(Red font indicates changes)

RENTAL HOUSING ACTIVITIES

HOME and HTF funds can be used for a variety of activities that produce and/or sustain affordable housing for Idaho's low-income residents.

- Acquisition of existing Standard Condition units
- Acquisition and rehabilitation of Substandard Condition units
- Rehabilitation of existing units
- Reconstruction
- Conversion of building(s) for use as rental housing (current use of property is other than housing; i.e. a warehouse)
- New construction
- Acquisition of land (purchase of raw land with no structures) for an affordable housing project that will begin construction within 12 months
- Onsite Infrastructure improvements, i.e. sewer, water, etc.

NSP Rental Housing Activities

- Acquisition and Rehabilitation of foreclosed Properties
- Redevelopment; Demolished or Vacant Properties.
- Purchase and rehabilitate abandoned or foreclosed properties
- Demolish blighted structures, (Blighted Properties are defined as objectively determinable deterioration that is a threat to human health, public safety, and public welfare as defined by the local unit of government).

Maximum Per-Unit Subsidy Limits

Applicability
HOME/HTF/NSP

Use the current maximum per unit subsidy limit in effect at the time funds are committed to the activity

Starting in 2013, Section 221(d)(3) subsidy limits are no longer calculated and published by HUD due to the elimination of the 221(d)(3) Mortgage Program. The HOME regulation at 24 CFR 92.250(a) limits the amount of HOME/HTF funds a PJ may invest in an assisted unit. The maximum per-unit subsidy limit is set at the basic Section 221(d)(3)(ii) mortgage limit for elevator-type projects, by bedroom size(with adjustments up to 240% for "high cost" geographic areas).

For additional information: https://www.hudexchange.info/resource/2315/home-per-unit-subsidy

The current maximum subsidy limits for Idaho are available at https://www.idahohousing.com/federal-programs/home-program

Number of Assisted Projects and Funding

A project owner/sponsor or developer is not allowed more than three (3) HOME and/or HTF-assisted projects under development at any one time, and/or a combined commitment of HOME and/or HTF funds in excess of $2,000,000. A written waiver or exception request must be submitted at least 10 days prior to the application deadline.

Written waiver/exception requests are considered on a project-by-project basis when the project meets one of the definitions below, or the project will provide exceptional value to the community as defined by IHFA:

- Proposed activity would serve a Special Needs (housing) population as identified in the this Plan (See Definitions section)
- Property is located in a community defined as "Rural" (see Chapter 1)
- Activity is defined a Rental Housing Preservation (see Definitions Section of this chapter)

From time to time, IHFA may need to exchange funds in an approved activity. If this exchange of funds is needed, IHFA would first present the option to the owner/developer for approval. The exchange would take place prior to committing the funds to an activity.

Compliance and Monitoring Fee

Effective August 23, 2013 IHFA will charge the owner of a HOME and/or HTF-assisted rental project a reasonable annual monitoring fee. The fee is based on the average actual cost of performing the monitoring of HOME and HTF-assisted rental projects.

This annual fee will apply to a project that receives a commitment of funds on or after August 23, 2013 and throughout the Period of Affordability.

The annual fee will be determined by averaging IHFA HOME and/or HTF compliance and monitoring costs incurred during the previous fiscal year then divided by the number of rental units that are in IHFA's portfolio currently within the period of affordability. These costs include activities related to monitoring, i.e. desk monitoring, risk assessments, physical inspections, training, etc. Each project's annual monitoring fee will be based on the total number of assisted units in the project.

A project owner may be charged an additional fee if a re-inspection(s) of the project is required.

Eligible Properties

- Rental project of one or more buildings on a single site
- Rental project on multiple/scattered sites that are under common ownership, management, and financing
- Mixed-Income
- Mixed-Use
- Transitional Housing(is not eligible under HTF Program)
- Permanent Housing
- Group Home
- Single Room Occupancy (SRO)

Ineligible Properties

- Activities within the Period of Affordability1
- Nursing Homes
- Mental Health Facilities
- Homeless Shelters
- A Property in which refinancing of the current debt is the only proposed activity
- Student housing, including dormitories
- HTF Only- Transitional Housing

[1] During the first year after a project is completed in IDIS, additional HOME/HTF funds may be provided under certain circumstances, as approved by IHFA. After 12 months, no additional funds can be provided during the period of affordability.

Property Standards

Prior to the commitment of funds, the project's architectural plans and specifications must be reviewed and approved by both the IHFA-HOME Programs Department architect consultant and the owner/developer architect. Both parties must agree to Fair Housing Design requirements, as applicable to the activity. If the parties are unable to reach consensus, the more stringent interpretation will apply.

New Construction

- Current Idaho Building/Residential Code
  - Where relevant housing must be constructed to mitigate the impact of potential disasters, in accordance with state and local codes
- Local property/housing quality standards, codes, ordinances, zoning, as applicable
- International Energy Conservation Code published by the International Code Council
- Site and Neighborhood Standards Reference: 24 CFR 983.6(b)- Multifamily rental

  Covered multifamily dwellings, as defined at 24 CFR 100.21, must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act. "Covered" defined as multi-unit residential buildings built for first occupancy after March 13, 1991 with four or more units to meet the accessibility requirements of this law. Subject to specific exceptions, all units in elevator buildings and all one-story ground floor units in non-elevator buildings must meet FHA standards.
- Section 504
- Americans with Disabilities Act (ADA)
- Uniform Federal Accessibility Standards (UFAS) http://www.hud.gov/fha/sfh/mps/4910/4910.html http://www.access-board.gov/ufas/ufas-html/ufas.html
- Current Edition of the American Society of Heating, Refrigerating, and Air-conditioning Engineers(ASHRAE 90.1) for multifamily buildings

- **Broadband Infrastructure**

  Applicable to HOME/HTF multifamily rental projects funded after January 19, 2017 [24 CFR 92.251(a)(2)(vi) & (b)(x)]

  New construction or substantial rehabilitation activities involving a building with more than four (4) rental units shall include the installation of broadband infrastructure as defined at 24 CFR 5.100 (see definition of substantial rehabilitation), **except** when the participating jurisdiction (IHFA) determines, in accordance with 24 CFR 92.508(a)(3)(iv) one or more of the following conditions is present, and IHFA determines the project is exempt from the requirement:

  (A) The location of the new construction makes installation of broadband infrastructure infeasible; or
  (B) The cost of installing the infrastructure would result in a fundamental alteration to the nature of the project or an undue financial burden.

  Cost Eligibility

  - HOME/HTF funds can be used for the actual costs of constructing or rehabilitating (development hard costs) single family or multifamily housing, including the costs to wire the property for broadband internet.

- The costs to make utility connections, including off-site connections from the property line to the adjacent street are also eligible. HUD includes internet connectivity in the regulatory definition of "utility connections".
- If the project is not 100% HOME and/or HTF-assisted, only the proportional share of the cost to provide broadband internet access in the project or the cost to construct a computer room can be charged to the program(s)
- HOME/HTF funds may be used for costs to construct or rehabilitate community facilities that are located within the same building as the housing, and which are for the use of the project resident

Acquisition of newly constructed or newly rehabilitated housing

- Existing housing that has been newly constructed or rehabilitated within one year of the date of the commitment of HOME funds must meet the property standards for new construction or rehabilitation.
- IHFA must be able to document property standard compliance based on a review of approved building plans and a Certificate of Occupancy (new construction), other local certification, and an inspection conducted no earlier than 90 days before the commitment of HOME assistance. If it does not meet the property standard i.e. new construction or rehabilitation, it cannot be acquired unless is brought up to the applicable standard.

Acquisition Of Existing Housing

At application

1) Current Idaho Building/Residential Code for Existing Structures
2) At loan closing, all residential units and tenant common areas must meet the following:
3) local housing quality standards
4) If no state of local standards, then Uniform Physical Condition Standards (UPCS)
5) Meet HUD Lead Safe Housing Rule (25 CFR 35)
6) Must be inspected by IHFA

Must meet these standards at the time of loan closing

If the property was constructed within the previous 12 months (from date of loan closing) the property must meet New Construction Building Code requirements

Acquisition and/or Rehabilitation Of Existing Housing

1) **At application-** Some/all residential units and tenant common areas do not meet the Idaho Building/Residential code for existing structures and/or local property/housing standards.
2) **At project completion-** All residential units and tenant common areas meet:
   - Applicable state and local standards, codes, ordinances, and zoning requirements including disaster mitigation
   - Local rehabilitation standards
   - **HOME or HTF Rehabilitation Standards (Exhibit C**)
   - Lead-Based Paint requirements as applicable (original construction began on or before January 1, 1978 See LBP section of this chapter for additional information.
   - UFAS as applicable to a multi-family rental rehab projects to the maximum extent feasible
   - Fair Housing Act
   - Site and Neighborhood Standards(new construction rental housing)

- Section 504 as applicable
- Local property/housing quality standards, codes, and ordinances
- Rental Housing- Inspectable areas of the Uniform Physical Condition Standards
- Broadband Infrastructure- HOME/HTF funds may be used for the actual costs of constructing or rehabilitating (development hard costs) single family or multifamily housing, including the costs to wire the property for broadband internet.
    - The costs to make utility connections, including off-site connections from the property line to the adjacent street are also eligible under HOME at § 92.206(a) (3) (ii). HUD includes internet connectivity in the regulatory definition of "utility connections."
    - If the project is not 100% HOME-assisted, only the proportional share of providing broadband internet access in the project or the cost to construct a computer room may be charged to the program(s)
    - HOME/HTF funds may be used for costs to construct or rehabilitate community facilities that are located within the same building as the housing, and which are for the use of the project residents.
    - HOME funds may not be used to pay for furniture or equipment for a computer room, even as part of a multifamily assisted rental property.

Eligible Costs

Acquisition of Vacant Land-Project must begin construction within one year of the acquisition.

On-Site Improvements-Includes, but not limited to broadband infrastructure, sewer and water hookups, power, roads, and sidewalks

Relocation Costs-Costs related to permanent and temporary relocation are eligible, including any related staff and overhead costs.

Project Soft Costs
These costs must be reasonable, necessary, and paid for by the owner as part of the project costs. They include:

- **Finance Related Costs**
    - Origination fees
    - Credit reports
    - Title reports and updates
    - Recordation fee
    - Preparation and filing legal documents
    - Appraisals
    - Attorney's fees
    - Loan processing fees
    - Translator fees
    - Other customary fees
- **Construction Related Costs**
    - Architectural fees
    - Engineering fees
    - Preparation of work write-ups/cost estimates
    - Builder or Developer fees
    - Environmental studies

- Performance bonds
- Impact Fees

- **Project Audit Costs**
  - Certification costs are eligible when performed by a 3rd party Certified Public Accountant

Costs Incurred Prior To HOME Funding Award

Professional services may be an eligible cost if incurred within 24 months of the HOME Commitment, and authorized by IHFA in the Award or written agreement

Project Hard Costs

- Improvements to meet Codes/Standards
- Cost to construct or rehabilitate laundry and community facilities, parking structures which are located in or connected to the same building as the rental housing units and are for the use of project residents and their guests
- Essential improvements
- Energy-related improvements
- Removal of lead-based paint hazards
- Accessibility Improvements
- Infrastructure including Broadband Internet connectivity is included in the definition of "Utility connections"
- Repairs and improvements of a non-luxury nature
- Initial Operating Deficit Reserves - For new construction or rehabilitation of rental housing only. Operating deficit reserve fund may only be used during the initial 18 months lease-up period to pay for operating expenses, Reserve for replacement payments, Debt service -Remaining funds may be transferred to a project's replacement reserve account or reduce the outstanding principal balance with IHFA written approval
- Wiring for Broadband internet (Internet connectivity is included in the definition of "utility connections").
- **HTF Specific-Project Operating Assistance & Reserves**

  [§93.201 (e)]

  Because operating cost assistance reserves are an eligible activity and may be provided by more than one grant, the prohibition on providing additional HTF funds to a project during the period of affordability (§ 93.205(a)) does not apply to renewal of operating cost assistance reserves. HTF funds may be used to pay for operating assistance and operating cost assistance reserves for rental housing activities.

