

Description

In furtherance of the State of Utah commitment to nondiscrimination and equal opportunity in housing, HOME project owners and contractors administering HOME programs for the state of Utah are required to establish procedures for affirmatively marketing their housing units and for affirmatively marketing loan or housing opportunities under any of the State Housing sponsored programs. The procedures are intended to further the objectives of Title VIII of the Civil Rights Act of 1968. HOME project owners and contractors administering HOME programs will be required to sign an agreement to affirmatively market newly constructed or rehabilitated units beginning on the date on which all the units in the project are completed or in the case of contracted programs, at a time determined to be appropriate by the state. A plan for the affirmative marketing of units must be included with the project application or submittal of qualifications.

Affirmative Marketing Plans should include at least the following elements:

1. A process for informing the public and potential tenants/owners about federal Fair Housing laws and affirmative marketing policies by:
   a. Visiting tenants/owners in buildings selected for rehabilitation and posting signs regarding the Program in each building project. The HUD Equal Housing Opportunity logo must appear on all postings;
   b. Using the Equal Housing Opportunity logo or slogan in press releases and other written communications used in the marketing of all units.

2. A procedure to inform the public about vacant units or upcoming housing opportunities using such resources as:
   a. Advertising in the local news media;
   b. Placing flyers in the local unemployment center, offices of the local housing authority, offices of any other local housing counseling agencies persons.
   c. Notifying applicants on the local housing authority's waiting lists about upcoming vacancies.

3. Special outreach may be accomplished through:
   a. Announcements in general circulation newspapers and/or ethnic, neighborhood, community, or school newspapers;
   b. Announcements in church or school bulletins, posters, or oral presentations to community organizations;
   c. Posters publicizing the housing placed in grocery stores, job center sites, community centers, schools, etc;
   d. Supportive outreach assistance provided by organizations such as social service agencies, housing counseling agencies, or religious organizations; and/or
   e. Use of community organizations run by minorities or those who primarily serve minorities, minority churches, etc.

EXHIBIT W (continued)

4. Project sponsors must keep records for the duration of the HOME period of affordability concerning:
    a. The racial, ethnic, and gender characteristics of:
        (1) Tenants/owners occupying units before rehabilitation;
        (2) All tenants/owners occupying units following completion.
    b. Activities they undertake to inform the general renter public, specifically:
        (1) Copies of advertisements placed in the news media;
        (2) Dates on which the owner contacted other agencies;
        (3) Dates on which the owner contacted the local housing authority;
    c. Activities recipients undertake for special outreach; and
    d. All applicants for tenancy.

Monitoring
HCDD will conduct periodic onsite monitoring of each project as described in the regulatory agreement at which time local affirmative marketing results will be analyzed. Effectiveness of affirmative marketing efforts will be assessed by DCED as follows:

- Determine if good faith efforts have been made; and
- Determine the results of the efforts.

HCDD will require corrective actions if it is found that sponsors fail to carry out the required procedures. Corrective actions may include, but are not limited to, withholding unallocated funds, requiring the return of unexpended funds, requiring the repayment of expended funds or requiring the repayment program income. If, after discussing ways to improve procedures the project owners or program contractors continue to fail to meet the affirmative marketing requirements, HCDD will also consider disqualifying them from future participation in the HOME Program.

The HUD Affirmative Fair Housing Marketing Plan (AFHMP) form (HUD-935.2A) is available at the following website:

http://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT X

Scope of Work – XXX Apartments, LLC./XXX Apartments – City, UT

XXX Apartments was approved for funding at the Olene Walker Housing Loan Fund board meeting held on Thursday, April 21, 2016. The project consists of the new construction OR acquisition and rehabilitation of 00 units of multifamily housing with 00 studio, 00 one-bedroom, and 00 two-bedroom units. Project is located at 1234 South Main Street, Salt Lake City, Salt Lake County, Utah 84111.

Project will be funded with Federal HOME/state LIH funds in the amount of $000,000.00 $000,000.00 of funds will be disbursed from FUND5435-10OMF.

Project will have a total of 0 HOME-assisted units on a floating basis, which will consist of xxx studio, xx one-bedroom, and xx two-bedroom units. In addition, project will have x units set aside for Special Needs Category (ABCDE).

Project will also have x units designed to be Type A fully accessible for physically handicapped in accordance with Federal Fair Housing/HOME regulations.

Terms of the loan are: $000,000 for 30 years at 0.0% interest as a fully-amortizing loan.

PROJECT QUALITY AND DESIGN COMMITMENT – Project Type:
Appliances –
Exterior Finish –
Fencing –
Windows –
Plumbing –
Roofing –
HVAC –
Security –
Energy Efficiency –
Cabinetry –
Insulation –
Landscaping –
Design –
Parking –
Site Layout –
Unit Density –

5% of the loan amount or $5,000, whichever is larger, will be held until the complete project closeout package has been received by HCDD staff.

STATE OF UTAH – OLENE WALKER HOUSING LOAN FUND

EXHIBIT Y

RELOCATION – UNIFORM RELOCATION ACT and SECTION 104(d) REVIEW

This checklist should be completed for all projects involving acquisition, demolition, or rehabilitation in any phase to ensure compliance with Federal relocation requirements.

I. Uniform Relocation Act of 1970

A. Site Acquisition Section

1. Did the applicant own the site prior to the initiation of the current project? If "yes", indicate when the property was acquired and skip to question 4.
   Yes ___ No ___
   When was property acquired? ___________________________________

   ____
2. Does the purchase meet one of the voluntary acquisition exceptions of 49 CFR 24.101(b)(1)-(5)? If "yes", list which exception is being met; if "no", complete a basic acquisition policies review (49 CFR 24.102-24.108) and skip to question 4.
   Yes ___ No ___ N/A ___
3. In obtaining site control, did applicant/buyer provide seller with voluntary, arm's length transaction information?
   Yes ___ No ___ N/A ___
4. Does the project site represent undeveloped land or has the property been unoccupied for at least 90 days prior to the purchase offer, with no person having been made to move for the project? If "yes", skip the Tenant Information/Relocation Section.
   Yes ___ No ___

B. Tenant Information/Relocation Section

5. Has the applicant identified all persons who moved from the site within the past three months and explained the reason for such moves?
   Yes ___ No ___ N/A ___
6. Has the applicant identified all persons (families, individuals, businesses and nonprofit organizations) by race/minority group, and status as owners or tenants occupying the property on the date of submission of the application or initial site control?
   Yes ___ No ___ N/A ___
   If "yes", please provide a report detailing the number of households, businesses, and nonprofit organizations to be displaced.
7. Has applicant indicated the estimated cost of relocation payments and other services and the basis for the estimate?
   Yes ___ No ___ N/A ___

EXHIBIT Y (Continued)

