

**HOME HOMEBUYER AND REHABILITATION (HHR) PROGRAM
AND
HOUSING COST REDUCTION INITIATIVE (HCRI) PROGRAM**

2012-2014 APPLICATION PACKAGE

GENERAL PROGRAM INFORMATION

SUBMISSION DEADLINE: MONDAY, NOVEMBER 12, 2012

**DEPARTMENT OF ADMINISTRATION
DIVISION OF HOUSING**

SEPTEMBER 2012

GENERAL PROGRAM INFORMATION

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GENERAL PROGRAM INFORMATION

PURPOSE

The Wisconsin Department of Administration, Division of Housing (DOH) makes HOME Homebuyer and Rehabilitation (HHR) and Housing Cost Reduction Initiative (HCRI) program funds available to eligible applicants through a biennial funding cycle. The funds are awarded to communities and local housing organizations to fund a range of activities that build, buy, and/or rehabilitate affordable housing for low-income homeowners, homebuyers, and renters.

Funding for the HHR program is provided by the U.S. Department of Housing and Urban Development through the Home Investment Partnerships (HOME) Program. The HOME Program was created by the National Affordable Housing Act of 1990 (NAHA). The HOME program is designed to reinforce several important values and principles of community development:

- ∞ HOME's flexibility empowers communities to design and implement strategies tailored to their needs and priorities.
- ∞ HOME's emphasis on consolidated planning expands and strengthens partnerships among all levels of government and the private sector in the development of affordable housing.
- ∞ HOME's requirement that every dollar in program funds be matched with 25 cents from nonfederal sources mobilizes community resources in support of affordable housing.

The *Consolidated and Further Continuing Appropriations Act of 2012* (P.L. 112-55) imposed new requirements on projects that receive FY 2012 funds from the HOME Program. The purpose of the requirements is to improve project and developer selection and to ensure that there is adequate market demand for FY 2012 HOME Projects.

Funding for the HCRI Program is provided by the State of Wisconsin. The HCRI program is designed to provide direct financial assistance to reduce the housing costs of low- and moderate-income (LMI) households. HCRI funds available through this application process may be used for assistance for eligible homebuyers and eligible homeowners facing foreclosure.

DEFINITIONS:

Accessibility: for the HOME program, a modification to ensure an existing housing unit is usable by individuals with mobility or sensory impairments is considered rehabilitation.

Activity: means a site or sites together with any building (including a manufactured housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking.

Activity Completion: all necessary title transfer requirements and construction work have been performed; the activity complies with all HOME requirements; the final payment request has been disbursed for the activity; and the activity Completion Report has been submitted to DOH.

Adjusted Income: under the HHR program, adjusted income is need for calculating the rent for a tenant in a HOME-assisted rental unit whose rent must be adjusted because the household income increases above 80% of county median income. Adjusted income is NOT used for owner-occupied rehabilitation or homebuyer programs.

American Dream Downpayment Initiative (ADDI): was a new component of the HOME program designed to make downpayment assistance available for low-income families who are first-time homebuyers of single-family housing. ADDI was only funded for fiscal years 2004-2007.

Annual Income: DOH uses the definition in 24 CFR Part 5 (Part 5 Annual Income). This definition is used by a variety of Federal programs, including the Section 8 program, and was commonly referred to as the Section 8 definition. The Part 5 definition is the gross amount of income of all adult household members that is anticipated to be received during the upcoming 12 months.

CHDO: A Community Housing Development Organization (CHDO) is a private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity of develop affordable housing for the community it serves.

CHDO Reserve Project: Eligible activities include the following when carried out by a CHDO acting as an owner, sponsor or developer: (1) acquisition and rehabilitation of rental housing; (2) new construction of rental housing; (3) acquisition and rehabilitation of homebuyer properties; (4) new construction of homebuyer properties.

Community Housing Development Organization (CHDO): a private, nonprofit, community-based service organization that has staff with the capacity to develop affordable housing for the community it serves. A portion of the HOME allocation is set aside for housing development activities in which qualified CHDOs are the owners, developers, and/or sponsors of the housing.

Collaborative Application: a single application submitted by two or more eligible applicants. Each applicant will administer a portion of the funds. One agency will be designated as "lead agency" for contracting purposes.

Down Payment: a percentage of the purchase price paid at closing. The required amount varies by the loan/mortgage product the financing buyer receives.

First-time Homebuyer: an individual who meets any one of the following criteria:

- ◆ An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).
- ◆ A single parent who has only owned with a former spouse while married.
- ◆ An individual who is a displaced homemaker and has only owned with a spouse.
- ◆ An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.
- ◆ HOME does NOT require buyers to be first-time buyers.

Gap Financing: a form of HOME assistance used to reduce monthly carrying costs for homebuyers. The homebuyer is provided financing to reduce the principal amount that s/he must borrow. The intent is to help ensure affordability and sustainability for the household.

Handicapped: a physical or mental impairment which substantially limits one or more of a person's major life activities; or a record of having such an impairment; or being regarded as having such an impairment, but such term does not include current, illegal use of or addiction to alcohol or a controlled substance as defined in section 102 of the Controlled Substances Act 21 USC 802.

HOME Funds: HOME Investment Partnerships Program funds granted by the Department of Housing and Urban Development (HUD) to the Wisconsin Department of Administration. DOH subsequently awards the funds to eligible subrecipients that use them to fund activities that build, buy, and/or rehabilitate affordable housing. For subrecipients, HOME funds include all contracted funds, plus all repayments and interest or other returns on the investment of these funds.