  In any given year, operating assistance/reserve can be awarded from Non-appropriated HTF funds, Appropriated HTF funds, or a combination of both. The type of funding will determine how the owner/developer should apply for the operating assistance during the HTF period of affordability. IHFA strongly urges the owner/developer to contact IHFA early in the development/application process to determine how a future project's operating assistance/reserve would be funded.

  The following conditions apply:

  - Eligible costs include insurance, utilities, real property taxes, maintenance, and scheduled payment to a reserve for replacement of major systems;
  - Eligible costs must be calculated using HUD methodology (See Definitions Section- HTF- Specific- HUD Methodology for determining Operating Assistance Reserve
  - Operating assistance can ONLY be provided if the HTF-assisted units do not have project-based assistance;

- Operating costs assistance must be based on the underwriting of the project and must be specified in the written agreement (HTF Award Agreement) between IHFA and owner/developer
- Operating reserves must be calculated using HUD methodology
    1) For reserves funded with Non-appropriated HTF funds
        - Reserve may be funded for the amount estimated to be necessary for the entire period of affordability at the time the written agreement is executed.
    2) For reserves funded with Appropriated HTF funds
        - For each grant, assistance is limited to the amount necessary for a period of up to five (5) years.

Funding for the operating cost assistance may be provided in addition to funding an initial operating deficit reserve, which would help meet any shortfall in project income during the period of project rent-up (not to exceed 18 months).

Ineligible Costs & Fees

- Project reserve accounts, except as provided in Sec 92.206(d)(5) (HOME)
- Operating subsidies (HOME)
- Tenant-based rental assistance
- Off-site infrastructure cost
- Delinquent taxes, fees or charges on properties
- Any cost not eligible under Sec. 92.206 through 92.209 & 93.204 (a) (b)
- Laundry, community facilities, parking structures, or any other structure not located in, or connected to a building in which rental housing units are also located

Match Requirement

For every dollar of HOME Entitlement dollar drawn a 25% match liability is incurred.

Match credits are defined as non-federal contribution of cash, assets, services, labor, and other resources of value to the HOME program. See Chapter 4.

HTF Specific- No match requirement

Leverage

HOME funds are only one source of funding. HOME requires applicants to utilize other sources of leverage to complete the project. Leverage is all other funding sources that are part of a project or activity, not including the HOME funds. Leverage includes match and all other investments in the project. Not all leverage can be counted as Match. See Chapter 4.

Developer Fee

● Developer Fee is restricted to the total cost of development, as reflected in the original HOME application.

1) Joint HOME and/or HTF/Low-Income Housing Tax Credit Projects

HOME and HTF defer to the LIHTC calculation for joint projects up to a maximum of 15%.

2) HOME and/or HTF Projects (no Low-Income Housing Tax Credits)

Maximum Developer Fee of 15% evaluated and based on:

- Total development cost (includes both eligible and non-eligible costs)
- Size of the development
- Type of development i.e. acquisition only, acquisition and/or repair, acquisition and/or rehabilitation, new construction
- Characteristics of the development, i.e. location, serving a priority need population and/or rural community

Financing Terms

Applicability

HOME/HTF/NSP Programs

In order to maximize the benefit of program funds and create a renewable resource for the development of affordable housing in Idaho,

Funds invested in rental housing are distributed as a loan. The terms may be determined using the guidelines below.

- Project development costs will be examined to determine cost reasonableness and necessity. Project costs determined to be unreasonable will receive an additional level of review for acceptance or denial.
- Project income and expense projections, including any syndicator and/or partner fees, must be reasonable and customary to the area. Any exceptional expenses must receive written approval of IHFA prior to project implementation.
- Project must maximize private funding for permanent financing and other sources of leverage before program funds.
- The project's pro-forma must demonstrate a reasonable expectation that the HOME loan will be repaid within the term of the primary financing.
- Deferred Developer Fees may be paid out of surplus cash (SC) as defined in this chapter (See Definitions section). In the event there is inadequate surplus cash to make the scheduled minimum HOME loan payment in any year, the Deferred Developer Fee due for that fiscal year will be deferred until the end of the Deferred Developer Fee repayment term for the project. Any annual amounts of forgone Deferred Developer Fee will not be added to the following year's Deferred Developer Fee amount entitlement.
- The potential for owner's equity investment will be examined and utilized to the maximum amount feasible.
- Subsidy Layering -Before committing funds to a project, IHFA must evaluate the project in accordance with guidelines that IHFA will not invest any more HOME funds, in combination with other sources, than is necessary to provide affordable housing. See Exhibit "Q".
- Interest rates may be based on project's ability to pay.
- Repayment may be based on amortization period of primary lender's loan

HTF Specific

In order to maximize the benefit of HTF Program and create a renewable resource for the development of affordable housing in Idaho, the HTF funds invested in rental housing development may be a loan or a grant. The terms may be determined using the guidelines below.

Application must demonstrate financial feasibility using the following guidelines:

- Development costs will be examined to determine cost reasonableness and necessity. Project costs determined to be unreasonable will receive an additional level of review for acceptance or denial.
- Project income and expense projections, including any syndicator and/or partner fees, must be reasonable and customary to the area. Any exceptional expenses must receive written approval of IHFA prior to project implementation.
- Project must maximize other sources of leverage before HTF funds.
- Deferred Developer Fees may be paid out of Surplus Cash (SC) as defined in this chapter (See Definitions section). In the event there is inadequate Surplus Cash to make the scheduled minimum HTF loan payment in any year, the deferred Developer Fee due for that fiscal year will be deferred until the end of the deferred Developer Fee repayment term for the project. Any annual amounts of forgone deferred Developer Fee will not be added to the following year's deferred Developer Fee amount entitlement.
- The potential for owner's equity investment will be examined and utilized to the maximum amount feasible.
- Subsidy Layering -Before committing funds to a project, IHFA will evaluate the project in accordance with its guidelines that it will not invest any more HTF funds, in combination with other sources, than is necessary to provide affordable housing.

Subordination Terms

Subordination of the HOME and/or HTF Deed of Trust may occur when a proposed senior lender is asking IHFA to subordinate the HOME and/or HTF position due to one of the following:

- A construction loan was used to finance the construction phase of the project
- A term loan is refinanced to provide the borrower more favorable terms than the current term loan. IHFA may not approve a subordination agreement to a new proposed senior lender if there is cash-out to the borrower. IHFA may request cash-out be applied to existing HOME debt. IHFA may approve a cash-out refinance under mutually beneficial circumstances.

The Memorandum Restrictive Covenants will be filed in the senior position ahead of all other regulatory and debt instruments.

If both HOME and HTF funds are invested in the same project, the most restrictive Memorandum of Restrictive Covenants will be filed first. However, both MORCs will always be filed in the senior position, ahead of all other regulatory and debt instruments.

Rental Housing Loan Terms

Loan terms are determined by several factors including but not limited to operating pro-forma, ability to make reasonable loan payments, overall financial viability, and current and past financial performance on other multifamily projects.

1) **(HOME Only) Regular Scheduled Payment**- When feasible (as determined by IHFA), the annual payment will be amortized and fixed~~, and included in the primary lenders debt service coverage requirement.~~ The amount of the payment shall be determined by IHFA.
2) **(HOME/NSP/HTF) Due-on-Sale**- At IHFA's discretion. When the project owner is a qualified non-profit and/or when 100% of the units will be designated to a Special Housing Needs population(s) [see Chapter 8 for definitions of Special Needs Population], the loan may be Due-on-Sale".
3) **(HOME/NSP/HTF) Surplus Cash-** Payments shall otherwise be solely from Surplus Cash (defined in the Loan Agreement), as follows: First, a payment to IHFA equal to one-percent (1%) of the

HOME loan amount in the Funding Commitment; second, one-twelfth (1/12) of the lesser of (a) the actual Deferred Developer Fee (DDF) as determined by IHFA in its subsidy layering review or (b) the DDF represented by sponsor in its application for funding; third, the remaining SC shall be split between the borrower and IHFA, with IHFA receiving the lesser of 75% or the percentage required to repay the HOME Loan in full over its term. The second layer (1/12 of DDF) is paid only during the first 12 years or until the DDF is repaid, whichever occurs first. Modifications to this arrangement shall be at the sole and absolute discretion of IHFA.

i. ***Surplus Cash-*** Any cash (excluding tenant security deposits) remaining at the end of each fiscal year of the Borrower after: (A) Payment of all ***Project Operating Expenses*** for such fiscal year; (B) payment of all sums due or currently required to be paid under the terms of any Permitted Senior Loans [as defined in Loan Agreement] encumbering the Project and the promissory note secured by such Permitted Senior Loans; and (C) payment of all amounts required to be deposited into any reserve fund for the payment of operating expenses, any reserve for replacements to the Project, or any other special reserve funds required to be maintained by the Project under the Permitted Senior Loans or the Loan Documents, subject to IHFA consent, provided the amounts for required reserves, which may also be Project Operating Expenses, shall not be deducted more than once. Notwithstanding the foregoing, accrued Deferred Developer Fees, advances made under the ***Operating Deficit Guaranty*** **(**see *Operating Deficit* and ***Operating Deficit Guaranty*** below), or any other operating advances to the property by the borrower or affiliates of the borrower may only be repaid from the borrower's share of positive Surplus Cash.

a) ***Project Operating Expenses*****:** All cash costs and cash expenses of every kind and character which the Borrower incurs in connection with the operation of the Project (excluding principal and interest due and payable under the Loan and those expenses previously accrued, but including capital expenditures other than those paid for out of replacement reserves), and amounts required by IHFA to be allocated to any reserve account (less amounts paid and reflected in the operating expenses), and all operating expenses of the Project that must be accrued monthly (including property taxes and insurance premiums based upon the completed Project); Project Operating Expenses do not include Non-Operating Expenses.

b) ***Non-Operating Expense:*** All expenses and costs of the Borrower other than Project Operating Expenses. Non-Operating Expenses may not be paid from the operating account. Non-Operating Expenses shall include, without limitation: any and all costs of developing the project, payment of deferred developer fee, asset management fees and investor service fees, tax credit adjusters, income taxes of the Borrower, distributions to persons or entities having an ownership interest in the Borrower, deposits to reserve accounts and escrow accounts (other than deposits specifically approved in advance, in writing by IHFA), payments on any loans other than a Permitted Senior Loan, payments to the management agent or any Affiliate (other than the property management fee and other payments specifically approved in advance, in writing by IHFA), and payments to the Borrower or any Affiliate (other than payment specifically approved in advance, in writing by IHFA).