8. Are the estimated costs for relocation reasonable (national average is approximately $10,000 per household)?
   Yes ___ No ___ N/A ___
9. Has the applicant indicated the source of funds to be used to pay relocation costs?
   Yes ___ No ___ N/A ___
   Source of funds: ____
10. If relocation costs will be funded from sources other than HOME or CDBG, has the applicant provided evidence of a firm commitment of the funds?
    Yes ___ No ___ N/A ___
    If "yes", please provide evidence of a firm commitment of funds with this checklist.
11. Has the applicant identified the staff organization that will carry out the relocation activities?
    Yes ___ No ___ N/A ___
    Organization/Individual and Contact Information:
    ____
12. Were all persons occupying the site issued a General Information Notice at the time of application submission?
    Yes ___ No ___ N/A ___
    If "yes", please provide a copy of the GIN with this completed checklist.
13. Is the applicant prepared to issue each tenant at contract award either a Notice of Eligibility for relocation assistance, including information on comparable replacement housing, or a Notice of Non-Displacement?
    Yes ___ No ___ N/A ___
    If "yes", please provide a sample notice with this completed checklist.
14. Is the applicant/property owner prepared to issue move-in notices to all new tenants?
    Yes ___ No ___ N/A ___

II. Section 104(d) of the Housing and Community Development Act of 1974

1. Will the project in any phase demolish housing units that rent, or would rent, at or below HUD Fair Market Rent, or convert such units to a use other than low-income housing?
   Yes ___ No ___
   If "no", project is not subject to 104(d) and no further action required – mark "N/A" on remaining questions.

EXHIBIT Y (Continued)

2. Do any of the housing units meet the definition of vacant occupiable dwellings in accordance with 24 CFR 42.305? If "no", explain basis for conclusion and skip to question 4.

   Vacant occupiable dwelling unit means a vacant dwelling unit that is in a standard condition; a vacant dwelling unit that is in a substandard condition, but is suitable for rehabilitation; or a dwelling unit in any condition that has been occupied (except by a squatter) at any time within the period beginning 3 months before the date of execution of the agreement by the recipient covering the rehabilitation or demolition.

   Yes ___ No ___ N/A ___

   If "no", please provide an explanation and skip to question 4

3. Has the information required by 24 CFR 42.375(c) been made public, with a copy submitted to HCD prior to contract execution:

   Before the recipient enters into a contract committing it to provide funds under programs covered by this subpart for any activity that will directly result in the demolition of lower-income dwelling units or the conversion of lower-income dwelling units to another use, the recipient must make public, and submit in writing to the HUD field office (or State, in the case of a unit of general local government funded by the State), the following information:
   (1) *A description of the proposed assisted activity;*
   (2) *The location on a map and number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than for lower-income dwelling units as a direct result of the assisted activity;*
   (3) *A time schedule for the commencement and completion of the demolition or conversion;*
   (4) *The location on a map and the number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data are not available at the time of the general submission, the submission shall identify the general location on an area map and the approximate number of dwelling units by size, and information identifying the specific location and number of dwelling units by size shall be submitted and disclosed to the public as soon as it is available;*
   (5) *The source of funding and a time schedule for the provision of replacement dwelling units;*
   (6) *The basis for concluding that each replacement dwelling unit will remain a lower-income dwelling unit for at least 10 years from the date of initial occupancy; and*
   (7) *Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1-bedroom units) is consistent with the needs assessment contained in its HUD-approved consolidated plan. A unit of general local government funded by the State that is not required to submit a consolidated plan to HUD must make public information demonstrating that the proposed replacement is consistent with the housing needs of lower-income households in the jurisdiction.*

   Yes ___ No ___ N/A ___

   If "yes", please provide a copy with the completed checklist.

4. Is any tenant low- to moderate-income?

   Yes ___ No ___ N/A ___

5. Is the applicant prepared to offer all low-income tenants to be displaced the choice of relocation assistance at 104(d) levels or URA levels (see 24 CFR 42.350 and Chapter 7 of HUD Handbook 1378)?

   A displaced person may choose to receive either assistance under the URA and implementing regulations at 49 CFR part 24 or assistance under section 104(d) of the HCD Act of 1974, including:(a) Advisory services. Advisory services at the levels described in 49

EXHIBIT Y (Continued)

CFR part 24. A displaced person must be advised of his or her rights under the Fair Housing Act (42 U.S.C. 3601-19). If the comparable replacement dwelling to be provided to a minority person is located in an area of minority concentration, as defined in the recipient's consolidated plan, if applicable, the minority person must also be given, if possible, referrals to comparable and suitable decent, safe, and sanitary replacement dwellings not located in such areas.(b) Moving expenses. Payment for moving expenses at the levels described in 49 CFR part 24.(c) Security deposits and credit checks. The reasonable and necessary cost of any security deposit required to rent the replacement dwelling unit, and for credit checks required to rent or purchase the replacement dwelling unit.(d) Interim living costs. The recipient shall reimburse a person for actual reasonable out-of-pocket costs incurred in connection with a displacement, including moving expenses and increased housing costs, if:(1) The person must relocate temporarily because continued occupancy of the dwelling unit constitutes a substantial danger to the health or safety of the person or the public; or(2) The person is displaced from a "lower-income dwelling unit," none of the comparable replacement dwelling units to which the person has been referred qualifies as a lower-income dwelling unit, and a suitable lower-income dwelling unit is scheduled to become available in accordance with § 42.375.(e) Replacement housing assistance. Persons are eligible to receive one of the following two forms of replacement housing assistance:(1) Each person must be offered rental assistance equal to 60 times the amount necessary to reduce the monthly rent and estimated average monthly cost of utilities for a replacement dwelling (comparable replacement dwelling or decent, safe, and sanitary replacement dwelling to which the person relocates, whichever costs less) to the "Total Tenant Payment," as determined under part 813 of this title. All or a portion of this assistance may be offered through a certificate or voucher for rental assistance (if available) provided under Section 8. If a Section 8 certificate or voucher is provided to a person, the recipient must provide referrals to comparable replacement dwelling units where the owner is willing to participate in the Section 8 Tenant-Based Assistance Existing Housing Program (see part 982 of this title). When provided, cash assistance will generally be in installments, in accordance with 42 U.S.C. 3537c; or(2) If the person purchases an interest in a housing cooperative or mutual housing association and occupies a decent, safe, and sanitary dwelling in the cooperative or association, the person may elect to receive a payment equal to the capitalized value of 60 times the amount that is obtained by subtracting the "Total Tenant Payment," as determined under part 813 of this title, from the monthly rent and estimated average monthly cost of utilities at a comparable replacement dwelling unit. To compute the capitalized value, the installments shall be discounted at the rate of interest paid on passbook savings deposits by a federally insured financial institution conducting business within the recipient's jurisdiction. To the extent necessary to minimize hardship to the household, the recipient shall, subject to appropriate safeguards, issue a payment in advance of the purchase of the interest in the housing cooperative or mutual housing association.

Yes ___ No ___ N/A ___

I certify that I have read and am aware of the foregoing HUD relocation agreement requirements as applicable to my project.