Household: one or more persons occupying or planning to occupy a housing unit.

Housing Quality Standards (HQS): is the minimum standard to determine the acceptability of a housing unit assisted with HOME funds. All housing units assisted with HOME funds must pass HQS standards within 6 months of receiving assistance.

Low Income: gross annual household income at or below 80 percent of the county median income adjusted for household size.

Match: the applicant's contribution to the HOME program—the local, non-federal contribution to the partnership. The match contribution should equal at least 25 percent of the HOME activity funds per contract.

New Construction: the creation of new dwelling unit(s) on an undeveloped site.

Participating Jurisdiction (PJ): a unit of government that receives HOME funds directly from HUD. Other HOME PJs are not eligible to receive State HOME funds. Current HOME PJs include the counties of Dane, Jefferson, Milwaukee, Ozaukee, Rock, Washington, and Waukesha and the cities of Eau Claire, Green Bay, Kenosha, LaCrosse, Madison, Milwaukee, Racine, and West Allis.

Program Income: gross income received by the grantee directly generated from the use of HOME funds or matching contributions.

Project-Related Soft Costs: costs directly related to carrying out a specific HOME activity. These costs may be charged as project/activity costs. They include: appraisals, construction inspections and oversight, homebuyer counseling, preparation of work specifications, risk assessments, relocation services. The total of project-related soft costs may not exceed 15 percent of the activity cost, with the exception of relocation services.

Reconstruction: rebuilding a structure on the same lot where housing is standing at the time of activity commitment. HOME funds may be used to build a new foundation or repair an existing foundation, replace a substandard house with a new house. The activity is classified as rehabilitation for set-up.

Refinancing: refinance existing debt on single-family, owner-occupied and rental properties in connection with HOME-funded rehabilitation. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable. Refinancing for the purpose of taking out equity is not permitted.

Rehabilitation: under the HOME program is considered to be permanent, essential repairs to the home. These repairs are intended to ensure that the home meets all applicable local building codes and passes a Housing Quality Standards inspection.

Religious Activities: Organizations that receive funds through the HOME program may not engage in inherently religious activities, such as worship, religious instruction, or proselytization, as part of the programs or services directly funded under this program. If an organization conducts such activities, the activities must be offered separately, in time or location, from the program activity and participation must be voluntary for the program beneficiary.

Very-low Income: gross annual household income at or below 50 percent of the county median income adjusted for household size.

Visitability: the ability of a handicapped individual to visit a home. All new construction assisted through the HHR program must be visitable. To be considered visitable the unit must have at least one at-grade access and useable bathroom (with a sink and toilet) and all interior passage doors on the main floor providing a minimum of 32" of clear passage space.

Working Agreements: informal arrangements between agencies that relate to providing services or referrals for services.

HOME SINGLE-FAMILY AND RENTAL REHABILITATION HOUSING (HOME HHR)

A. FUNDS AVAILABLE

Approximately \$9,547,000 in HOME program funding is available for the HOME Homebuyer and Rehabilitation Program. This includes approximately \$1.1 million in HHR CHDO funds. The funds will be released to successful applicants in two phases:

- ◆ Phase One funding will be available upon completion of all contract documents. Phase One funding is subjected to the Fiscal Year 2012 HOME Appropriation Requirements.
- ◆ The second phase funding will be available in fall 2013 conditioned upon substantial progress in phase one and HOME fund availability.

Applicants may apply for funding for the following types of HOME activities:

- ◆ homebuyer assistance,
- ◆ owner-occupied rehabilitation,
- ◆ rental rehabilitation (up to a 4-unit, one unit must be occupied by the property owner),
- ◆ CHDO reserve activity—this may include rental construction up to four-unit buildings.

Actual funding requests should be based upon agency capacity, service area, type of HOME activities proposed, and availability of program income. Applicants are strongly encouraged to work together with other housing organizations in their geographic area to minimize duplication of services in overlapping service areas.

A match equal to 25 percent of activity funding is required. Funds must be from non-federal sources and be a permanent contribution to the HOME activity.

The State of Wisconsin HOME funds are allocated among 7 geographic areas. The DOH reserves the right to transfer funds between regions based on the number and quality of applications submitted.

- Region 1: Funding Allocation: \$1,527,500.00
Counties: Grant, Green, Iowa, Kenosha, Lafayette, Racine, Richland, Walworth;
- Region 2: Funding Allocation: \$1,432,200.00
Counties: Adams, Columbia, Crawford, Dodge, Juneau, LaCrosse, Monroe, Sauk, Vernon;
- Region 3: Funding Allocation: \$1,336,500.00
Counties: Barron, Buffalo, Chippewa, Dunn, Eau Claire, Jackson, Pepin, Pierce, Polk, St. Croix, Trempealeau;
- Region 4: Funding Allocation: \$1,145,600.00
Counties: Ashland, Bayfield, Burnett, Clark, Douglas, Iron, Price, Rusk, Sawyer, Taylor, Washburn;
- Region 5: Funding Allocation: \$1,336,500.00
Counties: Brown, Florence, Forest, Langlade, Marinette, Menominee, Oconto, Oneida, Shawano, Vilas;

Region 6: Funding Allocation: \$1,336,500.00
Counties: Lincoln, Marathon, Marquette, Outagamie, Portage, Waupaca, Waushara, Wood;

Region 7: Funding Allocation: \$1,432,200.00
Counties: Calumet, Door, Fond du Lac, Green Lake, Kewaunee, Manitowoc, Sheboygan, Winnebago.