c) ***Operating Deficit:*** For any relevant period, the excess of Project Operating Expenses (or a portion thereof) plus the payment of principal and interest due and payable on the Permitted Senior Loan over the Borrower's cash revenues of every kind from the Borrower's operation of the Project for such fiscal period (excluding extraordinary cash proceeds and capital contributions, and excluding amounts drawn from a reserve account).

d) ***Operating Deficit Guaranty:*** Borrower and Key Principals acceptable to IHFA will be required to guarantee annual operating deficits. The Operation Deficit Guaranty shall become effective on the first day of the first full fiscal year for the Borrower following completion of construction of the Project. Annual operating deficits shall be funded by the Key Principals under the Operating Deficit Guaranty on or before the date on which annual audited financial statements for the Project are due to IHFA.

e) To support the Surplus Cash calculation, Owner will furnish the following:

i. Within one hundred and twenty (120) days after the end of each fiscal year of Borrower, a rent schedule for the Project showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable for the current month, the date through which rent has been paid;

ii. Within one hundred and twenty (120) days after the end of each fiscal year of Borrower, an accounting of all security deposits held pursuant to all leases. For the purposes of this submission, the Security Deposit Asset (as a cash item in the Surplus Cash Computation) and the Security Deposit Liability (as a short-term obligation in the Surplus Cash Computation) are to be included on the Balance Sheet and in the Surplus Cash Computation.

iii. Within one hundred and twenty (120) days after the end of each fiscal year of Borrower, a statement that identifies all owners of any interest in Borrower and the interest held by each, if Borrower is a corporation, all officers and directors of Borrower, and if Borrower is a limited liability company, all managers who are not members. Please see Attachment B for a sample Certification that meets IHFA's requirements.

iv. Within one hundred and twenty (120) days of the end of each fiscal year of Borrower, an audited calculation of Surplus Cash for such fiscal year, in form and substance acceptable to IHFA, and in accordance with IHFA requirements.

f) Application of Payment

Loan payment will be applied to the following categories in the following order unless otherwise pre-approved by IHFA at their sole discretion:

1) Principal
2) Late Fees
3) Penalties
4) Escrows
5) NSF Fee
6) Other IHFA Approved Deductions
7) Interest

<u>Cost Allocation Process- Designation of Assisted Units</u>

Applicability

HUD allows IHFA to charge a project for specific costs it incurs during the application and development phase of the project, i.e. underwriting, architectural review/inspections, etc. These costs can be charged to the project. While these costs are not included in the owner's loan amount, they must be included in the Cost Allocation calculation.

It is never IHFA's intent to trigger Davis-Bacon (12+ assisted units) or to increase the number of Low-HOME Rent units (if project has 5+ HOME-assisted units) because of its project-specific costs.

- *Davis-Bacon Labor Standards are not applicable to HTF- funded units.*

HOME/HTF/NSP programs follow the HOME Cost Allocation Method to determine the number of assisted units needed when less than 100% of the units in the project are assisted.

- Program funds may only be expended on the actual, eligible costs, up to the maximum per-unit subsidy limit (of the program).
- The actual (eligible) costs of the assisted units will ensure the minimum number of units will be designated as "assisted".
- The amount of funds invested cannot exceed the lesser of the total HOME/HTF/NSP-eligible costs per unit and the maximum per-unit subsidy (for each program as established by HUD-CPD).

Cost Allocation Methods

HOME/HTF/NSP Program funds may be used to assist one or more housing units in a multi-unit project, but only actual eligible development costs may be charged to the program.

- **Standard Method (Can be used in all projects, whether or not the units are comparable in terms of size, quality, and amenities)-**If assisted and unassisted units are not comparable, the actual costs must be determined based on a method of cost allocation such as the *Standard Method*, so that the amount of the total development costs charged to the program does not exceed the cost of assisted units in the project.

- **Proration Method (Can be used only if the units are comparable) -** If assisted and unassisted units are comparable in size, features, and number of bedrooms, the cost of the assisted units can be determined using the Proration or the Hybrid Method (i.e. a variation on the *Proration Method*). This ensures the proportion of the total development costs charged to the Program does not exceed the proportion of the assisted units in the project.

Additional information, examples, and sample worksheets:

https://www.hudexchange.info/resources/documents/Notice-CPD-16-15-Allocating-Eligible-Costs-and-Identifying-HOME-Assisted-Units-in-Multi-Unit-HOME-Rental-and-Homeownership-Development-Projects.pdf

Fixed/Floating assisted-Units

HOME units must be designated as "fixed" or "floating" at the time of application. When a project has a mix of unit sizes and/or amenities and the number of HOME units is based on prorating the HOME funds to the total development cost, the HOME assisted unit mix must match the total project unit mix.

Fixed: HOME assisted units are "fixed" when the specific units that are HOME assisted and, therefore, subject to HOME rental and occupancy requirements, are designated and can never change to another unit. Units will be identified by unit number or letter in the HOME written agreement.

Floating: When HOME assisted units are defined as "floating" when the designated HOME units may change.

- If the floating designation is used, the owner must ensure that the HOME assisted units remain comparable to the non-assisted units over the affordability period in terms of size, features, and number of bedrooms.
- The floating designation gives the owner some flexibility in assigning units, and can help avoid stigmatizing the HOME assisted units.
- HOME units must be representative of the total mix of the project, in terms of size, amenities, and total bedrooms.

Rent Limits

IHFA enforces rent and occupancy requirements through restrictive covenants and/or deed restrictions. All assisted units are subject to rent limits.

Rent Limits are established annually by HUD. Rent Limits are based on Fair Market Rents (FMR) and percentage of area median-incomes (AMI) as determined by HUD. The maximum rent must be adjusted for utility allowances if the tenant pays any utilities. Annual HOME Rent Limits for Idaho are calculated by HUD-CPD annually and published by HUD-CPD.

Current Rent Limits are available at HOME Program - Idaho Housing and Finance Association

(HOME/NSP) Rent Limits

- High HOME Rents: Based on the lesser of Fair Market Rents (FMRs) for existing housing OR 30% of adjusted income of the household with an annual income equal percent to 60% of area median income. HUD calculates this rent limit annually.

- (HOME) Low HOME Rents: Applicable to properties with five (5) or more HOME-assisted units. At least 20% of HOME units must have rent limits that are no greater than 30% of the tenant's monthly adjusted income, OR 30% of the annual income of a family, whose income equals 50% of area median income, **OR** if a project has a federal or state project-based rental subsidy and the tenant pays no more than 30% of his or her adjusted income toward rent, the maximum rent may be the rent allowable under the project-based rental subsidy program. HUD calculates this rent limit on an annual basis
- All NSP Properties are defined as Low HOME Rent units.

(HTF) Rent Limits

Per 24 CFR § 93.302, HUD provides the following maximum HTF rent limits. The rent limits are calculated by HUD annually, based on the following formula:

Extremely Low Income Tenants: The HTF rent plus utilities of an extremely low-income tenant shall not exceed the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of the median income for the geographic area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

Current HOME/NSP & HTF rent limits are available at HOME Program - Idaho Housing and Finance Association

Project-Based Rent Subsidy

Any unit (High or Low HOME) receiving federal project based rental assistance is allowed to use the project based rent only when the following conditions are met:

a) The unit is occupied by household defined as Very-low income (at or below 50% AMI); and

b) The tenant contribution to toward the rent (rent plus utilities/utility allowance) is no more than 30% of the household's adjusted gross income [§92.252(b)(2)]

c) Tenant Income Eligibility Requirements

- Income eligibility is calculated on anticipated income according to source documents obtained prior to occupancy of a unit.
- Annual (gross) Income household income calculation is used to determine eligibility. The definition of annual gross income is defined at 24 CFR 5.609 (24 CFR Part 5).

Tenant Income Limits and Requirements

IHFA website at [Resources- Income Limits](https://www.idahohousing.com/federal-programs/home-program/) (https://www.idahohousing.com/federal-programs/home-program/)

(HOME & HTF)- In addition, in each year during the period of affordability, the project owner must re-examine each tenant's annual income. (1) An owner who re-examines a tenant's annual income through a statement and certification in accordance with must also examine the source documentation of the income of each tenant every 6th year of the affordability period, except that, for units that receive project-based assistance, the owner must re-examine the tenant's annual income in accordance with the project-based assistance rules. Otherwise, an owner who accepts the tenant's statement and certification is not required to examine the income of tenants, unless there is evidence that the tenant's written statement failed to completely and accurately state information about the family's size or income.

(NSP)- The annual gross income of each household must be determined at initial occupancy (prior to occupancy/signing lease agreement) of an NSP-assisted unit. Tenant's income is not determined again.

Increase in Income (HOME and HTF Only)

i. The project owner must take steps to ensure the correct number of High HOME and Low HOME-assisted units are maintained throughout the Period of Affordability. HOME units continue to qualify despite temporary non-compliance caused by increases in the income of existing tenants if actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with regulations until non-compliance is corrected. In those instances, the following should be considered

(a) If the income of a tenant occupying a Low HOME rent unit increases, but does not exceed 80% of the area median income, that unit becomes a High HOME rent unit. The owner must rent the next available unit (for "floating" unit projects) or HOME-assisted unit (for "fixed" unit projects) to a very low-income tenant. Subject to the terms in the lease, the rent of the initial tenant whose income has increased may be increased to the High HOME rent for the unit. The number of HOME assisted units should not be increased by this process.

(b) If a tenant's income increases above 80% of the area median income, the unit the tenant occupies is still considered to be a HOME unit, but the tenant's rent must be adjusted as described below. In projects where the HOME units float, the next available unit in the project of comparable size or larger must be rented to a HOME-eligible tenant. The unit occupied by the over-income tenant is no longer considered HOME-assisted, and the rent of the unit can be adjusted as appropriate.

ii. In units designated as both HOME and Low Income Housing Tax Credits (LIHTC), LIHTC rules apply

Tenant Selection/ Protections/ Preference Populations

The lease agreement in HOME/ NSP/HTF-assisted housing must be a minimum 12 months unless stated in writing *and mutually agreed upon* between both the tenant(s) and owner/management.

Prohibited lease terms

- **Agree to be sued-** Agreement by tenant to be sued, admit guilt, or a judgment in favor of the owner in a lawsuit brought in connection with the lease;
- **Treatment of property-** Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties;

- **Excuse owner from responsibility-** Agreement by tenant not to hold the owner or the owner's agent legally responsible for any action or failure to act, whether intentional or negligent;
- **Waiver of notice-** Agreement by tenant that the owner may initiate a lawsuit without notice to the tenant;
- **Waiver of legal proceedings-** Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
- **Waiver of jury trial**- Agreement by tenant to waive any right to a trial by jury;
- **Waiver of right to appeal court decision-** Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease;
- **Tenant chargeable with cost of legal actions regardless of outcome-** Agreement by tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owners against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses;
- **Require tenant to accept supportive services (except residents of a Transitional Housing project) -** A requirement that the tenant(s) accept supportive services as a condition of tenancy is a violation of Section 504 of the Rehabilitation Act.