____________________________________ __________________________________

Authorized Agency Representative Date

EXHIBIT Z

NATIONAL HOUSING TRUST FUND REHABILITATION STANDARDS

I. OVERVIEW OF UTAH NHTF REHABILITATION STANDARDS

This document is intended to outline the requirements for building rehabilitation for all National Housing Trust Fund ("HTF") funded multifamily housing projects. Housing rehabilitated with HTF financing programs must meet all applicable State and local codes, ordinances, and requirements or, in the absence of a State or local building code, the International Existing Building Code of the International Code Council.

These standards assume that a knowledgeable inspector will thoroughly inspect each dwelling to verify the presence and condition of all components, systems, and equipment of the dwelling. All components, systems, and equipment of a dwelling referenced in this document shall be in good working order and condition and be capable of being used for the purpose for which they were intended and/or designed. Components, systems and/or equipment that are not in good working order and condition shall be repaired or replaced. When it is necessary to replace items (systems, components, or equipment), the replacement items must conform to these standards. These standards also assume that the inspector will take into account any extraordinary circumstances of the occupants of the dwelling (e.g., physical disabilities) and reflect a means to address such circumstances in their inspection and in the preparation of a work write-up/project specifications for that dwelling.

All interior ceilings, walls, and floors must not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling, missing components or other serious damage. The roof must be structurally sound and weather-resistant. All exterior walls (including foundation walls) must not have any serious defects such as leaning, buckling, sagging, large holes, or defects that may result in the structure not being weather-resistant or that may result in air infiltration or vermin infestation. The condition of all interior and exterior stairs, halls, porches, walkways, etc. must not present a danger of tripping or falling.

If an inspector determines that the specific individual standards of this document cannot be achieved on any single dwelling due to it being structurally impossible and/or cost prohibitive, the inspector shall document the specific item(s) as non-conforming with these standards. The inspector shall prepare, for HTF's consideration, a list of any and all non-conforming items along with his/her recommendation to waive, or not to waive, the individual non-conforming items. Any waiver of non-conforming items is at the sole discretion of the HTF staff. Items necessary to meet HUD Uniform Physical Conditions Standards may not be waived.

II. QUALITY OF WORK

A. **Quality of Work:** Developers shall ensure that all rehabilitation work is completed in a thorough and workmanlike manner in accordance with industry practice and contractually agreed upon plans and specifications as well as subsequent mutually agreed upon change orders during the construction process. Developers will employ best practice industry standards relating to quality assurance to verify all work completed.

B. **Project Design Professionals:** Project developer will formally contract with a licensed architectural and engineering design professionals, licensed to practice in the State of Utah, to provide appropriate professional services to each project. It is the responsibility of each licensed professional to assure that the scope of work is done in accordance with the generally accepted practice in their discipline, as well as designing the project to be in full compliance with all Federal, State and local codes. In addition, the architect and/or engineer will provide plans and contract specifications which stipulate quality standards, material choices and installation methods and standards.

III. MINIMUM STANDARDS FOR BASIC EQUIPMENT AND FACILITIES

A. Kitchens – Every dwelling shall have a kitchen room or kitchenette equipped with the following:

1. **Kitchen Sink.** The dwelling shall have a kitchen sink, connected to both hot and cold potable water supply lines under pressure and to the sanitary sewer waste line. When replacing such components, water supply shut off valves shall be installed.

2. **Oven and Stove or Range.** The dwelling shall contain an oven and a stove or range (or microwave oven) connected to the source of fuel or power, in good working order and capable of supplying the service for which it is intended.

3. **Refrigerator.** The dwelling shall contain a refrigerator connected to the power supply, in good working order and capable of supplying the service for which it is intended.

4. **Counter Space Area.** Every kitchen or kitchenette shall have an adequate storage area. Every kitchen or kitchenette shall have adequate counter space.

B. Toilet Room: Every dwelling shall contain a room which is equipped with a flush toilet and a lavatory. The flush water closet shall be connected to the cold potable water supply, under pressure, and to the sanitary sewer system. The lavatory shall be connected to both a hot and cold potable water supply, under pressure, and connected to the sanitary sewer system. When replacing such components, water supply shut-off valves shall be installed.

C. Bath Required: Every dwelling shall contain a bathtub and/or shower.

1. The bathtub and/or shower unit(s) need not be located in the same room as the flush water closet and lavatory. The bathtub and/or shower unit may be located in a separate room.
2. The bathtub and/or shower unit shall be connected to both hot and cold potable water supply lines, under pressure, and shall be connected to the sanitary sewer system. Where feasible, shut off valves shall be installed on the water supply lines. All faucets, when replaced, shall be water balancing scald guard type faucets.

D. Privacy in Room(s) Containing Toilet and/or Bath: Every toilet room and/or every bathroom (the room or rooms containing the bathtub and/or shower unit) shall be contained in a room or rooms that afford privacy to a person within said room or rooms. Every toilet room and/or bathroom shall have doors equipped with a privacy lock or latch in good working order.

E. Hot Water Supply: Every dwelling shall have supplied water-heating equipment (water heater and hot water supply lines) that is free of leaks, connected to the source of fuel or power, and is capable of heating water to be drawn for general usage.

1. No atmospheric water heaters shall be allowed in a confined space. No water heaters shall be allowed in the toilet rooms, bathrooms, bedrooms, or sleeping rooms. No gas water heaters shall be allowed in a clothes closet.

2. All gas water heaters shall be vented in a safe manner to a chimney or flue leading to the exterior of the dwelling. Unlined brick chimneys must have a metal liner installed to meet manufacturer's venting requirements. If metal chimney venting cannot be added, a power vented water heater may be installed. Install according to manufacturer's specifications.

3. All water heaters shall be equipped with a pressure/temperature relief valve possessing a full-sized (non-reduced) approved discharge pipe to within six (6) inches of the floor. The discharge pipe shall not be threaded at the discharge end.

4. All water heaters must be installed to manufacturer's installation specifications.

5. Replacement water heaters shall meet Energy Star requirements at the time of installation.

6. Where feasible, tankless water heaters may be installed in accordance with manufacturer's guidelines and sized to provide adequate hot water supply to all fixtures. Gas supply lines and/or electrical capacity must be evaluated before installing tankless water heaters. Before installing, careful consideration should be made regarding supply and water temperature.

F. **Exits:** Every exit from every dwelling shall comply with the following requirements:

1. Every habitable room shall have two (2) independent and unobstructed means of egress. This is normally achieved through an entrance door and an egress window.

2. All above grade egress windows from habitable rooms shall have a net clear opening of 5.7 square feet. The minimum net clear opening width dimension shall not be less than twenty inches (20") wide, and the minimum net clear opening height dimension shall not be less than twenty-four inches (24") wide. Note that the combination of minimum window width and minimum window height opening size does not meet the 5.7 square feet requirements. Therefore, the window size will need to be greater than the minimum opening sizes in either width or height. Where windows are provided as a means of escape or rescue, they shall have a finished sill height of not more than forty-eight inches (48") above the floor in basements. Egress windows with a finished sill height of more than forty-eight inches (48") shall have a permanently installed step platform that is in compliance with stair construction standards. All at-grade egress windows from habitable rooms may be reduced in size to 5.0 square feet of operable window area, but the area must meet the minimum width and height requirements of all egress windows. When windows are being replaced within existing openings, the existing window size shall be determined to be of sufficient size even if current window sizes do not meet current egress standards. However, if the specification writer determines that changing the window size is beneficial, such egress window size modification will be allowed but not required. If new construction windows are being installed, these windows must meet all egress window requirements (for example, if adding on to existing building in a rehabilitation or adaptive reuse).