The HOME funds may be awarded anywhere in the State that does not otherwise receive HOME funds as a Participating Jurisdiction.

B. ELIGIBLE APPLICANTS

1. ELIGIBLE ORGANIZATIONS UNDER THE HOME PROGRAM

- ◆ The governing body of a county, city, village, or town;
- ◆ The elected governing body of a federally-recognized American Indian tribe or band in the State of Wisconsin;
- ◆ A public agency or nonprofit organization;
- ◆ A faith-based or religious organization, as long as the funds are not used to support inherently religious activities.

INELIGIBLE APPLICANTS

- ◆ HOME Participating Jurisdictions:
 - Cities of Eau Claire, Green Bay, LaCrosse, Madison, Milwaukee, and Racine;
 - Counties of Dane, Milwaukee, and Rock;
 - The Jefferson, Ozaukee, Washington, Waukesha County Consortium;
 - Any entity planning to develop projects or provide assistance with State HOME funds in any other HOME Participating Jurisdiction.
- ◆ DOH does not make funding awards to individual households.

An applicant/lead agency may submit only one 2012 HOME Program application per competition. An agency may collaborate on more than one application.

2. PRIOR RECIPIENT ELIGIBILITY

To be eligible for the 2012-2014 HOME Program competition, an applicant (including collaborating agencies) with prior HOME Homebuyer and Rehabilitation (HHR) awards must show evidence of project progress and/or completion. This evidence includes but is not limited to (as applicable):

- ◆ Applicants having HHR contracts from 2008 and earlier must have submitted all closeout documents to DOH as required (final reports, project completion reports, etc.).
NOTE: 2008 HHR contracts with extensions through December 2012 must follow 2010 contract thresholds stated below.

Applicants having 2010 HHR contracts and amendments must have:

- **Phase 1** program funds 100% committed and show at least 80 percent of projects completed by October 31, 2012;
- **Phase 2** program funds 50% committed by October 31, 2012;

- Accomplished at least 80 percent of the total goals contracted (units) for the quarter ending September 30, 2012.
- ***Recipients who received Phase 1 funding only must have accomplished 80 percent of contract goals for the quarter ending September 30, 2012.***

Applicants having identified violations of the HOME Final Rule and/or related audit or monitoring findings from any Division of Housing and Community Development housing contracts must have them resolved to the Division's satisfaction prior to December 1, 2012.

C. ELIGIBLE ACTIVITIES

1. HOMEBUYER:

Awards must be used to assist low-income households to purchase a single-family home that will be used as their principal residence.

Homebuyer programs can be structured in a number of ways to encourage the acquisition, acquisition and rehabilitation, or the new construction of affordable homes. Program design will be guided mainly by local needs and the local housing market.

Eligible activities include:

- a. Acquisition: There are two approaches to acquisition:

Down payment/closing cost assistance: Eligible homebuyers can be helped to purchase affordable homes by using HOME funds to provide lender-required down payment and/or closing cost assistance.

Gap financing: reducing the monthly carrying costs of a loan from a private lender. Reducing the monthly carrying costs by providing gap financing reduces the size of the monthly payment by reducing the principal amount that the buyer must borrow.

Homes must be inspected and all code and HQS fail items must be corrected.

HOME funds may be used to purchase land as long as:

- construction begins within 12-months of purchase;
- housing unit(s) is completed within the timeframe of the contract;
- the unit(s) constructed is sold to an eligible homebuyer within six months of completion/issuance of a Certificate of Occupancy.

NOTE: New construction single-family units not sold within the six-month timeframe shall be converted to rental or the HOME funds must be repaid.

- b. Acquisition and Rehabilitation: There are two acceptable approaches to this activity:

The grantee may acquire and rehabilitate, vacant, substandard properties to be sold after rehabilitation to low-income purchasers.

The grantee may provide assistance directly to the homebuyer to have the rehabilitation completed immediately after the purchase. The grantee may offer the rehabilitation loan in addition to the down payment and closing cost assistance discussed above.

- c. New Construction: The grantee may develop single-family housing. In areas where there is an insufficient supply of appropriate affordable housing, the grantee may want to provide subsidies to stimulate construction of new housing. If the grantee provides a developer a

subsidy or acts as developer, the developer can then offer the home at a lower sales price that presents a lower burden to low-income homebuyers. The development subsidy is generally a grant to the developer. If no additional down payment assistance is provided directly to the homebuyer, a **deed restriction** will be required ensuring the property remains affordable housing for the required affordability period.

- d. Lease-Purchase: The grantee or developer owns the unit and leases it to an eligible homebuyer. Ownership must be conveyed to an eligible homebuyer within 36 months of signing the lease-purchase agreement, or within 42 months of activity completion. If at the end of the 36-month period, the household occupying the lease-purchase unit is not eligible or able to purchase the unit; the grantee has an additional six months to identify an eligible homebuyer to purchase the unit. If the unit remains unsold, it must be converted to rental or the HOME funds repaid.

2. OWNER-OCCUPIED REHABILITATION ACTIVITIES:

HOME funds may be used to assist eligible homeowners with the repair, rehabilitation or reconstruction of their primary residence, as follows:

- a. Rehabilitation: This includes the alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds. Rehabilitation may include adding rooms outside the existing walls of a structure if done to alleviate overcrowding.
- b. Refinancing: Is the refinancing of existing debt on single-family, owner-occupied properties **in connection with rehabilitation**. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable. Refinancing for the purpose of taking out equity is not permitted.