Termination of Tenancy

An Owner may *not* terminate a tenant from assisted rental housing <u>except under the following conditions</u>:

1) Serious and/or repeated violations of the terms and conditions of the lease
2) Violation of Federal, State, or local law
3) Completion of the Transitional Housing Plan
4) If tenant is in a Transitional Housing project and fails to participate in any required supportive services as indicated in their Supportive Services Plan, they may be evicted with proper notice [§92.253]
5) The direct threat by the tenant to employees, tenants, or property.

Proper Notice to Terminate Tenancy

The owner must provide the tenant with written eviction notice that specifies the grounds for the action. Tenant(s) must receive no less than a thirty (30) day notice.

<u>Tenant Selection Criteria</u>

HOME, HTF, NSP programs are defined as rental/homebuyer development and assistance programs for low, very low, and extremely low-income households. In general, these programs are not designed to serve a specific population other than low- income. Under specific conditions, HUD-CPD will allow an owner to provide a tenant preference for *disabled persons, and priority housing needs populations* when identified in the State of Idaho's Five-Year Consolidated Plan for Affordable Housing Programs (under permanent rental housing).

A written Tenant Selection Policy must include the following components:

1) Must limit the assisted units to income-eligible households;
2) Criteria will be reasonably related to applicants' ability to perform the obligations of the lease:

a) Ability to pay rent

b) Not damage the housing

c) Not to interfere with the rights and quiet enjoyment of other tenants

d) Does not impose a blanket prohibition on anyone with an arrest record

   i. Will include an individualized review of an applicant's conviction record that distinguishes between criminal conduct that demonstrates a potential risk to resident safety and/or property, and criminal conduct that does not; The review policy should take into account the nature, severity, and age of the conviction

3) An owner may provide a tenant waitlist preference for a particular segment of the population only under the following conditions:

   a) Identified in the HOME/HTF or NSP written agreement as identified in the 2015-2019 Consolidated Plan.

      i. Current Permanent Rental Housing Tenant Preference Populations identified in the State of Idaho Five-Year Consolidated Plan

         - Elderly (minimum of one household member ≥ age 62)
         - Disabled (minimum of one household member)
         - Household Annual Gross income ≤30% AMI

   (b) A project may provide a preference for persons with disabilities who need the services offered at a project if:

      i. The limitation or preference is limited to the population of households (including individuals) with disabilities that significantly interfere with their ability to obtain and maintain housing;

      ii. Such households will not be able to obtain or maintain themselves in housing without appropriate supportive services;

      iii. Such services cannot be provided in a non-segregated setting. Applicant must not be required to accept services as a condition of tenancy;

      iv. In advertising the project, the owner may advertise the project as offering services for a particular type of disability; however, the project must be open to all otherwise eligible persons with disabilities who may benefit from the services provided in the project;

      v. Do not exclude an applicant with a voucher under the Section 8 Housing Choice Voucher program;

      vi. Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable;

      vii. Give prompt written notification to any rejected applicant of the grounds for rejection.

(HOME) Project Rule

For rental projects of five (5) or more HOME-assisted units, at least **20%** of all HOME-assisted units must be occupied by households whose annual income at the time of their initial occupancy is **50% or less of area median income.** The Project Rule remains in effect throughout the period of affordability

(HOME) Program Rule

The balance of the remaining HOME-assisted units must be occupied by households with an annual income at the time of their initial occupancy is **60% or less of area median income.** This Program Rule remains in effect throughout the period of affordability

Project owners may agree to additional income and rent restrictions according to the goals of their project, the marketability of their units, and the requirements of other funding sources used to develop the project.

Fixed Units

Adjusting rent in a "fixed" unit project for over-income tenant(s):

Over-income tenants (tenants with incomes over 80 percent of the area median income) must pay 30 percent of their adjusted income for rent and utilities. There is no cap for rent in "fixed" units.

Floating Units

Adjusting rent in a "floating" unit project for over-income tenant(s):

Over-income tenants must pay 30 percent of their adjusted income for rent and utilities. Rent of these over-income tenants may not exceed the market rent for comparable, unassisted units in the neighborhood.

Period of Affordability

Rent restrictions, tenant income limits, property standards, and other conditions are enforced by deed restriction during the period of affordability. See program table below.

HOME & NSP- Rental Housing Activities		
Activity Type	**Average Per-unit Cost**	**Affordability Period**
Rehabilitation or acquisition of existing rental housing	**< $15,000/unit**	**5 years**
	$15,000-40,000/unit	**10 years**
	>$40,000/unit	**15 years**
New Construction or acquisition of new Construction rental housing	**Any amount**	**20 years**

Housing Trust Fund- Rental Housing Activities	
Activity Type	**Affordability Period**
Rental Housing Activities	**30 Years**

Recordation Order of Loan Documents

When HOME and/or HTF-assisted housing fails to meet the affordability requirements during the period of affordability, all HOME and/or HTF funds invested in the activity must be repaid without regard to any loan terms, transfer of ownership, foreclosure, transfer in lieu of foreclosure, or assignment to HUD. Therefore, the Memorandum of Restrictive Covenants must be filed, and remain in place throughout the entire Period of Affordability, in the senior position above all other regulatory agreements, senior liens, and restrictive covenants.

HUD 811/202 Capital Advance Program

IHFA may consider a subordination of the Memorandum of Restrictive Covenants to a HUD 811/202 Project under the following conditions: The affordability restrictions of IHFA's agreement shall be revived according to the original terms if, during the original Period of Affordability, the owner of record before the foreclosure or transfer by deed in lieu of foreclosure, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the Project or Property; and termination of affordability restrictions pursuant to this paragraph shall not operate to create a duty to repay under 24 CFR 92.503.

DEFINITIONS

(NSP) Abandoned/Blighted Property

Abandoned- A home is abandoned when mortgage or tax foreclosure proceedings have been initiated for that property, no mortgage or tax payments have been made by the property owner for at least 90 days, AND the property has been vacant for at least 90 days.

Blighted Structure- A structure is blighted when it exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare as determined by the jurisdiction in which the property is located.

Acquisition

At application, all units and tenant common areas must meet or exceed local and state building codes/standards/code/ordinances in effect at the time the housing was originally constructed as applicable.

At loan closing, all units and common areas meet the local and/or state building code that was in effect at the time the housing was built, any local property standards/code/ordinances. If no local property or housing quality standard exists, the applicable standard will default to the inspectable areas of the Uniform Physical Conditions Standards.

Acquisition of Newly Constructed/Rehabilitated Housing

Existing housing that was constructed or rehabilitated within one year of the date of the commitment of HOME/HTF funds must meet specific standards:

- If constructed within 12 months of commitment, the housing must meet all HOME new construction standards [Click here- New Construction]
- If rehabilitated within 12 months of commitment, the housing must meet the HOME Rehabilitation Standards [see below click here Rehabilitation of Existing Housing].
    - Applicant must be able to document to IHFA property standard compliance. This is based on approved building plans, Certificate of Occupancy (for new construction only), other local certification(s), and an inspection conducted no earlier than 90 days before the commitment of the assistance.
    - If applicant is unable to provide documentation specified above, the property cannot be acquired with HOME and/or HTF funds unless it is brought up to the HOME/HTF Rehabilitation Standard [see Admin Plan Exh. C-Rehab Standards.doc]

Acquisition and/or Rehabilitation of existing housing

Applicable to existing residential housing (not constructed or rehabilitated within 12 months of the commitment of funds).

Rehabilitation activity is defined as the alteration, improvement, or modification of an existing structure. It may include adding rooms outside of the existing walls of a structure, does not include the addition of any units (adding new housing unit(s) is considered a new construction activity).

- **At application**, some or all residential units and/or tenant common areas do not meet the applicable Idaho and local code in effect at the time the housing was built, as determined by the Physical Needs Assessment.
- **At project completion**, all residential units and tenant common areas must meet applicable IHFA Rehabilitation Standards as defined at 2018 Annual Administrative Plan- Admin Plan Exh C

Capital Needs Assessment (CNA)

An assessment to determine the amount of funds needed **in the future** to perform necessary replacement and repair of major components and systems. The assessment is based on the average useful life of each component/system throughout the life of the project. The CNA will include the timing of necessary replacement and repair during the period of affordability and through the term of the Note. The CNA will include the following components:

- **Long-Term Physical Needs-** An estimate of the useful life of all major components/systems, based on their age and condition. This includes: Structural support, roofing, cladding and weatherproofing, plumbing, electrical, heating and air conditioning, paving, roadways, fencing, irrigation system parking, gas lines, playgrounds, site furniture, and earthwork.
- **Analysis of Replacement Reserves-** An estimate of the necessary initial and monthly deposits to Replacement Reserves to fund future physical needs. The Replacement for Reserve deposit should be indexed for inflation at the same rate as the operating expenses for the term of the Note.

Commitment of Funds

A legally binding written agreement with the owner-applicant under which the assistance will be provided to an identifiable project for which all other funding is reasonably secure. HUD-CPD has defined "reasonably secure" as all other financing has been provided in enough detail to show these transaction(s) can be reasonably expected to close before the disbursement of funds[1], is consistent with the PJ's underwriting and other HOME and/or HTF requirements have been completed, a budget and schedule have been established, and construction/rehabilitation is scheduled to begin within 12 months of the agreement date.

Prior to a commitment of HOME/HTF fund, the architectural plans and specifications must be review and approved by the HOME Program's consulting architect and the Owner-developer architect. Both parties must be in agreement regarding the Fair Housing Design requirements, as applicable to the scope of the project. If both parties are unable to reach consensus, the more stringent interpretation will apply to the project.

Environmental Review

The Environmental Review determines the appropriate level of environmental analysis for a project or activity. This may include Compliance Determination, Environmental Assessment, or Environmental Impact Statement.

Environmental Review Process

The completion of all procedural steps of an environmental review, including conducting and documenting an environmental review, environmental determination, publishing required public notices, submission of a Request for Release of Funds and Certification Form, and receipt of Authority to Use Grant Funds.

[1] LIHTC- A reservation from the LIHTC credit allocator and a good faith offer of equity.

Individual Action on a one to four family dwelling unit [CPD Notice 01-11] - An individual decision regarding the acquisition, construction, demolition, leasing, moving, or rehabilitation, of a one to four family residential building. An environmental assessment and finding of no significant impact under NEPA is not required for such activities unless and extraordinary circumstance as defined at §58.2(a)(3) occurs.

- **Extraordinary Circumstances [§58.2(a)(3)]**- a situation in which an environmental assessment (EA) or environmental impact statement (EIS) is not normally required, but due to unusual conditions, an EA or EIS is appropriate. Indicators of unusual conditions are:

  (i) Actions that are unique or without precedent;

  (ii) Actions substantially similar to those that normally require an EIS;

  (iii) Actions that are likely to alter existing HUD policy or HUD mandates; or

  (iv) Actions that, due to unusual physical conditions on the site or in the vicinity, have the potential for a significant impact on the environment or in which the environment could have a significant impact on users of the facility.

Existing Structure

Chapter 34 International Building Code-A structure erected prior to the date of adoption of the appropriate code, or one for which a legal building permit has been issued. **From Section 34-04**

Alterations-3404.1 Except as provided by Section 3401.4 or this section, alterations to any building or structure shall comply with the requirements of the code for new construction. Alterations shall be such that the existing building or structure is no less complying with the provisions of this code than the existing building or structure was prior to the alteration.