3. In habitable basements (or habitable rooms within a basement) where one means of egress is a window, the window shall have a net clear opening of 5.0 square feet. The window shall open directly to the street or yard or, where such egress window has a finished sill height that is below the adjacent ground elevation, shall have an egress window/area well. The egress window/area well shall provide a minimum accessible net clear opening of nine square feet that includes a minimum horizontal dimension of thirty-six inches (36") from the window. Egress window/area wells with a depth of more than forty-four (44") shall be equipped with an affixed ladder, stairs or platform according to local code that are accessible with the window in the fully opened position. Such ladder will have an inside width of 12 inches, shall not project less than 3 inches from the wall and shall be spaced no more than 18 inches on center vertically for the full height of the window well. Stacked rock structures will not be acceptable for window well construction.

G. Stairs: If replacing existing stairs, stairs will need to conform as close as possible to new construction standards, but replacement stairs do not need to be in compliance with new codes. All newly constructed stairs (interior and exterior stairways) shall comply with the following requirements and local code requirements:

1. All stairways and steps of four (4) or more risers shall have at least one (1) handrail. All stairways and steps which are five (5) feet or more in width shall have a handrail on each side.

2. All handrails shall be installed not less than thirty-four inches (34") nor more than thirty-eight inches (38"), measured plumb, above the nosing of the stair treads. Handrails adjacent to a wall shall have a space of not less than one and one-half inches (1 1/2") between the wall and the handrail. All handrails shall be turned back into the wall on railing ends. The size of a round railing must be a minimum of 1.25 inches, but not more than 2 inches. Railings must be continuous from the top riser to the bottom riser.

3. Porches, balconies, decks, or raised floor surfaces, including stairway riser and/or landing, located more than thirty (30) inches above the floor or the grade, shall have guardrails installed that are not less than thirty-six inches (36") in height. Open guardrails and stair railings shall have intermediate rails or ornamental pattern such that a sphere four inches (4") in diameter cannot pass through.

4. All stairs and steps shall have a riser height of not more than eight inches (8") and a tread depth of not less than nine inches (9"). All newly constructed stairs, not replacement stairs, shall have a riser height of not more than seven and three quarters (7 3/4"), a tread depth of not less than ten inches (10") and a clear width not less than 36 inches (36"). Risers and treads cannot be different in size by more than 3/8 of an inch from the top to the bottom of the stairs.

H. Smoke Detectors: All smoke detectors shall be dual sensor detectors. They shall be hard-wired with battery back-up and interconnected with all other alarms. Smoke detectors shall be located as follows:

1. On the ceiling or wall outside of each separate sleeping area in the immediate vicinity

of bedrooms.

2. In each room used for sleeping purposes, and;

3. In each story within a dwelling unit, including basements but not including crawl spaces and uninhabitable attics. In dwellings or dwelling units with split levels and without an intervening door between the adjacent levels, a smoke alarm installed on the upper level shall suffice for the adjacent lower level provided that the lower level is less than one full story below the upper level.

4. All smoke detectors shall be installed per manufacturer's installation instructions.

I. **Carbon Monoxide Detectors:** Where a heating system source, other than solid fuel burning appliances (e.g., wood stoves), and/or water heater that burns solid, liquid or gaseous fuels is located horizontally adjacent to any habitable room, a hard-wired with battery back-up carbon monoxide detector is required and is to be installed per the manufacturer's instructions. Any dwelling that has a fuel source heating system (not electric), other solid fuel burning appliances (e.g., wood stoves, pellet, or corn stoves), and/or fuel source water heater (not electric), a hard-wired with battery back-up combination smoke alarm/carbon monoxide detector is required to be installed per the manufacturer's instructions on the main living area floor.

IV. MINIMUM STANDARDS FOR VENTILATION

A. In general, sufficient ventilation shall be present to ensure adequate air circulation in the dwelling.

B. Bathrooms, including toilet rooms, shall be provided with an exhaust fan. If it is being installed or replaced, it shall be sized accordingly to the room size, switched with the primary bath light and be Energy Star qualified. Fans shall have insulated ducting vented to the exterior. A fan needs to be installed if there is no window or a non-operable window is present.

V. MINIMUM STANDARDS FOR ELECTRICAL SERVICE

A. **Minimum Electrical Service:** Every dwelling unit, at a minimum, shall have a 100-ampere breaker controlled electrical panel. All electrical work shall be in compliance with adopted State electrical code requirements. The panel, service mast, etc. shall also be installed to local utility company requirements.

B. **Convenience Outlets:**

1. Every habitable room within the dwelling shall contain at least two (2) separate duplex, wall-type electrical outlets. Placement of such outlets shall be on separate walls. All newly installed receptacles shall be grounded duplex receptacles, tamper resistant, arch fault protected or GFCI protected as required by code.

2. All electrical outlets used in bathrooms and toilet rooms, all outlets within six feet (6') of a water source (excluding designated simplex equipment circuits for clothes washing machines and sump pumps), outlets located on open porches or breezeways, exterior outlets, outlets located in garages and in non-habitable basements, except those electrical outlets that are dedicated appliance outlets. All kitchen receptacles serving the countertop area shall be ground fault circuit interrupter (GFCI) protected. All exterior receptacles shall be covered by a receptacle cover that when a cord is plugged in, the GFCI outlet will stay covered and protected.

3. All accessible knob and tube, unsafe, and/or illegal wiring shall be removed and replaced with type NM cable (Romex) or as required by code.

4. All broken, damaged or nonfunctioning switches or outlets shall be replaced. All fixtures and wiring shall be adequately installed to ensure safety from fire so far as visible components are observed. All missing or broken switch and outlet covers (including junction boxes) shall be replaced. Each receptacle or switch located on an exterior wall shall have a foam seal placed under the cover.

C. Lighting:

1. Every habitable room and every bathroom (including toilet room), laundry room, furnace or utility room, and hallway shall have at least one (1) ceiling or wall-type electric light fixture, controlled by a remote wall switch. Habitable rooms (except kitchens or kitchenettes) may have a wall-type electrical outlet controlled by a remote wall switch in lieu of a ceiling or wall-type light fixture. Energy efficient fixtures that meet energy star ratings and compact florescent bulb equivalent or better shall be installed in all new fixture instillations.

2. All stairwells shall have at least one light fixture controlled by a remote wall switch at the top and bottom of the stairs.

3. Porcelain type fixtures with pull chains are acceptable for use in basements (except for the one controlled by a remote wall switch) cellars, and attics.