Refinancing to prevent foreclosure is not an eligible HOME activity.

HOME funds cannot be used to refinance Federal debt (e.g., FHA loan).

- c. Reconstruction: The rebuilding of a structure on the same lot where housing is standing at the time of project commitment. Reconstruction also includes replacing a substandard manufactured house with a new manufactured house.

NOTE: Replacing a manufactured housing unit with a stick-built unit is considered a homebuyer activity even if the applicant/beneficiary owns the lot and existing manufactured.

CHDOs: Owner-occupied rehab is not an eligible CHDO reserve activity.

3. RENTAL REHABILITATION TWO- TO FOUR-UNIT OWNER-OCCUPIED PROPERTY:

HOME funds may be used to assist in the repair of existing rental housing in a two- to four-unit property, if one of the units is owner-occupied and/or for development of rental property up to and including 4 units.

- a. Rehabilitation: The alteration, improvement or modification of an existing structure to correct health and safety violations, meet local building codes, and/or pass Housing Quality Standards.

b. Eligible Project Costs for Assisted Rental Units:

Hard costs: construction materials and labor;

Soft costs: credit reports, appraisals, architectural/engineering fees, including plans and specifications; inspection and testing fees.

Mixed income projects:

if units are not comparable, the actual costs must be determined and allocated unit by unit; costs associated with common areas of the building must be prorated; the property owner must provide proof that the balance of funds is available.

Rental Agreement: Must be completed between the grantee and property owner which includes at least the following items:

- ◆ **Units assisted:** total number of units in project vs. the number of HOME-assisted units assisted.
- ◆ **household income:** the property must be rented to households at ≤60 percent County Median Income (CMI) at time of assistance and at ≤80 percent CMI for the duration of the affordability period.
- ◆ **income recertification:** tenant income must be recertified annually and every 6 years must be verified with source documentation.
- ◆ **deed restriction:** property must be deed restricted for the duration of the affordability period, the restriction stays in place even if the property is sold.
- ◆ **property inspections:** units must comply with HOME property standards throughout the affordability period. On-site inspections must be conducted during the period of affordability according to the total number of units in a project:
 - 1-4 units = inspection every 3 years,
 - 5-11 units = inspection every 2 years,
 - >11 units = inspection annually.

Rental properties must comply with:

- ◆ Title VI of the Civil Rights Act of 1964;
- ◆ The accessibility requirements of the Fair Housing Act;
- ◆ Section 504 of the Rehab Act of 1973;
- ◆ Executive Order 11063; and
- ◆ HUD regulations to promote greater choice of housing opportunities.

4. CHDO RESERVE ACTIVITIES

CHDO reserve (set-aside) funds may be used by CHDOs for those HOME activities where the CHDO acts as the developer, sponsor and/or owner of the housing. Those roles are defined as follows:

- ◆ **Owner:** The CHDO is an “owner” when it holds valid legal title to or has a long-term (99-year) leasehold interest in a rental property. The CHDO may be an owner with one or more individuals, corporations, partnerships or other legal entities. The CHDO may also be the owner and developer of its own project. The CHDO may own a property in partnership with either a majority or minority interest. However, the CHDO must be the managing general partner with effective control (decision-making authority) of the project.
- ◆ **Developer:** The CHDO is a “developer” when it either owns a property and develops a project, or has a contractual obligation to a property owner to develop a project. If the CHDO owns the property, it must obtain financing and rehabilitate/construct the project.

For HOME-assisted rental housing: At project completion, the CHDO may maintain ownership and manage the project over the long-term or transfer the project to another entity for long-term ownership and management.

For HOME-assisted homebuyer projects: The CHDO transfers title of the property and the HOME obligations to an eligible homebuyer within a specified timeframe of project completion (6 months).

Property not owned by the CHDO: There must be a contractual obligation with the owner to obtain financing and rehabilitate or construct the project. Under this scenario, the CHDO assumes all of the risks associated with being the project developer. If the CHDO develops the property for an owner pursuant to a written or other agreement with the Division of Housing, the CHDO is acting in the capacity of a subrecipient.

- ◆ **Sponsor:** A CHDO is a “sponsor” for HOME-assisted rental or homebuyer housing according to the circumstances as follows:

For HOME-assisted rental housing: The CHDO develops a project that is solely or partially owns and agrees to convey ownership to a second nonprofit organization at a predetermined time. The conveyance may take place prior to, during or upon completion of the development phase.

The HOME funds are invested in the project owned by the CHDO sponsor.

The CHDO sponsor must identify the particular nonprofit organization that will obtain ownership of the property **prior to commitment** of the HOME funds.

The other nonprofit organization must be financially and legally separate from the CHDO sponsor.

For HOME-assisted homebuyer’s program: The CHDO owns a property, then shifts responsibility for the project to another nonprofit at some specified time in the development process. The second nonprofit in turn transfers title, along with the HOME loan/grant obligations and resale requirements, to a HOME-qualified homebuyer within a specified timeframe.

The CHDO must always own the property prior to the development phase of the project. Direct homeownership assistance to a homebuyer eligible for the reserve, provided the assistance is used toward the purchase of a residence owned, developed or sponsored by a CHDO using HOME assistance.

CHDO certification must be current (within one year of the application).