Fair Market Value

1) For Single-Family Homebuyer & Rental Properties Activities, Estimated Fair Market Value can be established by one of two methods: (1) appraisal or (2) property valuation.
   - Property valuation- Conducted by a person with sufficient understanding of the local real estate market and sufficiently qualified to make such valuation
   - Developer will determine the fair market value for each property no more than 60 days of the initial listing/advertising date. Thereafter, fair market value will be updated every 60 days until the property is under contract.
   - The Initial and Updated Fair Market Value for each property will be submitted to IHFA within 7 days of the valuation.
2) For Multifamily Rental Activities- Fair Market Value is established by Appraisal.

HTF-Operating Assistance And Operating Cost Assistance Reserves

§93.201 (7)(e)- HTF-assisted units for which project-based assistance is not available, when necessary and subject to limitations in §93.200(a), HTF funds may be used to pay for operating costs and operating cost assistance reserves.

(HTF Only) HUD Methodology for determining Operating Assistance Reserve

IHFA may provide HTF funding for a rental project's operating assistance reserve during the HTF period of affordability if the need for annual or monthly contributions to these reserves is determined through the underwriting process.

- HTF Appropriation Funds

a) Funding for capital or operating reserves "up front" for the present value of the entire amount needed over the required period of affordability (30 years) is not possible because funds cannot be drawn years in advance of need;

b) Applicant must demonstrate the necessity of the reserve amount based on an analysis of potential deficits remaining after the expected rent payments for the HTF-assisted unit are applied to the HTF-assisted unit's expected share of operating costs;

c) The allowable amount of the reserve may not exceed the amount necessary to provide operating assistance to HTF-assisted units for a period of up to 5 years. IHFA may renew operating assistance reserves during the period of affordability by executing a new written agreement

- HTF Non-Appropriation Funds (from Fannie Mae/Freddie Mac)

a) Applicant must demonstrate the necessity of the reserve amount based on an analysis of potential deficits remaining after the expected rent payments for the HTF-assisted unit are applied to the HTF-assisted unit's expected share of operating costs

b) The allowable amount of the reserve may be funded for the amount estimated to be necessary for the entire period of affordability up front, or if this amount would exceed one-third of each annual grant, it can be funded in phases from future grants, as determined to be suitable and necessary to secure advantageous financing.

Note: At the time the 2017 Administrative Plan was drafted, HUD had indicated it would provide guidance and training regarding underwriting standards for investment as well as establishing reserves to provide necessary rehabilitation during the period of affordability. No updates are available.

New Construction

At project completion all residential units and tenant common areas will meet the following:

- State of Idaho's most recent adopted International Building Code
- Local property/housing quality standards, codes, ordinances, zoning, as applicable
- International Energy Conservation Code
- Site and Neighborhood Standards Reference: 24 CFR 983.6(b)
- Covered multifamily dwellings, as defined at 24 CFR 100.21, must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act. "Covered" is defined as multi-unit residential buildings built for first occupancy after March 13, 1991 with four or more units to meet the accessibility requirements of this law. Subject to specific exceptions, all units in elevator buildings and all one-story ground floor units in non-elevator buildings must meet FHA standards.
- Section 504
- Americans with Disabilities Act (ADA)
- Uniform Federal Accessibility Standards (UFAS)
- Current Edition of the American Society of Heating, Refrigerating, and Air-conditioning Engineers (ASHRAE) 90.1 for multifamily buildings.

Major Systems

Structural support, roofing, cladding and weatherproofing, plumbing, electrical, heating and air conditioning.

Physical Needs Assessment (PNA)

A current assessment (defined as initial assessment was conducted or updated within previous 6 months) of the physical condition of all structures and property involved in the rental rehabilitation activity. A PNA is required at application for all rental acquisition and/or rehabilitation activities. Additional information may be requested at IHFA's discretion.

Professional Credentials

A professional architect/engineer will prepare the PNA for proposed rental activities, and be licensed/certified by the State of Idaho and be independent (arm's length) of the owner/developer.

Certification Statement

An architect or engineer must certify the report is accurate, and relied upon as a true assessment of the proposed rehabilitation budget, including all necessary replacement/repairs items needed to bring the entire property up to Idaho's building/residential codes, local property standards and ordinances, Section 8 Uniform Physical Condition Standards (UPCS), and other Federal Crosscutting Regulations, i.e. Fair Housing Act, Section 504, ADA, UFAS, HUD Lead Safe Housing Rule, and ASHRAE 90.1 for Multifamily buildings.

Inspectable Components

1. Site, includes topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, storm drainage, gas and electric utilities, playground, site furniture, irrigation system,

2. Where relevant, assess and document potential impact of natural disasters, (e.g. earthquake, flooding, wildfires) in accordance with State and local codes/ordinance

3. Estimate the useful remaining life of all Major Systems/Components based on their age and condition. For rental housing, the participating jurisdiction's standards must require the participating jurisdiction to estimate (based on age and condition) the remaining useful life of these systems, upon project completion of each major systems.

For multifamily housing projects of 26 units or more, the participating jurisdiction's standards must require the participating jurisdiction to determine the useful life of major systems through a capital needs assessment of the project. For rental housing, if the remaining useful life of one or more major system is less than the applicable period of affordability, the participating jurisdiction's standards must require the participating jurisdiction to ensure that a replacement reserve is established and monthly payments are made to the reserve that are adequate to repair or replace the systems as needed.

- Major Systems defined as: Structural support, roofing, cladding and weatherproofing, plumbing, electrical, heating, and air conditioning.

4. Exterior walls, balconies, exterior doors and windows, roofing system and drainage;

5. Interiors, including unit and common area finishes (carpeting, vinyl tile, plaster walls, paint condition, etc.), unit kitchen finishes and appliances, unit bathroom finishes and fixtures;

6. Common areas, lobbies and corridors

PNA must address:

Critical Repair Items- Any health and safety deficiencies/violations of building code and local property standards/code that require immediate remediation. If the Project has existing tenants, these are the first priority.

~~**Long-Term Physical Needs-** Estimate the useful life of all Major Systems/Components based on the age and condition of each system. Major Systems are defined as structural support; roofing; cladding and weatherproofing; plumbing; electrical; heating and air conditioning. Include the cost of repair and replacement of Major System~~

~~**Analysis of Replacement Reserve**- An estimate of the initial and monthly deposit to fund the long-term physical needs of the project. This estimate should account for inflation, any existing account balance, and the expected useful life of major building systems. Under this category, should not include the cost of the critical repair items, five-year physical needs, or any repair or replacement of items that would be treated as operating expenses.~~

PNA Report Requirements:

1. On-site inspections of **all** units and tenant common areas
2. Identify physical deficiencies based on (i) visual inspection and survey, (ii) review of pertinent documentation, and (iii) interviews with the property owner, management staff, tenants, community groups, and government officials.
   i. Include critical repair items that represent an immediate threat to health and safety and all other significant defects, deficiencies, items of deferred maintenance, and building code violations that may limit the expected useful life of the project, including major components and systems.
3. Explain how the Project will meet all accessibility requirements. Identify physical obstacles and describe methods that can be taken to make the project accessible.
4. Prepare a Rehabilitation scope of work following the HOME Rehabilitation Standards 2018 Annual Administrative Plan- Admin Plan Exh C
5. Determine the cost/benefit of each significant work item in the rehabilitation plan (items greater than $5,000) that will reduce operating expenses and/or tenant expenses (e.g., individual utility metering, extra insulation, thermo pane windows, and setback thermostats) ~~that represents an improvement or upgrade that will result in reduced operating expenses (e.g., individual utility metering, extra insulation, thermo pane windows, setback thermostats). Compare the cost of the item with the long-term impact on rent and expenses, taking into account the remaining useful life of Major Systems.~~

Preservation of affordable rental housing

See Rental Housing Preservation.

Project Completion Date (when the Period of Affordability begins)

The Period of Affordability will begin when a project is closed (completed) in HUD's Integrated Disbursement & Data System (IDIS). *Project completion is defined as the date the construction is completed and the units "are ready for occupancy and the final disbursement is made, and the project is completed in IDIS.*

The low-income beneficiary data for the HOME/HTF units must be reported to IHFA within 6 months of the project completion date. The project completion data MUST be entered into HUD IDIS within 120 days of the final draw of funds.

Purchase Option Agreement/Conditional Contract

Effective January 1, 2015, a Purchase Option Agreement and a Conditional Contract (see definition below) signed on or after this date must adhere to the following requirements:

Purchase Option Agreement
An agreement that does not impose any obligation upon the potential buyer to purchase the property. The Purchase Option Agreement obligates the seller to sell at the specified price, if the potential buyer exercises the option in the manner described in the contract.

★A Purchase Option Agreement can be used for any HOME/HTF/NSP-assisted activity, including new construction and the purchase of existing units.

Conditional Contract
A legal agreement between the potential buyer and the owner that includes conditions which must be met by both parties for the obligation to purchase to become binding.

★A Conditional Contract **can only be used for existing** residential properties

NEPA case law has determined entering into Purchase and Sales agreement (either a Purchase Option agreement or a Conditional Contract) is a choice-limiting action. Therefore, if the agreement is entered into before the environmental review is complete, it is a violation of 24 CFR 58.22, unless the following additional requirements are met.

1) The agreement includes the following (or similar intent) Environmental Review Clearance Clause:
   - "This agreement is subject to a determination by IHFA on the Desirability of the property for the project as a result of the completion of the environmental review in accordance with 24 CFR Part 58"
   - No transfer of title to the purchaser or removal of the environmental condition(s) in the purchase contract occurs unless and until IHFA determines, on the basis of the environmental review, the transfer to the buyer should go forward, and IHFA has obtained approval of a Request for Release of Funds and environmental certification, where applicable. IHFA shall use its best efforts to conclude the environmental review of the property expeditiously."
2) **For existing multi-family rental structures only -** The structure(s) is not located within a Special Flood Hazard Area;
3) The cost of the option should be a reasonable nominal portion of the purchase price. For multi-family, if the option is non-refundable deposit, it cannot exceed 3% of purchase price or less.
4) The term or automatic renewal language is sufficient to provide assurance the agreement will not expire prior to loan closing.
5) For single family, activities, a non-refundable deposit cannot exceed $1000
6) Once an Application or Exhibit S has been submitted to IHFA the ER Process has begun, and no choice-limiting activity(s) can be undertaken by an owner, developer, and/or contactor until a Request for Release Of Funds (RROF) has been issued. This includes expending any public or private funds AND/OR executing an agreement to conduct any of the following activities regarding a specific site:
   - Property acquisition
   - Rehabilitation
   - Conversion
   - Leasing
   - Renting
   - Repair
   - Construction
   - Demolition
7) Engaging in any choice-limiting activity before the entire Environmental Review process is complete may result in the denial of federal funds to the HOME/HTF/NSP project/activity.

Reconstruction

Residential building(s) rebuilt on the same site with the same number of units, are deemed reconstruction projects. **NOTE:** If additional units are added, the project is defined as new construction, with all applicable requirements.

Reconstruction of unit(s) if destroyed by a disaster, not standing on the site at the time of the commitment of funds, provided the funds are committed within 12 months of the date of the destruction of the units.

Rental Housing Preservation

An affordable rental housing project that currently receives a Federal project-based subsidy with rent restrictions and will continue to do so during the period of affordability.