4. All pendant type lighting fixtures that are supported only by the electrical supply wire shall be removed or replaced. If replaced, replace with Energy Star rated fixtures equipped with CFL or LED bulbs.

VI. Minimum Standards for Heating Systems

A. Heating System: All heating systems shall be capable of safely and adequately heating for all living space.

B. Cooling System: Non-working or improperly functioning central air conditioning systems shall be repaired or replaced as part of the rehabilitation work. The installation of a central air conditioning system, where it currently does not exist, is permissible where feasible and practical.

C. Requirements for Heating and or Cooling Systems:

1. All existing heating systems, including but not limited to, chimneys and flues, cut-off valves and switches, limit controls, heat exchangers, burners, combustion and ventilation air, relief valves, drip legs and air, hot water, or steam delivery components (ducts, piping, etc.) that are not being replaced, shall be inspected to be in a safe and proper functioning condition at the time of inspection, by means of written project file documentation.

2. Every heating system burning liquid or gaseous fuels shall be vented in a safe manner to a chimney or flue leading to the exterior of the dwelling. The heating system chimney and/or flue shall be of such design to assure proper draft and shall be adequately supported.

3. No heating system source burning liquid or gaseous fuels shall be located in any habitable room or bathroom, including any toilet room.

4. Every fuel burning appliance (liquid or gaseous fuels) shall have adequate combustion air and ventilation air. All new furnaces will have sealed combustion with combustion air brought in from the exterior of the house and installed in accordance with manufacturer's guidelines.

5. Every heat duct, steam pipe and hot water pipe shall be free of leaks and shall function such that an adequate amount of heat is delivered where intended. All accessible duct joints must be sealed with mastic or any other acceptable product. Newly installed ductwork must also be sealed. All accessible steam piping and hot water piping must be installed with an approved material.

6. Every seal between any of the sections of the heating source(s) shall be air-tight so that noxious gases and fumes will not escape into the dwelling.

7. No space heater shall be of a portable type.

8. Minimum requirements for forced air furnaces, when installed, will be no less than a 92% AFUE. A digital programmable thermostat must be installed. Condensate lines will drain to a floor drain or have a condensate pump installed and piped to discharge. All furnace ductwork shall be equipped with an air filter clean out location that has a tight fitting cover installed over it.

9. All boilers, when replaced, will have an "A" rating and be no less than 90% AFUE rating. All combustion air will be from the exterior of the house. The addition of zone valves may be useful to reduce energy cost. Heat lines shall be insulated with approved material. Programmable thermostats will be installed.

10. Heat Pumps, if added or replaced, shall be rated at 8 HSPF or greater with a 13 SEER rating or higher.

11. A/C units, if added or replaced, shall not be less than 13 SEER. All units shall be installed, when possible, on either the north or east side of the dwelling or in an area that will provide shade for the unit. The correct coil will be installed that is compatible with both the furnace and A/C unit. Homeowners who use window air conditioners will be required to purchase Energy Star qualified through wall air conditioners. No window A/C units may be purchased with HTF funds.

D. **Energy Conservation:** All structures shall comply with certain energy conservation measures (U.S. Department of Energy recommendations). These measures include, but are not necessarily limited to, the following:

1. When siding is being replaced and/or interior wall finishes of exterior walls are being replaced on a dwelling, such exterior walls are to be provided with insulation and at the recommended resistance factor (R-value) or R- 13, or that which is allowed by the stud cavity space. In addition, an air infiltration barrier, such as Tyvek or approved equal, shall be installed on all exterior walls. If new walls are being framed and insulated, the minimum R factor is R-20. The installation of fan- fold foam or foam sheathing may be added to increase household R- ratings. All new insulation shall be formaldehyde free.

2. When new windows are to be installed, windows must be current Energy Star rated for northern climates. All rope weight openings will be insulated and all new windows will have the window jamb sealed. Where SHPO requirements will restrict the installation of vinyl windows, the specifications will be written to come as close as possible to achieving Energy Star requirements.

3. All heat ducts and hot water or steam heat distribution piping shall be insulated or otherwise protected from heat loss where such ducts or piping runs are located in unheated spaces. Similarly, distribution piping for general use hot water shall also be protected from heat loss where such piping is located in unheated spaces. All water distribution piping shall be protected from freezing.

4. Attic access passage ways (scuttle holes) shall be no less than 22” by 30” or the size of original construction. If it is impossible to conform to this standard, the largest attic access hole possible will be installed. Attic access covers are required to be insulated.

VII. MINIMUM STANDARDS FOR THE INTERIOR OF STRUCTURES

A. Interior Walls, Floors, Ceilings, Doors, and Windows:

1. All interior walls, floors, ceilings, doors and windows shall be capable of being kept in a clean and sanitary condition by the owner.

2. Every bathroom and/or toilet room, kitchen or kitchenette, and utility room floor surface shall be constructed such that they are impervious to water and can easily be kept in a clean and sanitary condition by the owner.

3. All interior doors shall be capable of affording the privacy for which they are intended.

4. No dwelling containing two or more bedrooms shall have a room arrangement that access to a bathroom, toilet room, or a bedroom can be achieved only by going through another bathroom, toilet room, or another bedroom.

5. All paints, stains, varnishes, lacquers and other finishes used in the rehabilitated dwelling shall be low or no VOC paint finishes and installed as required by the manufacturer.

6. All new wood shelving, cabinets and countertops to be formaldehyde free or sealed board products.

VIII. MINIMUM STANDARDS FOR THE EXTERIOR OF STRUCTURES

A. Foundations, Exterior Walls, Roofs, Soffits and Fascia:

1. Every foundation, exterior wall, roof, soffit and fascia shall be made weather resistant. Products for exterior walls, roofs, soffits, and fascia shall be installed in accordance with the manufacturer's guidelines.

2. Roof replacement shall be installed in accordance with the manufacturer's requirements. A minimum of a 30-year warranty asphalt or composite shingle, 29-gauge metal roof with a 50-year finish/fade warranty or a 60 mil rubberized roof with a 30-year warranty for flat roofs shall be installed.

B. Drainage:

1. All rainwater shall be conveyed and drained away from every roof so as not to cause wetness or dampness in the structure. No roof drainage systems shall be connected to a sanitary sewer, or directly to a storm sewer system.

2. The ground around the dwelling shall be sloped away from foundation walls a minimum of 2% slope for hard surface adjoining the foundation and no less than 5% for landscaped surfaces to divert water away from the structure.