D. OTHER HOME PROGRAM REQUIREMENTS

1. AFFORDABILITY PERIODS:

To ensure that HOME investments yield affordable housing over the long-term, HOME rules impose occupancy requirements on homebuyer and rental activities. The affordability period relates to the length of time during which a HOME-assisted unit must remain available for a low-income buyer or renter. (Affordability period requirements do not apply to owner-occupied rehabilitation activities.)

- a. **Homebuyer Programs:** The HOME program sets affordability periods that relate to the resale of assisted homebuyer property based on the amount of HOME funds provided for the property as follows:

<\$15,000 = 5 years
\$15,000 - \$40,000 = 10 years
>\$40,000 = 15 years

DOH utilizes the **recapture option** of the HOME Final Rule for controlling the sale of homebuyer properties during the affordability period.

The recapture option is a mechanism to recapture all or a portion of the direct HOME subsidy to the buyer if s/he decides to sell the house *within the affordability period* at whatever price the market will bear. Applicants should review their loan documents to ensure that they include language that specifies that the funds recaptured shall be from available net proceeds.

Properties that receive **development subsidies only** (i.e., no direct financial assistance to the homebuyer) are required to meet resale requirements. The resale option ensures that the HOME-assisted unit remains affordable over the entire affordability term. The grantee must use deed restrictions, land covenants or other similar legal mechanisms to enforce these resale restrictions.

- b. **Rental Programs:** HOME-assisted rental units must abide by rent, occupancy, and lease restrictions for varying lengths of time, depending upon the average amount of HOME funds invested per unit.

All assisted rental property must be deed restricted for the duration of the affordability period. [The deed restriction is filed separately from the mortgage. The rental restriction contained in the deed restriction runs for the duration of the affordability period, regardless of whether the property is sold.]

The minimum affordability period for rehabilitation of existing rental housing is based on the same average per-unit subsidy limits that are shown above for Homebuyer Programs. The affordability period for new construction rental units is 20 years.

Every HOME-assisted rental unit is subject to rent limits designed to help make rents affordable to low income households.

2. PURCHASE PRICE/AFTER REHAB VALUE:

The value of any homebuyer/homeowner-occupied unit may not exceed 95 percent of the median purchase price for that type of single-family housing for the area, as published by HUD. For acquisition only property (property not requiring rehab), the appraised value of the unit may not exceed 95 percent of the area median purchase price for that type of housing. For acquisition and rehabilitation the value of the property after rehabilitation may not exceed 95 percent of the area median purchase price for that type of housing.

The after-rehabilitation value must be established prior to investment of HOME funds. The after-rehabilitation value establishes project eligibility. Purchase price/value limits are found in the Attachments section of the application.

3. PER UNIT SUBSIDY LIMITS:

The minimum amount of HOME funds in any activity is \$1,000. The minimum only relates to HOME funds, and not to any other funds that might be used for activity costs. The maximum per-unit HOME subsidy limit is determined by HUD based on the State's Section 221 (d)(3) program limits each year. Maximum per unit subsidy limits are found in the Attachments section of the application.

For existing rental properties participating in the HHR program, the maximum subsidy is \$25,000 per unit (average cost per unit) plus relocation costs (as needed).

The amount of funding for a CHDO project is limited by the square footage of each individual unit. The maximum assisted units for new construction is four. There are further requirements for the accessibility features of all HOME rental new construction. Universal design features are encouraged; *mandatory accessibility requirements for 100% HOME-funded new construction units include:*

1. Lever-style handles on all interior doors.
2. Bath/kitchen faucets being replaced or initially installed must be single-level type.
3. Non-skid tub/shower pattern covering 75% of tub/shower floor.
4. All walls within 36" of toilet and in tub/shower area shall have ¾" plywood behind drywall to provide sufficient support for grab bars or other assist devices.
5. Bathtub/shower stalls with offset controls.
6. Low-profile thresholds – ¼" maximum vertical height or ½" maximum beveled at 1:2 are required between ALL interior common areas and in all dwelling unit openings when floor transition height differs.

The HHR CHDO rental activity program requires the applicant to make its request for funds based on a square footage formula for each HOME unit with no more than 4 HOME-assisted units in a project. Common areas, basements, porches, garages, etc. are not to be considered as part of the square footage calculation. SRO units may include the unit and a proration of the shared living space to determine the square footage.

	Bedrooms in Unit	0	1	2	3	4
	Max. Sq. Ft.	400	700	900	1200	1350
	Sq. Ft. Rate					
HIGH (60%)	\$35.00	\$14,000	\$24,500	\$31,500	\$42,000	\$47,250

4. ELIGIBLE PROPERTY TYPES:

For **homebuyer and owner-occupied activities**, eligible property means a single-family property that will serve as the purchaser's principal residence and for which the owner/buyer has fee simple title, including:

- Single-family, stand-alone unit;
- A condominium unit;
- A cooperative unit or a unit in a mutual housing project (if recognized as homeownership by state law); or
- A manufactured home. For homebuyers and replacement activities: at the time of activity completion, the manufactured housing unit must be connected to permanent utility hook-ups and located on land that is owned by the manufactured housing unit owner, or on land for which the manufactured housing unit owner has a lease. Rehab may be completed on units serving as the title holder's principal residence.
- A duplex;
- A land trust unit.

5. INELIGIBLE PROPERTY:

Ineligible Owner-Occupied Activities:

- ◆ Properties being purchased under a land contract may not be assisted.
- ◆ Homebuyer properties previously assisted with HOME funds. No additional assistance may be provided to homebuyers during the affordability period. The only exception is assistance provided within one-year of initial project completion.