Rural- Definition

Defined as an area with a population no more than 35,000 and "rural" in character. For qualifying areas in Idaho, see the USDA Income and Property Eligibility website is found at http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do

Special Housing Needs Populations

As defined in the Five-Year Consolidated Plan

- Age 62 years or older (At least one household member)
- Disabled (as defined by Federal law, Executive Order, HUD)
- Households with annual income ≤30% AMI

Sponsor

Owner and/or Developer

Standard Condition Housing

Prior to acquisition, a residential property meets applicable state and/or local code (for existing structures), local property/housing quality standard, and the Program's property standard.

Substandard Condition Housing

Prior to acquisition, a residential property does not meet one of the following: Applicable state and/or local code/property/housing quality standard, **or** Idaho's building code (for existing structures), **or** the Program's applicable Property Standard.

Substandard Condition But Suitable for Rehabilitation

Prior to acquisition, a residential property is defined as Substandard but can be brought up to the applicable existing state and local (applicable) code for existing structures and property/housing quality standards, and the applicable property standard, at a total project cost that is less than <75% of the property's replacement cost**.**

Rehabilitation

The repair or replacement of existing items needed to bring the property into compliance at closing with IHFA-Rehabilitation Standards (See 2018 Annual Administrative Plan- Admin Plan Exh. C which include Idaho and local codes, local property/housing quality standard, Program's Property Standard (UPCS for all rental housing/ HQS for all homebuyer), and cross-cutting Federal regulations such as Lead-based Paint, ADA, FHA, UFAS, etc.

Substantial Rehabilitation

The repair/replacement activity that takes place on a substandard housing property at a total cost that is greater than 75% of the property's total replacement cost.

If the activity is defined as Substantial Rehabilitation, then 5% of the rental dwelling units or a minimum of one (whichever is greater), must be made accessible to persons with mobility disabilities. In addition, 2% of the dwelling units, or a minimum of one unit (whichever is greater), shall be made accessible to persons with hearing or visual disabilities.

*At its discretion, IHFA may waive the 75% total replacement value threshold if the rehabilitation activity meets one of the following designations, and other conditions as IHFA deems appropriate

- The property currently serves a Special Needs population as defined in the current Five-Year Consolidated Plan
- The property receives Project-Based Rental Subsidy and will continue to do so during the period of affordability

Surplus Cash

~~When feasible, the annual payment requirement shall be fixed and required as an operating expense of the project, and the amount of the payment shall be determined by IHFA.~~ Any cash (excluding tenant security deposits) remaining at the end of each fiscal year of the Borrower after: (A) payment of all Project Operating Expenses for such fiscal year; (B) payment of all sums due or currently required to be paid under the terms of any Permitted Senior Loans encumbering the Project and the promissory note secured by such Permitted Senior Loans; and (C) payment of all amounts required to be deposited into any reserve for replacements to the Project, or any other special reserve funds required to be maintained by the Project under the Permitted Senior Loans or the Loan Documents, subject to IHFA consent, provided that amounts for required reserves that may also be Project Operating Expenses shall not be deducted more than once. Notwithstanding the foregoing, accrued Deferred Developer Fees, advances made under the Operating Deficit Guaranty, or any other operating advances to the property by the borrower or affiliates of the borrower may be repaid only from the borrower’s share of positive Surplus Cash.

Eligible Applicants

Includes the purchasing and/or rehabilitating rental housing, if not previously a principal in the ownership or management of the project to be rehabilitated, or the existing owner or manager of a project that can document the need for the rehabilitation is due to reasons beyond their control, such as long term disastrous economic conditions external to the project but existing in the community as a whole.

Property managers hired on an interim basis to manage properties in receivership or foreclosure that can demonstrate they meet the conditions of the interim management agreement and that the need for rehabilitation existed prior to becoming the management agent are excluded from this restriction.

IHFA reserves the right to work with eligible applicants to design a project that is consistent with the housing strategies and resource investment as identified in Idaho’s Five-Year Strategic Plan for Affordable Housing and Community Development programs.

SINGLE-FAMILY ACTIVITIES

Applicability

HOME/NSP Programs

Definitions & Requirements

1) **Assets and Calculating Income**
Income generated from an asset is recognized as a component of the Annual Gross Income calculation for program eligibility purposes. To comply with 24 CFR 5.609, IHFA first determines the assets, then compute the market and/or cash value of each asset, then determines the income from the asset which is included in the annual income calculation [Technical Guide for Determining Income and Allowances for the HOME Program-3rd Addition; January 2005: Pg. 13]

2) **IHFA Asset Limits**
Under Age 62 (all household members)
    - Household liquid assets at the time of application may not exceed $30,000.00, excluding retirement accounts;
    - Household liquid assets at closing may not exceed $15,000.00 (excluding retirement accounts);
    - Liquid assets over $15,000.00 can be used to pay down existing debt or invested into the property. Any other uses of excess funds must be approved by IHFA. Receipts from asset expenditure as well as new bank statements showing the balances at or below $15,000.00 will be required prior to closing;
    - Income from assets over $5,000.00 (interest, dividends, etc.) is required to be included in the income calculation.

Age 62+ (defined as one household member)
    - Household liquid assets cannot exceed $100,000.00 at application , excluding retirement accounts
    - Borrower must qualify for and accept a 1st mortgage
    - The household must be able to document need for the assistance

3) **Buy-Back Liability for Lender/Broker**
Exists if 1st mortgage is not purchased by IHFA or USDA-RD)

4) **Cash Back at Closing**
Any projected or proposed refund of eligible closing costs paid by the Borrower prior to closing must be fully documented and approved by IHFA-HOME Programs Department.

5) **Credit**
    - Credit Score consistent with the 1st lien guidelines
    - Borrower(s) must receive First Mortgage approval by IHFA, IHFA-approved Lender/ Broker or USDA-RD.
    - An acceptable copy of the current Tri-merge credit report is required.
    - Pay off collections, judgments, liens and other derogatory credit per Automated Underwriting findings of the 1st approval, subject to HOME Program's Department review and approval.

6) **Deed of Trust & Note**
Subordinated to the IHFA or USDA-RD first lien and evidenced by a recorded Deed of Trust

7) Default Event

An event that requires Borrower to repay the Note in full.

- Ceases to occupy the Property as his/her principle residence during the Period of Affordability
- Rents the Property without HOME Programs Department approval (Click here: Principal Residence Requirement Hardship Exceptions)
- Property is refinanced and HOME Program's Department determines the Note is due and payable
- Borrower gives materially false or inaccurate information or statements in connection with the loan, including, but not limited to, representations concerning Borrower's income
- Homeowner gives materially false or inaccurate information or statements regarding occupancy of the assisted property

8) Borrower Minimum Investment

Borrower minimum investment is $500. May be a documented gift.

9) Combined Loan To Value (CLTV)

Match LTV / CLTV of the 1st lien

10) Eligible Activities

- **(Temporarily Suspended) Down-payment/Closing Cost Assistance**
- **Homebuyer Properties Activity-**

  Owned and developed by IHFA-approved and qualified non-profit developers. Owner-Developer constructs or acquires then rehabilitates single-family unit(s) which are then sold to HOME/NSP qualified homebuyers within 9 months of completion of development activity.

11) Environmental Review (24 CFR 92.352) (24 CFR Part 58.35 b (5)

An appropriate level of Environmental Review and Clearance must be completed by IHFA prior to the commitment of HOME funds.

12) Fair Market Value

The HOME/NSP programs define Fair Market Value as the negotiated and/or final sales price as agreed upon by a willing seller and a willing buyer.

There are two methods to establish Estimated Fair Market Value for homebuyer activities. See Fair Market Value under Definitions Section of this Chapter

13) Income Targeting

As defined in 24 CFR 5.609, Idaho Housing and Finance Association uses the Part 5 Annual Income, known as Section 8 definition of annual (gross) income as guide to determining income eligibility

- HOME- Homebuyer household must be at or below 80% of the Area Median Income (AMI).
- NSP- Homebuyer household must be at 120% AMI or 50% AMI, as determined by IHFA (NSP 25% Rule)

14) Income Calculator

Lending partners and owner-developers are strongly urged to use the HUD-CPD Income Calculator when income qualifying homebuyers and tenants.

To create a secure account, go to CPD Income Eligibility Calculator - HUD Exchange

15) Homebuyer Eligibility and Approval

Amount is determined at the time IHFA enters into the written agreement with the homebuyer for HOME-assistance.

- Homebuyer Properties Activity- Prior to loan closing, homebuyer(s) may be required to self-certify the household income has not materially changed. If the unit is not sold to the previously qualified homebuyer within 6 months of the purchase contract, household income may be re-examined.

16) Homebuyer Education Course Requirement

All borrowers must complete an IHFA-approved Homebuyer Education course, i.e. *Finally Home®*

17) Homebuyer Minimum Investment

The borrower must make a minimum investment of at least $500. The contribution must be verifiable; may come from a fully documented gift;

- In the event the project involves “sweat equity” calculations, no additional cash at closing is required

18) Impounds

As required under 1st mortgage guidelines

19) Ineligible Loans & Programs

- Interest-Only,
- Hybrid
- Combo
- Variable Interest Rate
- Private land sales contracts
- Adjustable rate mortgages (ARM)
- Prepayment penalties

20) Loan terms

- Zero Percent (0%)
- Due-on-sale or default or non-compliance with conditions as identified in the Note

21) Maximum Homebuyer Sales Price Limit

1. (HOME)-Established by HUD-CPD, and updated on an annual basis. The limits are based on the median sales price of homes in the area. The limits are the maximum sales price of a residential unit to be sold to a HOME-assisted homebuyer.
   - Sales Price Limits are posted online http://www.idahohousing.com/ihfa/grant-programs/home-program.aspx Subject to change by HUD
2. (NSP)-The property must be sold to an NSP-eligible homebuyer at a price that is the lesser of (1) estimated fair market value or (2) the cost to acquire and develop the unit. This sales price cap helps ensure the price the homebuyer pays for an abandoned or foreclosed unit after rehabilitation/ redevelopment is affordable and reasonable, given what was invested in the unit.
   - NSP prohibits IHFA or the owner-developer from making a profit on the final sale of the property.

3. If a property is assisted with both HOME and NSP funds, the sales price to the homebuyer cannot exceed the HOME Maximum Sales Price Limit nor the total cost to acquire and develop the unit.

22) Minimum Homebuyer Eligibility Requirements

- (HOME) Total household income cannot exceed 80% of the Area Median Income (AMI)
- (NSP) As determined by IHFA, cannot exceed 120% or 50% AMI, depending on the NSP 25% Rule.
- Borrower(s) must be eighteen (18) years or older
- Borrower(s) must be US Citizen, or a Permanent Resident Alien, and/or a Non-permanent Resident alien with proof of permanent residency status
- Demonstrated need
- Occupancy Monitoring

23) NSP 25% Rule

25% of all NSP funds must serve households that are ≤50% AMI

24) Occupancy monitoring

Annual verification the homebuyer/household continues to occupy the assisted property as their principle residence. Verification will be continue during the affordability period as defined in the Deed of Trust Note. See principle residency exceptions-click here Principal Residence Requirement Hardship Exceptions

25) Passbook Rate

Passbook Savings Rate is needed to calculate household income from liquid assets over $5000. The passbook rate is updated by HUD.