3. If feasible, the collection of roof water is encouraged.

C. Windows, Exterior Doors and Basement Entries (Including Cellar Hatchways):

1. Every window, exterior door, basement entry and cellar hatchway shall be tight fitting within their frames, be rodent-proof, insect-proof and be weatherproof such that water and surface drainage is prevented from entering the dwelling. In addition, the following requirements shall also be met:

a. All exterior doors and windows shall be equipped with security locks. Deadbolts are required and must be equipped with a 1 inch (1”) throw into a reinforced jamb.

b. Every window sash shall be fully equipped with glass windowpanes which are without cracks or holes. Every window sash to be replaced shall use Energy Star rated for northern climate windows unless the existing windows have insulated glass. Stained or leaded glass found to be historically significant may be protected by a fixed Low-E glass storm window. Every window sash shall fit tightly within its frame, and be secured in a manner consistent with the window design. All window jambs will be sealed. All rope weight openings shall be insulated before installing the new window. Energy Star rated for Northern climate.

c. Storm doors, when installed, shall also be equipped with a self- closing device.

d. Every exterior door, when closed, shall fit properly within its frame and shall have door hinges and security locks or latches. All exterior doors will be no less than metal clad insulated (foam filled) or composite doors in a metal clad or composite frame. Unit entry doors without windows shall have 180-degree view peephole installed. All jambs and thresholds will be sealed.

e. Every exterior door shall be not less than two foot-four inches (2'- 4") in width and not less than six foot-six inches (6'6") in height. Existing door sizes will be grandfathered, but an attempt shall be made to have at least one exterior door that is not less than 36 inches wide and no less than 6'-8" high.

IX. MINIMUM SPACE, USE, AND LOCATION REQUIREMENTS

A. No cellar space shall be converted to habitable space.

B. **Habitable Basement Space:** No basement space shall be used as habitable space unless all habitable space requirements are met and all of the following requirements are met:

1. The floor and walls are waterproof or damp proof construction.

2. Such habitable space has a hard surfaced floor of concrete or masonry.

3. Such space shall have a minimum of two exits. In addition to the stairs, this would normally consist of one egress window.

X. MINIMUM STANDARDS FOR PLUMBING SYSTEMS

A. All dwelling plumbing systems shall be capable of safely and adequately providing a water supply and wastewater disposal for all plumbing fixtures. Every dwelling plumbing system shall comply with the following requirements.

1. All existing plumbing systems and plumbing system components shall be free of leaks. When repairing or adding to such systems, any type of pipe allowed by the State plumbing code shall be allowed.

2. All plumbing system piping shall be of adequate size to deliver water to plumbing fixtures and to convey wastewater from plumbing fixtures (including proper slope of wastewater piping) as designed by the fixture manufacturer).

3. All plumbing fixtures shall be in good condition, free of cracks and defects, and capable of being used for the purpose in which they were intended.

4. The plumbing system shall be vented in a manner that allows the wastewater system to function at atmospheric pressure and prevents the siphoning of water from fixtures. Venting by mechanical vents is accepted as an alternative to exterior atmospheric venting.

5. All fixtures that discharge wastewater shall contain, or be discharged through, a trap that prevents the entry of sewer gas into the dwelling.

6. All plumbing system piping and fixtures shall be installed in a manner that prevents the system, or any component of the system, from freezing.

7. All plumbing fixtures and water connections shall be installed in such a way as to prevent the backflow of water from the system into the plumbing system's water source.

8. Valves shall be installed with the valve in the upright position. When replacing valves, the use of a full port ball-valve shall be encouraged.

9. When replacement of fixtures (faucets, toilets, urinals, showerheads) is required they shall meet EPA Water Sense Requirements and be labeled as such.

XI. MINIMUM STANDARDS FOR POTABLE WATER SUPPLY

A. Every dwelling shall be connected to an approved (by the jurisdiction having authority) potable water source.

B. All potable water fixtures and equipment shall be installed in such a manner as to make it impossible for used, unclean, polluted or contaminated water, mixtures or substances to enter any portion of the potable water system piping. All equipment and fixtures shall be installed with air gaps (traps) to prevent back siphonage. All outlets with hose threads (except those serving a clothes washing machine) shall have a vacuum breaker for use with the application. Any plumbing equipment or fixtures that allow, or appear to allow, the previous conditions, or are otherwise deemed to be unhealthy, unsanitary, or unsafe shall be replaced. No water piping supplied by a private water supply system shall be connected to any other source of water supply without the approval of the jurisdiction having authority over the installation.

XII. MINIMUM STANDARDS FOR CONNECTION TO SANITARY SEWER

Every dwelling shall be connected to an approved (by the jurisdiction having authority) sanitary sewer system.

XIII. ASBESTOS

Housing assisted with HTF funds is subject to the regulations at 40 CFR Part 61.

XIV. LEAD-BASED PAINT

Housing assisted with HTF funds is subject to the regulations at 24 CFR Part 35, subparts A, B, J, K, and R which govern lead-based paint poisoning prevention in residential structures. Applicants, developers, and builders of any project requiring the rehabilitation or adaptive reuse of structures built prior to 1978 must read, fully understand, and comply with 24 CFR Part 35, subparts A, B, J, K, and R.

XV. ACCESSIBILITY

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

XVI. DISASTER MITIGATION

Where relevant, housing is to be improved to mitigate the potential impact of potential disasters (e.g., earthquakes, hurricanes, floods, and wildfires) in accordance with state or local codes, ordinances, and requirements, or such other requirements that HUD may establish.

XVII. UNIFORM PHYSICAL CONDITION STANDARDS

Housing assisted with HTF funds and which are placed in service must follow property standards which include all inspectable items and inspectable areas specified by the US Department of Housing and Urban Development (HUD) based on the HUD physical inspection procedures, known as the Uniform Physical Condition Standards (UPCS) prescribed by HUD pursuant to 24 CFR Part 5, subpart G. A detailed UPCS Inspectable Items and Observable Deficiencies Checklist can be found at

http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_26481.pdf.

A. Housing assisted with HTF funds must be decent, safe, sanitary, and in good repair. Owners of HTF-assisted property must maintain such housing in a manner that meets the physical condition standards set forth in this section in order to be considered decent, safe, sanitary, and in good repair. These standards address the major areas of the HTF-assisted housing: the site; the building exterior; the building systems; the common areas; and the dwelling units. Inspectable items are designated with a **level of deficiency** at which they must be addressed. Level 3 deficiencies present a health and safety issue and must be addressed immediately, Level 2 does not impose an immediate risk or threat but if unattended could become a Level 3 and Level 1 is no concern. All Level 3 and Level 2 items must be included in the proposed rehabilitation. Level 1 items can be addressed as part of the proposed rehabilitation or a reserve fund must be established for replacement at a future date. Definitions of these deficiency levels can be found in the HUD Dictionary of Deficiency Definitions CDC Version 2.3 at http://www.hud.gov/offices/reac/pdf/pass_dict2.3.pdf.

