

2004 HOME NOFA

General Questions and Answers (please see attachment for Rental Project Questions and Answers)

ISSUE/QUESTION	ANSWER
<p><b>American Dream Program</b> Can the total of HOME funds and American Dream Program funds per unit exceed the HUD 221d3 subsidy limits, as long as each source individually doesn't exceed the limits?</p>	<p>No. American Dream Program funds are HOME funds, therefore the total of American Dream and (regular) HOME funds may not exceed the HUD 221d3 Subsidy Limits.</p>
<p><b>American Dream Program</b> If we use regular HOME funds and American Dream Program funds on the same property, are separate loan documents needed?</p>	<p>No. However, HOME Participating Jurisdictions (PJs) should have a mechanism for allocating loan repayment between the Local HOME account supervised by HUD and the Local HOME account supervised by HCD. Note: HUD and HCD are in the process of discussing transferring supervision of all HOME and American Dream Program repayments to HUD.</p>
<p><b>American Dream Program</b> Are repayments of American Dream Program funds treated differently, for Program Income purposes, than regular HOME funds?</p>	<p>No.</p>
<p><b>Application Form</b> What time period is used on the First Time Homebuyer feasibility chart?</p>	<p>It is too late to require the use of a specific time period, as we know that many applicants have already prepared this part of their application. We suggest the use of this time period: 7/1/2002 to 6/30/2003 but you may use any 12 month time period.</p>
<p><b>First Time Homebuyer Subdivisions</b> Are subdivisions subject to federal Davis-Bacon Prevailing Wage requirements?</p>	<p>Please see NOFA amendment #2, dated September 17, 2004 and included with this Q and A.</p>
<p><b>Homebuyer Infill Program</b> I understand that this activity is limited to building 4 homes on a single site. May we build more than 4 homes as long as there are no more than 4 homes on a single site?</p>	<p>Yes. However, consult with HCD re the appropriate NEPA review level if you start more than 4 homes at a time within 2000 feet of each other.</p>
<p><b>Homebuyer Infill Program</b> May we buy properties for the Infill Program in advance of receiving the HOME award and/or Standard Agreement.</p>	<p>Yes, provided: a) the purchase is solely at your own risk, and b) you complete the NEPA process prior to purchasing the properties. You may also use HOME funds to build homes on lots which you purchased prior to your application for HOME</p>

	funds.
<p><b>Homebuyer Infill Program</b>  May our consultant, who will be paid with HOME funds, also be the Developer of the homes, i.e. may they be the contractor or enter into a contract with the construction Contractor?</p>	<p>No. The State HOME regulations prohibit the Administrative Subcontractor (any consultant who is paid with HOME Administration or Activity Delivery Costs) from having any financial interest in the project. Therefore, the city or county can be the developer or the city/county can hire a developer. The city/county can also hire a consultant, but the developer and consultant cannot be the same party.</p>
<p><b>Homebuyer Infill Program</b>  The NOFA Amendment dated September 24 (enclosed with this Q and A), allows 12% Activity Delivery Cost (ADC) for each “cycle” of this program. Does that mean we can charge 12% ADC again after the funds are returned to HCD and drawn down again?</p>	<p>Yes.</p>
<p><b>Homebuyer Infill Program</b>  May we charge the 2.5% Administration for each cycle?</p>	<p>No, this is limited to 2.5% of the entire contract amount.</p>
<p><b>Homebuyer Infill Program</b>  If there isn’t sufficient time left in the term of the Standard Agreement to construct another group of homes, may we use the recycled funds for resale homes or owner-occupied rehabilitation assistance (or any other activity in the Standard Agreement)? If for timing reasons, we pay for these costs with our funds, may we seek reimbursement from HOME within the contract term?</p>	<p>Yes, you may use the recycled funds for any activity authorized in your Standard Agreement. You may also use your own funds to pay for an activity (which meets all HOME requirements at the time) and seek HOME reimbursement provided that the assistance is provided before the contract expenditure deadline and the Setup and Draw requests are received by HCD no later than 60 days following the contract expenditure deadline.</p>
<p><b>Homebuyer Infill Program</b>  May we buy 4 lots in a recently major approved subdivision? Note: a major subdivision has more than 4 units.</p>	<p>No. The Homebuyer Infill Program is intended for infill type activities in a built-out neighborhood only, not assisting units within a major subdivision. The only exception is if the major subdivision was substantially built out years ago, and there are a few remaining available lots in a generally built-out neighborhood. Please consult your HOME representative if you would like to purchase lots in such a major subdivision.</p>
<p><b>Homebuyer Infill Program</b></p>	<p>Expenditure milestones will be calculated on the</p>