Current rate is available on the IHFA website at https://www.idahohousing.com/federal-programs/home-program

26) Maximum PITI

HOME and NSP provide assistance to homebuyers to help with the acquisition of **affordable** housing. "Affordable" is defined as no more than 30% of a household's annual gross income spent on principal, interest, property taxes, and insurance (PITI). In most cases, assistance will be denied if the PITI is greater than 30% of a household's annual gross income or there is derogatory credit. However, on a case-by-case basis, an exception may be made if the homebuyer has a good credit history and minimal other debt.

Owner-developers may request a waiver (of a requirement) as identified in the plan if the waiver would be beneficial to the overall project, including the homebuyer. A waiver request should be submitted in writing to HOME Programs Department. Program regulatory requirements cannot be waived.

27) Maximum Sales Price Limit

(NSP)The property must be sold to an NSP-eligible homebuyer at a price that is the lesser of appraised value or the cost to acquire and develop the unit. This sales price cap helps ensure the price the homebuyer pays for an abandoned or foreclosed unit after rehabilitation/ redevelopment is affordable and reasonable, given what was invested in the unit. NSP prohibits IHFA or the owner-developer from making a profit on the final sale of the property.

(HOME)Section 215(b) of National Affordable Housing Act requires the purchase price of homeownership units not exceed 95% of the area median sales price, as determined by HUD-Community Planning and Development (CPD). Section 92.254(a)(2)(iii) of the Revised HOME

Rule established new homeownership value limits for HOME-assisted units. These new value limits apply to homeownership housing at the time the HOME funds are committed (See Exhibit E of this Plan for most current homeownership value (purchase price) limits).

28) Primary Mortgage

- A homebuyer must have a primary mortgage offer from an IHFA participating lender or mortgage broker prior to the application for funds. Standard Lending Program (FHA, VA, CONVENTIONAL, USDA-RD) https://www.idahohousing.com/homebuyers/find-a-lender-broker
- Fixed rate, non sub-prime
- Buy-back liability if the mortgage is not purchased by IHFA or USDA-RD

29) Property Standards

At the time of occupancy, the unit must meet State and local codes, local property standards, ordinances, and zoning State or local disaster mitigation requirements and Section 8 Housing Quality Standards (HQS)[1]

30) Properties- Eligible

- Single-family unit
- Two-four unit structure
- Condominium
- Manufactured Home-[Note: Idaho law allows manufactured home park community current residents to purchase an ownership share of real property to accumulate necessary equity for the acquisition from the current owner.]

31) Properties- Ineligible

- Rental
- Investment Properties
- Second Homes

32) Period of Affordability (POA)

Single-Family Homebuyer Activities	
Assistance to Homebuyer	**Period of Affordability**
Less than < $15,000	5 years & 3 months (63 months total)
$15,000-$40,000	10 years & 3 months (123 Months total)
Greater than >$40,000	15 years & 3 months (183 months) total)

[1] **HUD-CPD adopted the** Uniform Physical Condition Standards as the new HOME property standard for single-family homebuyer activities. However, until such time as HUD Office of Affordable Housing Programs implements UPCS as the HOME minimum property standard, HQS remains in effect as HOME's default property/housing quality standard (if no local standard exists).

- The period of time a homebuyer is required to reside in the assisted unit as their Principle Residence. During this POA, the unit cannot be rented out or left vacant (Click here for Principal Residence Requirement Hardship Exceptions)
  - The Principle Residence requirement in effect only during the POA and is enforced through a deed restriction.
- The homeowner is allowed to sell the assisted unit at any time, to any willing buyer, for whatever the market will bear.
- Loan default and subsequent foreclosure negates the Principle Residence requirement.
- At the sale or default, IHFA will attempt to recapture the loan to the homebuyer following the Recapture Option

33) Principle Residence Requirement
The Homeowner/household is required to reside in the property through the Period of Affordability (POA) as their principal residence.

34) Principal Residence Requirement Hardship Exceptions

(a) Service Members Civil Relief Act

Homeowner/Spouse- Allowed if the service member plans to return to the assisted nit within 30 days of the end of Active Duty. With HOME Program's Department approval, the unit can be leased during the period of Military Transfer/Deployment.

(b) Full time Post Secondary Education

Allowed if the homeowner's date of return is within 30 days of the end each academic school year. Exception must be renewed and approved each year the homeowner is in school. See below:

(a) Granting an exception includes submission of a written plan to return to the assisted unit and third party verification of the hardship (military transfer papers or a class schedule from the education institution).

(b) The plan to return to the assisted unit must include the anticipated date of return to the assisted unit.

(c) The Hardship Exception may be rescinded if the status of the hardship and the hardship consideration changes.

(d) During the homeowner's absence from the assisted unit, the assisted unit may be rented with HOME Program's Department approval.

35) Net Proceeds of Sale
Under IHFA's Recapture Option, net proceeds is defined as the sales price minus the repayment of all superior loan(s), homeowner's closing costs, any capital improvements, and their initial investment.

- Initial investment is defined as Borrower’s cash left in the purchase transaction paid at time of closing. (This investment was most likely in the form of the Earnest Money, and was documented on the HUD-1 Settlement Statement at time of purchase). To be counted as a capital improvement, homeowner must provide evidence of the expenditure, i.e. invoice and cancelled check.
- If the Net proceeds are insufficient to repay the entire HOME/NSP 2nd Lien, the amount subject to recapture (repayment) is limited to what is available from the Net proceeds.
- IHFA will attempt to recapture the entire amount of the HOME/NSP 2nd Lien from the borrower(s) as available from net proceeds. Any excess net proceeds (after repayment of the

senior liens, closing costs, and HOME/NSP 2nd Lien is calculated) belong to the Borrower(s).

36) Recapture Option

As defined at §92.254.5(ii), the Borrower(s) may sell the property at any time to any willing buyer for whatever the market will bear. When the Property is sold, the Borrower(s) is required to repay no more than the amount of the HOME/NSP 2nd Lien as available from the Net proceeds.

37) Reservation of HOME Funds

Copy of the 1st lien lock-in obtained through www.Idahohousing.com

38) Refinancing or Subordination

Note: If a Borrower with a HOME/NSP loan is planning to refinance the first lien, the HOME Programs Department must be contacted **prior** to loan approval.

- Refinancing a first lien may be considered only if it's an IHFA loan product
- Allowed only if the refinance is to lower the borrower’s current interest rate, principal, interest, taxes & insurance (PITI) payment
- The HOME/NSP loan may be subordinated only when the refinance is to reduce the interest rate or payment on the first lien. No cash-out refinance.

39) Seller Contribution/Financing

Seller-financed down payment products cannot be combined in a purchase transaction with DP/CC. If any create a lien, see Primary Mortgage Amounts and Combined Loan To Value (CLTV).

40) Senior Lien Approval

HOME/NSP will accept the senior lien approval process when completed through www.idahohousing.com or USDA-RD when homebuyer's PITI is ≤30% annual gross income

41) Uniform Relocation and Voluntary Sales Disclosure (VSD)

Required Documentation

VSD & URA Form must be signed by all parties prior to or at the time the purchase offer is made. No Exceptions to this requirement.

Voluntary Sale Disclosure - Voluntary Acquisition Informational Notice as required by 24 CFR 92.355 and 49 CFR 24.101(b)(2)(i) Completion of the Voluntary Sale/Environmental Review/Uniform Relocation Assistance Disclosure form See 2018 Annual Administrative Plan-Admin Plan- Exh. O for all required forms

DOWN PAYMENT AND CLOSING COST ASSISTANCE PROGRAM

Temporarily Suspended

DP/CC assistance is limited to the following areas: Boise, Coeur d' Alene, Post Falls, and Pocatello.

General Requirements

A HOME/NSP 2nd lien - Down Payment and Closing Cost Assistance (standard and reasonable soft costs for closing not including reserves and certain prepays).

Maximum Subsidy Limit

Standard HOME down-payment/closing cost assistance is a minimum HOME investment of $1,000.00 up to a maximum of 10% of the purchase price, not to exceed $14,999 (*based on need of gap financing)* HOME requires the homebuyer to qualify for and accept the largest first lien available.

Maximum amount of HOME funds on a per-unit basis in affordable housing may not exceed the per-unit dollar limitations established under section 221(d) (3) (ii) of the National Housing Act (12 U.S.C.

17151(d) (3) (ii) for elevator-type projects that apply to the area in which the housing is located (Reform Act of 1989 and HOME 92.250).

Occupancy Status of Property

- Must be vacant for a minimum 90 days prior to contract or owner-occupied (by the Seller).
- No rental units or tenant occupied property[1].

Manufactured Housing

Must comply with applicable state and local laws and codes as stated above with the following additional requirements:

- Must be connected to permanent utility hook-ups
- Attached to a permanent foundation and other site/foundation conditions as identified at 24 CFR 203.43(f)
- Located on land that is owned fee simple or a 99-year leasehold by the manufactured housing unit owner
- Must comply with manufacturer's written instructions for installation
- New Manufactured Housing must meet HOME Construction and Safety Standards of 24 CFR Part 3280

Subsidy Layering

- Lender is required to sign Form 10 – Lender's Certification of Borrower's Maximum Capacity, at the time the application for HOME/NSP funds is submitted.

- IHFA will invest HOME/NSP funds only in the amount needed in combination with other funding, to help a qualified homebuyer purchase a safe, decent (defined a Standard Condition) single-family unit. HOME/NSP funds will be the last funds added to the financing equation unless prior approval is received from IHFA-HOME.

[1] A rental unit may qualify as an exception if the tenant is the prospective homebuyer

Eligible Activity

Acquisition of existing or newly constructed (Certificate of Occupancy issued within 12 months of the sale) residential housing unit in Standard Condition Housing

Ineligible DP/CC Costs

- Reserves
- Repairs
- HOA dues or set-ups
- Irrigation dues or set-ups
- Collections/Judgments
- Tax Liens
- Delinquent taxes, fees or charges on property

Eligible Costs (24 CFR 92.206)

- Acquisition of real property to include land and existing structure
- Closing Costs-Industry standard and reasonable as approved by IHFA HOME Program
- Other costs incurred associated with the acquisition of the housing assisted with HOME/NSP funds as approved by IHFA HOME Program

No Pre-78 Housing Allowed

Property Inspection

- A full independent third party Home Inspection Report is required that complies with HQS requirements. IHFA staff will review the inspection report and additional property repairs may be required. A second inspection is required to verify repairs were made. The Home Inspection Report will not be approved until the HOME/NSP-assisted unit meets local applicable code, local property/housing quality standards, and *Section 8 Housing Quality Standards.* The following reports **must also** be submitted prior to approval:
    - Septic & Well (as applicable),
    - Professional Wood Stove, Fireplace insert (as applicable)
    - Any inspections required by the first mortgage loan or as outlined in the sale agreement,
    - Proof that the construction was completed according to all applicable building codes, and,
    - Certificate of Occupancy from the city/county, -see property standards listed above
    - **Form 09-**Local Property Standards
    - *USDA–Rural Development will provide Inspection Form 1924A, as applicable.