Ineligible Rental Rehabilitation Activities:

- ◆ Acquisition, conversion of vacant space, gut rehab and new construction exceeding four (4) units. These are eligible activities under the HOME Rental Housing Development Program. Properties previously financed with HOME funds may not receive additional assistance during the affordability period.
- ◆ HOME funds cannot be used to provide assistance authorized under section 9 of the 1937 Act (Public Housing Capital and Operating Funds). This includes public housing with an Annual Contributions contract (ACC) and units covered by project-based vouchers.

6. PROPERTY STANDARDS:

All HOME-assisted properties must meet certain standards:

- a. Acquisition only: If no rehabilitation or construction is planned, the housing unit(s) must meet all local housing quality standards and local codes, as well as passing a Housing Quality Standards (HQS) inspection at the time of purchase.
- b. Rehabilitation and new construction: Housing that is being constructed or rehabilitated must meet all applicable State and/or local codes, rehabilitation standards, and zoning ordinances. New construction must also meet the Model Energy Code. The Wisconsin Uniform Dwelling Code (UDC) includes the Model Energy Code so units constructed with State-approved plans meet this requirement. DOH strongly encourages the use of Energy Star® components and other energy efficiency improvements in housing being assisted with HOME funds.

Visitability: All single-family new construction must be visitable.

- c. Manufactured housing: The units must comply with applicable state and local laws or codes. New units should be constructed according to Wisconsin code requirements. Units rehabbed must meet all applicable state and local codes, rehab standards and ordinances.

7. ADMINISTRATIVE/OPERATIONAL COSTS:

Applicants may request HOME funds for the cost of administering the program of not more than 11 percent of the total housing activity funds requested.

Administrative/operational costs are defined as the non-housing assistance expenses incurred by the grantee in providing funds to or on behalf of participating households. These include such things as staff costs, office expenses, printing, mailing, travel, training, accounting, auditing and reporting. Eligible organizations may generally request HOME funds for the cost of administering the program of no more than 11% of the total housing assistance payments requested.

8. HOMEBUYER EDUCATION (Homebuyer activities only)

Applicants proposing a homebuyer assistance program **must include homebuyer education** for program beneficiaries. It is expected that a basic homebuyer education course will take a minimum of six hours to complete.

The items which must be covered in a homebuyer education program include:

- ◆ Personal and financial advantages of homeownership; rent vs. buy;
- ◆ Basic terms of the real estate transaction, explanation of disclosures. (e.g., Good Faith Estimate of Closing Costs, Truth-In-Lending Disclosure, HUD 1 Settlement Statement; Selecting a real estate broker, lender, attorney);
- ◆ Fair Housing Laws as they relate to borrower's rights to disclosure in a lending transaction;
- ◆ The purchase process; i.e., writing an offer, counter offers, inspection requirements, contingencies, closing documents;
- ◆ Insurance needs; e.g., homeowner's insurance, flood insurance, life insurance; budget for future home maintenance;
- ◆ Review of payment affordability including PITI and how it may change annually; e.g., due to increased real estate taxes;
- ◆ Calculation of cash needed to purchase: application fees, inspection fees, insurance, cash to close costs, reserves;
- ◆ Explanation of private mortgage insurance
- ◆ A one-on-one meeting with the educator; on-line only education is not acceptable.

9. MATCH AND LEVERAGE REQUIREMENTS

A. Sources of **HOME match** include, but are not limited to:

- ◆ Cash contributions including donations made by individuals (except for owners, developers, or prospective owners/developers of HOME activities) private entities, the grantee or other public entities for the express purpose of providing affordable housing, including:
 - State appropriations or general revenue (HCRI/HODAP funds),
 - Local general revenue,
 - Housing trust funds,
 - Foundation grants and private donations,
 - Housing finance agency (WHEDA) reserves that are not federal funds;
 - Program income from Housing Development Action Grant (HODAG) or Urban Development Action Grant (UDAG) after grant closeout,
 - Below-market interest rate loans from private lending institutions,
 - Grants and forgivable deferred payment loans from non-federal funds made by the grantee to the homebuyer,
 - Amortized loans from non-federal funds made by the grantee to the homebuyer and the loan amount is repaid to the local HOME account rather than the grantee's general account.
- ◆ Foregone taxes, fees, and charges normally and customarily imposed or charged on all projects in the jurisdiction. For example, local property taxes, transfer taxes, state tax credits, permit fees, recordation fees and impact fees.
- ◆ Donated land or other real property contributed to a HOME activity. For example, a property owner sells property below its market value or a local bank sells a foreclosed property for an amount equal to back taxes owed. The value of the contribution is the appraised value of the donated land or other real property minus any debt burden, lien or other encumbrance; and minus any cost for acquisition.