1. Site: Inspectable Items

- Fencing and Gates
- Damaged/Failing/Leaning, Holes, Missing Sections – **Level 3**
- Grounds
- Erosion/Rutting Areas, Overgrown/Penetrating Vegetation, Ponding/Site Drainage – **Level 2**
- Health & Safety – **Level 3**
- Air Quality – Sewer Odor, Propane/Natural Gas/Methane Gas Detected
- Electrical Hazards – Exposed Wires/Open Panels, Water Leaks on/near Electrical Equipment
- Flammable Materials – Improperly Stored
- Garbage and Debris - Outdoors
- Hazards – Others/Sharp Edges/Tripping
- Infestation – Insects/Rats/Mice/Vermin
- Mailboxes/Project Signs
- Mailbox Missing/Damaged – **Level 3**
- Sign Damaged – **Level 1**
- Market Appeal
- Graffiti, Litter – **Level 2**
- Parking Lots/Driveways/Roads

- Cracks, Ponding, Potholes/Loose Materials, Settlement/Heaving – **Level 3**
- Play Areas and Equipment
- Damaged/broken Equipment, Deteriorated Play Area Surface – **Level 2**
- Refuse Disposal
- Broken/Damaged Enclosure-Inadequate Outside Storage Space – **Level 2**
- Retaining Walls
- Damaged/Falling/Leaning – **Level 3**
- Storm Drainage
- Damaged/Obstructed – **Level 2**
- Walkways
- Broken/Missing Hand Railing – **Level 3**
- Cracks/Settlement/Heaving, Spalling – **Level 2**

2. **Building Exterior: Inspectable Items**
    - Doors
    - Damaged Frames/Threshold/Lintels/Trim, Hardware/Locks, Surface – **Level 3**
    - Damaged/Missing/Deteriorated Screen/Storm/Security Door, Seals – **Level 3**
    - Missing Door – **Level 3**
    - Fire Escapes
    - Blocked Egress/Ladders, Visibly Missing Components – **Level 3**
    - Foundations
    - Cracks/Gaps, Spalling/Exposed Rebar – **Level 3**
    - Health and Safety – **Level 3**
    - Air Quality – Sewer Odor, Propane/Natural Gas/Methane Gas Detected
    - Electrical Hazards – Exposed Wires/Open Panels, Water Leaks on/near Electrical Equipment
    - Flammable Materials – Improperly Stored
    - Garbage and Debris - Outdoors
    - Hazards – Others/Sharp Edges/Tripping
    - Infestation – Insects/Rats/Mice/Vermin
    - Lighting
    - Broken Fixtures/Bulbs – **Level 2**
    - Roofs
    - Damaged Soffits or Fascia, Vents, Damaged or Clogged Drains, Damaged or Torn Membrane, Missing Ballast, Missing or Damaged Components from Downspouts or Gutters – **Level 3**
    - Missing/Damaged Shingles – **Level 2**
    - Ponding – **Level 3**
    - Walls
    - Cracks/Gaps, Damaged Chimneys, Missing/Damaged Caulking/Mortar, Missing Pieces/Holes/Spalling, Stained/Peeling/Needs Paint – **Level 2**
    - Windows
    - Broken/Missing/Cracked Panes – **Level 3**
    - Damaged Window Sills/Frames/Lintels/Trim – **Level 2**
    - Damaged/Missing Screens – **Level 1**
    - Missing/Deteriorated Caulking/Seals/Glazing Compound – **Level 2**
    - Peeling/Needs Paint – **Level 1**

- Security Bars Prevent Egress – **Level 3**

3. **Building Systems – Inspectable Items**
   - Domestic Water
   - Leaking Central Water Supply, Misaligned Chimney/Ventilation System, Missing Pressure Relief Valve, Rust/Corrosion on Heater Chimney, Water Supply Inoperable – **Level 3**
   - Electrical System
   - Blocked access/Improper Storage, Burnt Breakers, Evidence of Leaks/Corrosion, Frayed Wiring, Missing Breakers or Fuses, Missing Covers - **Level 3**
   - Elevators
   - Not operable – **Level 3**
   - Emergency Power
   - Auxiliary Lighting Inoperable, Run-Up Records/Documentation Not Available – **Level 3**
   - Fire Protection
   - Missing Sprinkler Head – **Level 3**
   - Missing/Damaged/Expired Extinguishers – **Level 2**
   - Health & Safety – **Level 3**
   - Air Quality – Sewer Odor, Propane/Natural Gas/Methane Gas Detected
   - Electrical Hazards – Exposed Wires/Open Panels, Water Leaks on/near Electrical Equipment
   - Flammable Materials – Improperly Stored
   - Garbage and Debris - Outdoors
   - Hazards – Others/Sharp Edges/Tripping
   - Infestation – Insects/Rats/Mice/Vermin
   - HVAC
   - Boiler/Pump Leaks, Fuel Supply Leaks, General Rust/Corrosion, Misaligned Chimney/Ventilation System – **Level 3**
   - Roof Exhaust System
   - Roof Exhaust Fan(s) Inoperable – **Level 1**
   - Sanitary System
   - Broken/Leaking/Clogged Pipes or Drains, Missing Drain/Cleanout/Manhole Covers – **Level 3**

4. **Common Areas – Inspectable Items**
   - Basement/Garage/Carport, Closet/Utility/Mechanical, Community Room, Day Care, Halls/Corridors/Stairs, Kitchen, Laundry Room, Lobby, Office, Other Community Spaces, Patio/Porch/Balcony, Restrooms/Pool Structures, Storage
   - Baluster/Side Railings – Damaged – **Level 3**
   - Cabinets – Missing/Damaged – **Level 2**
   - Call for Aid – Inoperable – **Level 3**
   - Ceiling – Bulging/Buckling, Holes/Missing Tiles/Panels/Cracks – **Level 3**
   - Ceiling – Peeling/Needs Paint, Water Stains/Water Damage/Mold/Mildew – **Level 2**

- Countertops – Missing/Damaged – **Level 2**
- Dishwasher/Garbage Disposal – Inoperable – **Level 2**
- Doors – Damaged Frames/Threshold/Lintels/Trim, Hardware/Locks, Surface – **Level 3**
- Doors – Damaged/Missing/Deteriorated Screen/Storm/Security Door, Seals – **Level 3**
- Doors – Missing Door – **Level 3**
- Dryer Vent – Missing/Damaged/Inoperable – **Level 3**
- Electrical – Blocked Access to Electrical Panel, Burnt Breakers, Evidence of Leaks/Corrosion, Frayed Wiring, Missing Breakers, Missing Covers – **Level 3**
- Floors – Bulging/Buckling, Floor Covering Damaged, Missing Floor/Tiles, Rot/Deteriorated Subfloor – **Level 3**
- Floors – Peeling or Needs Paint, Water Stains/Water Damage/Mold/Mildew – **Level 2**
- GFI – Inoperable – **Level 3**
- Graffiti – **Level 2**
- HVAC – Convection/Radiant Heat System Covers Missing/Damaged, General Rust/Corrosion, Inoperable, Misaligned Chimney/Ventilation System – **Level 3**
- HVAC - Noisy/Vibrating/Leaking – **Level 1**
- Lavatory Sink – Damaged/Missing – **Level 3**
- Lighting – Missing/Damaged/Inoperable Fixture – **Level 2**
- Mailbox – Missing/Damaged – **Level 3**
- Outlets/Switches/Cover Plates – Missing/Broken – **Level 3**
- Pedestrian/Wheelchair Ramp – **Level 3**
- Plumbing – Clogged Drains, Leaking Faucet/Pipes – **Level 3**
- Range Hood/Exhaust Fans – Excessive Grease/Inoperable – **Level 3**
- Range/Stove – Missing/Damaged/Inoperable – **Level 3**
- Refrigerator – Damaged/Inoperable – **Level 3**
- Restroom Cabinet – Damaged/Missing - **Level 1**
- Shower/Tub – Damaged/Missing – **Level 3**
- Sink – Missing/Damaged – **Level 3**
- Smoke Detector – Missing/Inoperable – **Level 3**
- Stairs – Broken/Damaged/Missing Steps, Broken/Missing Hand Railing – **Level 3**
- Ventilation/Exhaust System – Inoperable – **Level 2**
- Walls – Bulging/Buckling, Damaged/Deteriorated Trim – **Level 3**
- Walls – Damaged, Peeling/Needs Paint, Water Stains/Water Damage/Mold/Mildew – **Level 2**
- Water Closet/Toilet – Damaged/Clogged/Missing – **Level 2**
- Windows – Cracked/Broken/Missing Panes, Inoperable/Not Lockable, Security Bars Prevent Egress – **Level 3**
- Windows - Damaged Window Sill, Missing/Deteriorated Caulking/Seals/Glazing Compound – **Level 2**
- Windows - Peeling/Needs Paint – **Level 1**
- Health & Safety – **Level 3**