<p>In a typical Homebuyer Infill Program, nearly all of the construction funds will be funded by HOME funds. Some of these funds will be used for Activity Delivery Costs and some for permanent loans to the families to make the homes affordable. The balance will be returned to HCD. Are expenditure milestones calculated on the amount drawn for construction financing or the permanent amount (plus Activity Delivery Costs)?</p>	<p>amount drawn for construction financing (and Activity Delivery Costs) provided that the Department has approved the Contractor's plan for expending the remaining funds. This plan could include the following elements: disencumbrance of funds which will not be used, additional infill homes, or other eligible activities identified in the Standard Agreement. An amendment to add additional eligible program activities is also possible with HCD approval.</p>
<p><b>Homebuyer Infill Program</b> Does the Department restrict the sales prices of the homes?</p>	<p>No, the Department does not restrict the sales price of the home (other than the 203b Sales Limits). However, the intent of the program is that no member of the development team, including the city/county/CHDO applicant make a windfall profit from the sale of the home.</p>
<p><b>Homebuyer Infill Program</b> Does the site have to be identified at the time of application to the HOME program? Must the site be identified at the time of project set-up? Is a CHDO required to own the site?</p>	<p>No, the site does not have to be identified at the time of application to the HOME program.</p> <p>Yes, the site must be identified at the time of project set-up.</p> <p>Yes, CHDOs directly receiving HOME funds for this activity are required to own the property during the development phase, but not necessarily at the time the CHDO submits its application to the HOME program.</p>
<p><b>Homebuyer Infill Program</b> Are there any special marketing requirements for these homes?</p>	<p>The marketing requirements are the same as for the regular First Time Homebuyer Program, which are generally that the availability of funds/homes be made known throughout the community.</p>
<p><b>Maximum Subsidy Limits (221d3)</b> How do I request an increase to these limits?</p>	<p>We are unaware of any process to request an increase to these limits.</p>
<p><b>Mobilehomes</b> In an owner-occupied rehabilitation program, may HOME funds be used to replace a dilapidated owner occupied mobilehome in a rental mobilehome park (where just the spaces are rented)?</p>	<p>Yes, if the cost to replace the mobilehome is comparable to the cost of repairing it. There is no requirement for long term site control because there is minimum federal period of affordability for owner occupied rehabilitation activities.</p>
<p><b>NEPA Environmental Issues</b> When can you start the NEPA environmental review? Does the status of the environmental review affect the rating</p>	<p>You can start the NEPA environmental review at any time. We encourage you to begin your environmental review as soon as you decide to apply for federal funds and you have identified a</p>

<p>of the application? Can HOME pay for environmental review costs?</p>	<p>proposed site.</p> <p>Rating points are assigned projects where the NEPA environmental review process has begun (e.g. consulting with local, state, and federal agencies), and for projects where the NEPA review process has been completed.</p> <p>Once the Standard Agreement is fully executed, HOME will reimburse for environmental review costs incurred after the date of the HOME award letter.</p>
<p><b>Rating of Applications</b> For First Time Homebuyer programs, how is the information on the First Time Homebuyer feasibility chart used? What interest rate should be used?</p>	<p>There are two purposes. First, the Department will give priority rating points to the applicants with the highest number of homes selling for affordable sales prices (considering the availability of HOME funds). Second, the other data will allow the Department to verify that the proposed sales price is generally one that is affordable to lower income borrowers.</p> <p>Use an 8% interest rate. This may or may not reflect the actual current interest rate, but the use of a standard interest rate allows the Department to compare programs fairly.</p>
<p><b>Residency or Local Employee Requirements and Preferences</b> May we impose residency requirements?</p>	<p>No, but you may give priority. If you give priority, you must give priority to <u>both</u> local residents and local employees. You may not give priority to just one group or the other.</p>
<p><b>Uniform Multifamily Regulations</b> What is the required replacement reserve for acquisition and/or rehabilitation projects?</p>	<p>For the purpose of application review, the UMR requires the use of \$400 per unit per year. If the project is funded, a Physical Needs Assessment must be prepared to determine the actual amount of the required Replacement Reserve.</p>