- ◆ Infrastructure costs provided that the cost was not paid with federal resources and the grantee documents that the infrastructure is directly required for the activity. For example, streets, sidewalks, and streetlights located on or immediately adjacent to the activity site, and utility lines and connections serving the activity. Infrastructure that serves both HOME-assisted and non-assisted housing may be counted on a pro rata basis. The infrastructure investment must have been completed no earlier than 12 months before HOME funds were committed to a HOME-assisted activity.
- ◆ The value of donated site preparation and construction materials provided that the materials were not acquired with federal resources.
- ◆ The full value of donated site preparation and construction equipment. Documentation of this contribution must include a letter from the owner of the equipment acknowledging the donation of a certain number of hours of use and establishing the usual hourly or daily rate for rental of the equipment.
- ◆ The value of any donated or voluntary labor, including professional services. The current rate established for unskilled labor is \$10 per hour. The value of skilled labor or professional services is determined by the rate that the individual or entity performing the labor or service normally charges. Documentation of this contribution must include a letter from the individual or entity establishing the usual periodic rate or flat fee for the labor/services and stating the value of the labor/services provided.
- ◆ The value of sweat equity provided to the activity by the owner/buyer at the rate established by HUD for unskilled labor.
- ◆ The cost of supportive services provided to families residing in HOME-assisted units during the period of affordability. The supportive services must be necessary to facilitate independent living or be required as part of a self-sufficiency program. Examples of eligible supportive services include: case management, mental health services, assistance with the tasks of daily living, substance abuse treatment and counseling, day care, and job training and counseling. The direct costs that may be counted are limited to salary costs directly attributable to the provision of the supportive services to residents of HOME units and the cost of materials directly related to the provision of these services. The actual cost of providing these services must be supported by invoices, time cards or similar documents. Overhead costs are not considered direct costs of the supportive services.
- ◆ Homebuyer counseling services provided to families that acquire properties with HOME funds. Ongoing counseling during the period of affordability as well as pre-purchase counseling is eligible. Only the value of services provided to families that complete the purchase with HOME assistance can be counted as match.
- ◆ Public benefits funding.

B. Sources of **HOME leverage** include:

- ◆ Homebuyer's funds for downpayment and closing costs.
- ◆ Lender first-mortgage financing.
Homebuyer programs must include lender first mortgage financing in other resources.
- ◆ Other federal resources such as Community Development Block Grant (CDBG) or Self-help Homeownership Opportunity Program (SHOP).
- ◆ Department of Energy (DOE) Weatherization funds.

10. LABOR STANDARDS

Any activity providing HOME assistance to 12 or more units will be subject to Davis-Bacon provisions.

11. FAIR HOUSING

All HOME activities must comply with the Federal laws, executive orders and regulations pertaining to fair housing and equal opportunity. Successful HHR applicants must take measures to ensure non-discriminatory treatment, outreach and access to program resources. This applies to employment and contracting, as well as to marketing and selection of program participants.

Fair Housing and Equal Opportunity laws and regulations include:

Title VI of the Civil Rights Act of 1964, As Amended which states that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program/activity receiving Federal financial assistance on the basis of race, color or national origin.

The Fair Housing Act (42 U.S.C. 3601-3620): which prohibits discrimination in the sale or rental of housing, the financing of housing or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap, or familial status.

Equal Opportunity in Housing (Executive Order 11063, as amended by E.O. 12259): Prohibits discrimination against individuals on the basis of race, color, religion, sex or national origin in the sale, rental, leasing or other disposition of residential property, or in the use or occupancy of housing assisted with Federal funds.

Age Discrimination Act of 1975, As Amended (42 U.S.C. 6101): Prohibits age discrimination in programs receiving Federal financial assistance.

Affirmative Marketing procedures and requirements must be adopted for all housing with five or more HOME-assisted units.

All successful HHR applicants will have evidenced a marketing plan describing:

- ◆ how the public will be informed of the availability of HOME funds;
- ◆ what will be done to inform persons not likely to apply for housing without special outreach;
- ◆ how efforts will be assessed to ensure successful marketing.

- ◆ CHDO activities will need to include a market analysis showing a need for new construction of the type proposed in this area.

1. SECTION 3

Section 3 of the Housing and Urban Development Act of 1968 requires that, to the greatest extent feasible, opportunities for training and employment arising from HOME funding will be provided to low-income persons residing in the program service area. Also, to the greatest extent feasible, contracts for work will be awarded to business concerns that are located in or owned by persons (particularly those owned by low- and moderate-income persons) residing in the program service area.

HOUSING COST REDUCTION INITIATIVE (HCRI)

HCRI funds may provide acquisition assistance for homebuyers and foreclosure prevention assistance for homeowners and administrative support for funded applicants. The State of Wisconsin has set aside these funds to defray the housing costs of low- and moderate-income households and households with special housing needs.

A. FUNDS AVAILABLE

DOH is making available approximately \$2.5 million in HCRI program funding for homebuyer and/or foreclosure prevention activities. The funds will be available for a two year contract period. There will not be another funding round in 2013.

Applicants may apply for funding for the following types of HCRI activities:

- ◆ Homebuyer
- ◆ Foreclosure Prevention

HCRI funding is equally allocated among the following three geographic areas:

Milwaukee Metro -- for proposals to serve households in Milwaukee, Waukesha, Ozaukee, or Washington counties.

Other Metro -- for proposals to serve households in Brown, Calumet, Chippewa, Dane, Douglas, Eau Claire, Kenosha, La Crosse, Marathon, Outagamie, Racine, Rock, St. Croix, Sheboygan, or Winnebago counties.

Balance of State -- for proposals to serve households in the remaining 53 Wisconsin counties.

An agency is allowed to be the lead applicant for funds in only one region. (i.e. the application must identify the single area where the majority of the proposed activity funds will be spent).