Property Standard

At loan closing the property must meet

a. Idaho Residential Code for Existing structures

b. Local housing quality standards

c. If no local housing quality standards exist, then Section 8 Housing Quality Standards[1]

[1] The Office of Affordable Housing Programs has not replaced the Section 8 Housing Quality Standard with (Uniform Physical Condition Standards) as of the date this plan is drafted for the 2018 calendar year. When OAHP implements the new HUD-prescribed physical inspection procedure for the HOME program, it will go into effect immediately for all new HOME commitment of funds.

d. Must be inspected by IHFA no earlier than 90 days before the commitment of HOME/NSP funds

e. Property must meet this standard at the time of loan closing

If the property was constructed within 12 months of project completion, it must meet New Construction property standards and HQS[1] property standards)

Principle Occupancy Requirement

As defined in the homebuyer's Deed of Trust/Note, the homebuyer must occupy the assisted property during the period of affordability. IHFA will attempt to get the homebuyer to return to the unit as the principle residence. Failure to do so will be defined as a default event, with the assistance to the homebuyer immediately due and payable. If the property is sold, IHFA will attempt to recapture the entire loan amount, as available from the Net proceeds of the sale. See Net Proceeds- click here

IHFA allows two principle residence exceptions: Active military transfer/deployment and full-time post secondary education. Click here for Principle Residency Exceptions

Ownership

Purchaser must occupy the home within thirty (30) days of loan closing.

- The buyer(s) will take ownership in fee simple title or maintain a minimum 99-year leasehold interest on an eligible property.
- For property held on Indian Lands Trust or Restricted Indian Lands, homeownership includes a 50-lease (see 24 CFR 92.2 Homeownership)

Ownership Interest

- The property is subject only to the restrictions on resale as required at 24 CFR 92.254(a); *mortgages, deed of trust,* or other liens or instruments securing debt on the property as approved by the Participating Jurisdiction, (PJ); or any other restrictions or encumbrances that do not impair the good and marketable nature of title to the ownership.

- The due-on-sale loan **must** be listed on the Final Title Report as a recorded lien against the subject property.

HOMEBUYER PROPERTIES ACTIVITY

Activity Description

Qualified non-profit development organizations and units of local government (may sponsor the following activities: New construction, acquisition/rehabilitation of eligible housing units to be sold to HOME/NSP-eligible low-income households. Unit must be sold (under contract) within 9 months of the Completion Date of the construction or rehabilitation work.

Land held in trust is not eligible for HOME/NSP funding.

HOME/NSP funds are awarded to a qualified non-profit project sponsor in the form of a loan (see Homebuyer Properties Maximum Subsidy Tables for activity type Click here: Maximum Subsidy Limits

Homebuyer must qualify for and accept the maximum amount of a first (1st) lien mortgage financing ***before*** IHFA determines the amount of HOME/NSP funds to the Homebuyer (see maximum allowable subsidy to homebuyer

Maximum Developer Fee

Up to 15% based on:

- Total development cost (includes HOME/NSP eligible and non HOME/NSP-eligible costs)
- Size of the development
- Type of development i.e. acquisition and/or rehabilitation or new construction
- Characteristics of the development, i.e. location, serving a priority housing need and/or rural community

~~Ineligible Properties~~

~~Pre-78 housing- Due to the complexity, potential liability, and current conflicting interpretations of HUD and EPA that directly affect Idaho, IHFA has determined it cannot award HOME funds to any activity (residential units) constructed on or before January 1, 1978. If Federal agency guidance becomes clear in the future, IHFA will re-assess this prohibition of Pre-78 housing.~~

Lead-Based Paint Requirements

IHFA will accept funding proposals/applications for acquisition and/or rehabilitation of residential housing constructed on or before January 1, 1978 under the following conditions:

1. Entities defined as the Owner-Developer or Developer must be an EPA-Certified Renovation Firm.
2. Funding proposal must include evidence the area in which the property is located has an adequate supply of EPA-Certified Risk Assessors/Renovation contractors and workers. This requirement will help ensure the project is completed within the specified timeframe and within the approved budget.
3. The Federally funded hard rehabilitation costs minus any Lead-based Paint costs (i.e. Lead-based Paint Inspection, EPA- Certified Risk Assessment, Interim Control of lead hazards, and clearance testing) cannot exceed $24,999 per unit.
4. A project assisted with HOME, HTF, NSP funds must comply with rules and guidelines of the EPA Renovation, Repair and Paint Rule and HUD's Lead-Safe Housing Rule, as amended @ 24 CFR Part 35, subparts B-R.

Additional LBP requirements under HUD's Lead Safe Housing Rule:
https://www.hud.gov/sites/documents/RRP_LSHR_GUIDANCE.PDF

See New Exhibit K of this Administrative Plan for additional general information.

Property Standards

At project completion the unit must meet the following:

New Construction

- State of Idaho most recent adopted Residential Building Code for new construction
- Local property/housing quality standards, codes, ordinances, zoning, as applicable
- Where relevant, the housing must be constructed to mitigate the impact of potential disasters such as earthquakes, hurricanes, flooding and wildfires, in accordance with State and local codes, ordinances, or other State and local requirements, or such other requirements as HUD may establish.
- Accessibility standards as applicable to federally-assisted homeownership housing
- Section 504 as applicable to federally-assisted homeownership housing

  - Development should consider a request for a reasonable modification/accommodation. Developer will determine is the request is feasible.

- Americans with Disabilities Act (ADA) as applicable to federally-assisted homeownership housing applicable to federally-assisted homeownership housing
- Uniform Federal Accessibility Standards (UFAS)- as applicable to federally-assisted homeownership housing

Newly Constructed or Newly Rehabilitated Housing

- Unit constructed or rehabilitated within 12 months of the date of the commitment of HOME funds.
- Must meet the applicable local and/or state code for new construction, standards, and ordinances.

Rehabilitation of Existing Housing

IHFA Rehabilitation Standards as identified at Exhibit C of the current Annual Administration Plan (2018 Annual Administrative Plan- Admin Plan Exh. C)

All major systems to have a remaining useful life for a minimum of 5 years or for such longer period specified by the participating jurisdiction, or the major systems must be rehabilitated or replaced as part of the rehabilitation work. Any identified deficiencies will require repair or replacement prior to the sale to the homebuyer.

IHFA Home Inspection Identifies the scope of rehabilitation work.

Completion Date

(NSP)- Defined as the date all necessary development (construction or rehabilitation) work is complete and the unit has received a final inspection as required by IHFA

(HOME/HTF)- Defined as the date all necessary development (construction or rehabilitation) is complete, and the project is closed out in IDIS (HUD's Integrated Disbursement and Information System)

Conversion of Homeownership Unit to a Rental Unit

(HOME) 2*4 CFR §92.254(a)*(3) requires IHFA to convert any homebuyer housing unit to a rental housing unit if the unit is not sold (ratified sales contract) with an eligible homebuyer within nine (9) months of the completion date (defined above)

- If converted, the rental housing unit must comply with all provisions of rental housing, as found at 24 CFR 92.252 for the period of affordability.

Maximum Subsidy Limits

The maximum amount of HOME/HTF/NSP funds that IHFA can invest on a per-unit basis. Limits are established by HUD-CPD on an annual basis and are based on Section 234-Condominium Housing basic mortgage limits, for elevator-type projects. Under Resources see most current Per Unit Subsidy Limits

Maximum Sales Price Limits to Homebuyers

HOME Program

Section 215(b) of National Affordable Housing Act requires the purchase price of homeownership units not exceed 95% of the area median sales price, as determined by HUD-Community Planning and Development (CPD). Section 92.254(a)(2)(iii) of the Revised HOME Rule established new homeownership value limits for HOME-assisted units. These new value limits apply to homeownership housing at the time the HOME funds are committed (See Exhibit E of this Plan for most current homeownership value (purchase price) limits).

NSP Program

The property must be sold to an NSP-eligible homebuyer at a price that is the lesser of appraised value or the cost to acquire and develop the unit. The sales price limit helps ensure the price the homebuyer pays for an abandoned or foreclosed unit after rehabilitation/redevelopment is affordable and reasonable given what was invested in the unit.

NSP prohibits IHFA or the owner-developer from making a profit on the final sale of the property to the homebuyer

Maximum Subsidy Limits to Homebuyer

Per unit Maximum HOME Subsidy to Homebuyer	
Minimum $1,000.00 to a Maximum Permanent Loan based on need of the Borrower	Up to 10% of appraised value or sales price whichever is less[1]

Eligible Project Sponsors

- IHFA Certified CHDOs
- Other qualified 501(c)(3) housing development organizations
- Local unit of government

[1] All homebuyer subsidy, qualification, and eligibility requirements apply

HOMEOWNER VOUCHER PROGRAM (HOV)

The HOV program allows Section 8 Voucher Holders with disabilities to utilize voucher subsidy as a source of income to repay a home loan. Qualified heads of households or spouses with a disability, can apply for approval to participate in the HOV program, which compliments a mortgage loan with HOME down payment/closing cost assistance.

Eligible Activity

Down Payment Assistance/Closing Cost(s) Assistance for Section 8 Voucher holders with disabilities

Homebuyer Eligibility Requirements

- Must be a current Section 8 Voucher Holder
- Housing Authority or Rental Assistance with a Homeownership Program
- Completion of the *Finally Home*!® homebuyer education course by all homebuyers
- Income ≤ 80% AMI
- Standard lending programs such as FHA, VA, Conventional, USDA-RD

TENANT-BASED RENTAL ASSISTANCE (TBRA) PROGRAM

Should IHFA ever consider implementing a HOME TRBA program, the public would be invited to give input and comment.

IHFA's HOME Tenant Based Rental Assistance program is currently defined as rental assistance provided to persons/families under the following conditions:

1) Displaced from emergency shelters due to closure

2) Persons/ families displaced because of a Presidentially Declared Disaster/Governor Declared Disaster.

General Conditions

Effective April 1, 2004, US Department of Housing and Urban Development (HUD) allocations of HOME Investments Partnership program funds may be used to provide affordable rental housing through HOME Tenant Based Rental Assistance (TBRA). TBRA is defined as a form of rental assistance modeled on the Section 8 Housing Choice Voucher Program.

- IHFA's TBRA program will provide rental assistance to *homeless persons/families[1]
- Displaced from emergency shelters due to closure of the shelter;
- Displaced due to a "Presidentially Declared" disaster, or "Governor Declared" disaster.

Eligible recipients

- Displaced from emergency shelters due to closure of the shelter
- Persons displaced due to a Presidentially Declared Disaster or Governor Declared Disasters
- Special Needs population(s) as identified in this plan.

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[1] *"Homeless" is defined for the purpose of this program as a person who, on one particular day or night, does not have a decent, safe shelter to stay or sufficient funds to purchase one. This includes families who can provide proof of imminent housing loss or are currently residing in homeless shelters.*****Homeless families include persons who are pregnant or have one or more children under the age of 18.

Eligible activities

- TBRA grant funds may be used for one or more of the following activities:
- Rent subsidy payments to owners on behalf of tenant for up to 24 months/ per tenant.
- Security and/or utility deposit payments for rental units. The amount of TBRA funds that may be provided for security and/or utility deposits may not exceed the equivalent of two month's rent. Utility deposit assistance may be provided only in conjunction with rental assistance.

Ineligible activities

- Providing project-based rental assistance;
- Allowing the "portability" of TBRA outside of the state of Idaho;
- Providing rental assistance for tenants with other rent subsidies;
- Other ineligible activities listed in the Code of Federal Regulations for the HOME Program at 24 CFR 92.214.