- Air Quality – Sewer Odor, Propane/Natural Gas/Methane Gas Detected
- Electrical Hazards – Exposed Wires/Open Panels, Water Leaks on/near Electrical Equipment
- Flammable Materials – Improperly Stored
- Garbage and Debris - Outdoors
- Hazards – Others/Sharp Edges/Tripping
- Infestation – Insects/Rats/Mice/Vermin
- Pools and Related Structure
- Fencing – Damaged/Not Intact – **Level 3**
- Pool – Not Operable – **Level 3**
- Trash Collection
- Chutes – Damaged/Missing Components – **Level 2**

5. **Dwelling Units – Inspectable Items**
   - Bathroom
   - Damaged/ Missing – Bathroom Cabinets – **Level 1**
   - Damaged/Missing – Lavatory Sink, Shower/Tub – **Level 3**
   - Plumbing – Clogged Drains, Leaking Faucet/Pipes – **Level 3**
   - Ventilation/Exhaust System – Inoperable - **Level 2**
   - Water Closet/Toilet – Damaged/Clogged/Missing – **Level 2**
   - Call-for-Aid Inoperable – **Level 3**
   - Ceiling Bulging/Buckling – **Level 3**
   - Holes/Missing Tiles/Panels/Cracks, Peeling/Needs Paint, Water/Water Damage/ Mold/Mildew – **Level 2**
   - Damaged Door Frames/Threshold/Lintels/Trim, Hardware/Locks, Surface – **Level 3**
   - Damaged/Missing/Deteriorated Screen/Storm/Security Door, Seals – **Level 3**
   - Missing Door – **Level 3**
   - Electrical System - Blocked Access to Electrical Panel, Burnt Breakers, Evidence of Leaks/Corrosion, Frayed Wiring, Missing Breakers, Missing Covers - **Level 3**
   - Bulging/Buckling Floor Covering, Missing Floor/Tiles, Rot/Deteriorated Subfloor – **Level 3**
   - Paint Peeling/Needs Paint, Water Stains/Water Damage/Mold/Mildew - **Level 3**
   - Health & Safety – **Level 3**
   - Air Quality – Sewer Odor, Propane/Natural Gas/Methane Gas Detected
   - Electrical Hazards – Exposed Wires/Open Panels, Water Leaks on/near Electrical Equipment
   - Flammable Materials – Improperly Stored
   - Garbage and Debris - Outdoors
   - Hazards – Others/Sharp Edges/Tripping
   - Infestation – Insects/Rats/Mice/Vermin
   - Hot Water Heater
   - Misaligned Chimney/Ventilation System, Inoperable Unit/Components, Leaking Valves/Tanks/Pipes, Pressure Relief Valve Missing, Rust/Corrosion – **Level 3**
   - HVAC Convection/Radiant Heat System Covers Missing/Damaged, Inoperable,

Misaligned Chimney/Ventilation System – **Level 3**

- HVAC - Noisy/Vibrating/Leaking, Rust/Corrosion – **Level 1**Kitchen – Missing/Damaged – Cabinets, Countertops – **Level 2**
- Kitchen – Missing/Damaged/Inoperable – Sink, Range/Stove, Refrigerator – **Level 3**
- Dishwasher/Garbage Disposal – Inoperable – **Level 2**
- Plumbing – Clogged Drains, Leaking Faucets/Pipes – **Level 3**
- Range Hood/Exhaust Fans – Excessive Grease/Inoperable – **Level 3**
- Laundry Area
- Dryer Vent – Missing/Damaged/Inoperable – **Level 3**
- Lighting
- Missing/Inoperable Fixture – **Level 2**
- Outlets/Switches
- Missing, Missing/Broken Cover Plates – **Level 3**
- Patio/Porch/Balcony
- Baluster/Side Railing Damaged – **Level 3**
- Smoke Detector Missing/Inoperable – **Level 3**
- Stairs – Broken/Damaged/Missing Steps, Hand Railing – **Level 3**
- Walls – Bulging/Buckling, Damaged/Deteriorated Trim – **Level 3**
- Walls – Damaged, Peeling/Needs Paint, Water Stains/Water Damage/Mold/ Mildew – **Level 2**
- Windows – Cracked/Broken/Missing Panes, Inoperable/Not Lockable, Security Bars Prevent Egress – **Level 3**
- Damaged Window Sill, Missing/Deteriorated Caulking/Seals/Glazing Compound – **Level 2**
- Peeling/Needs Paint – **Level 1**

6. Compliance with state and local codes: These physical condition standards do not supersede or preempt State and local codes for building and maintenance with which HTF-assisted housing must comply. HTF-assisted housing must continue to adhere to those codes.

B. HTF is responsible for conducting physical inspections of HTF-assisted housing to determine compliance with these standards, and will conduct such inspections every one to three years at its sole discretion.

XVIII. CAPITAL NEEDS ASSESSMENT

A. Housing assisted with HTF funds and which involve rehabilitation or adaptive reuse must commission a Capital Needs Assessment (CNA).

B. The CNA must be completed by a competent, independent third party acceptable to HTF, such as a licensed architect or engineer, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs and improvements, pending repairs, and existing or chronic physical deficiencies.

C. The assessment will include a site visit and a physical inspection of the interior and exterior of all units and structures. The assessment will consider the presence of environmental hazards such as asbestos, lead paint and mold on the site.

D. The assessment will include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. If the remaining useful life of any component is less than 30 years of the expected useful life, immediate rehabilitation will be required unless capitalized. If there remaining useful life of a component is less than the term of the HTF financing program, the application package must provide for a practical way to finance the future replacement of the component.