B. ELIGIBLE APPLICANTS

Any of the following are eligible to apply for funding under the HCRI program:

- ◆ The governing body of a county, city, village, or town;
- ◆ The elected governing body of a federally-recognized American Indian tribe or band in the State of Wisconsin;
- ◆ A nonstock, nonprofit corporation organized under Chapter 181;
- ◆ A for profit corporation organized under Chapter 180;
- ◆ A cooperative organized under Chapter 185 if the articles of incorporation or bylaws of the cooperative limit the rate of dividend that may be paid on all classes of stock;
- ◆ A religious society organized under Chapter 187.
- ◆ A housing authority*

** A housing authority refers to any of the following:*

A housing authority organized under Wisconsin Statutes 59.075, 61.73, 66.395, 66.40, or Chapter 234;

A redevelopment authority or housing and community development authority exercising the powers of a housing authority under Wisconsin Statutes 66.431(5)(a)(9) or 66.4325(4);

A housing authority organized by the elected governing body of a federally recognized American Indian tribe or band in this state.

PRIOR RECIPIENT ELIGIBILITY

To be eligible for the 2012 HCRI competition, an applicant with HCRI awards prior to 2008 must have submitted all necessary closeout documents.

- ◆ Applicants having 2010-2012 HCRI contracts must have accomplished at least 80 percent of the goals contracted (units) for the quarter ending September 30, 2012.

Grantees having identified violations of HCRI administrative rules and/or related audit or monitoring findings must have them resolved to DOH's satisfaction prior to December 1, 2012.

C. ELIGIBLE ACTIVITIES

Awards must be used to defray the housing costs of low- and moderate-income households.

HOMEBUYER

1. The principal and interest on a mortgage loan that finances the purchase of housing (including such things as down payments, land contract payments, chattel mortgage payments, real estate mortgage and deed of trust payments, and conditional sales contract payments for purchase of a manufactured home).
2. Closing costs and other costs associated with a mortgage loan (those costs normally paid by a buyer in a home purchase transaction, including such things as title search; buyer's portion of title insurance; appraisal fees, points, legal fees; property inspections; credit reports; settlement and recording fees; and transfer charges).
3. Mortgage insurance payment for one year.
4. Property insurance payment for one year.
5. Utility-related costs (including costs related to heat, gas, light, water, and public or private sewerage, including deposit or hookup charges). This does not include cable television or telephone costs.
6. Fees associated with a limited-equity housing cooperative (including membership fees, carrying charges, principal and interest, mortgage insurance, property insurance, utility-related costs, property taxes, and operating expenses).
7. Other costs approved by DOH.

FORECLOSURE PREVENTION

1. **One-time** assistance on behalf of an LMI homeowner to cover mortgage principal and interest, property taxes and/or insurance (PITI). The assistance may be provided in more than one payment.
 - a. Homeowner must receive foreclosure counseling including budget/credit counseling. Counseling must be provided by counselors that have been trained through NeighborWorks® America; any other training program must be approved by the HCRI Program Administrator. For a listing of counselors visit: <http://www.wisconsinforeclosureresource.com/cc.asp>.
 - b. Homeowner must have the ability to pay forward;
 - c. Homeowner must have a work-out plan/loan modification in place prior to payment of HCRI assistance.

D. OTHER HCRI REQUIREMENTS

1. LEVERAGE

Sources include, but are not limited to:

- ◆ Local project funds,
- ◆ Agency administrative support,
- ◆ Housing related in-kind support services,
- ◆ Commitments from local lenders for home mortgage funds,
- ◆ Federal Home Loan Bank funds (FHLB-AHP)
- ◆ Federal housing program funds such as CDBG and HOME.

HCRI capacity building requires a 1:1 cash match.

2. ADMINISTRATIVE/OPERATIONAL COSTS

Applicants may request HCRI funds for the cost of administering the program of not more than 15% of the total housing activity funds requested.

Administrative/operational costs are defined as the non-housing assistance expenses incurred by the grantee in providing funds to or on behalf of participating households. These may include such things as staff costs, office expenses, printing, mailing, travel, training, accounting, auditing and reporting.

3. CAPACITY BUILDING

Applicants may also request a maximum of \$3,000 in Capacity Building funds. These funds are available to enhance an agency's ability to provide assistance to homebuyers/owners and it requires a 1:1 match. See the Application Instructions for more details.

APPLICATION PACKAGE

DOH reserves the right to amend, modify, or withdraw this application package and any of the grant program instructions or procedures contained herein. DOH may exercise such right at any time without notice and without liability to any applicant or other parties for their expenses incurred in the preparation of a proposal.

GRANT AWARD PROCESS:

Submit one original and two copy of the application. All applications must be received or **postmarked** no later than **November 12, 2012**.

Applications will be:

- ◆ Reviewed for completeness.
- ◆ Sorted by region based on the Service Area information provided in the Application Narrative section.
- ◆ The award amount will be based on the following criteria:
 - Activity(s) proposed and the relationship to the identified housing gap.
 - Amount of existing revolving loan fund.
 - Reasonableness of request.
 - Capacity to complete the proposed activities.
 - Geographic coverage of activities.
 - Funding availability and other housing grants currently available in the service area.
 - Performance and progress in any and all other Division of Housing programs.
 - Financial audit results from any and all other Division of Housing programs.

Please submit the application to:

Betty Kalscheur, Program Manager
HOME Homebuyer & Rehabilitation Program
Housing Cost Reduction Initiative (HCRI) Program
Division of Housing
Wisconsin Department of Administration
P. O. Box 7970
Madison, Wisconsin 53707-7970

For applicants who choose to hand-deliver the application, DOH street address is:

101 E. Wilson Avenue (5th floor)
Madison, WI 53703