



# HOME Investment Partnership Policies and Procedures Manual

City of Joliet, Neighborhood Services Division  
150 W Jefferson Street  
Joliet, IL

## Introduction

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The HOME Program was created by the National Affordable Housing Act of 1990 (NAHA) and is designed to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing.

HOME funds are used to achieve the following objectives:

- To provide decent affordable housing to lower-income households.
- To expand the capacity of non-profit housing providers.
- To strengthen the ability of state and local governments to provide housing.
- To leverage private sector participation.

Eligible activities are defined in accordance with the following categories:

- Housing rehabilitation,
- Homebuyer activities,
- Rental housing activities, and
- Tenant-based Rental Assistance (TBRA).

\*NOTE: At this time the City of Joliet does not fund TBRA programs

Individual households, non-profit and for-profit developers may apply for HOME funding.

### Distribution of Funding:

The City of Joliet distributes HOME funds geographically within its boundaries and among different categories of housing need (\*NOTE: At this time the City of Joliet does not fund TBRA programs), according to the priorities of housing need identified in its approved consolidated plan.

The City of Joliet only invests HOME funds in eligible projects within its boundaries.

### Definitions:

1. **Action Plan:** The one-year portion of the Consolidated Plan. It includes the PJ's annual application for HOME funds.
2. **Adjusted Income:** Adjusted income is annual (gross) income reduced by deductions for dependents, elderly households, medical expenses, handicap assistance expenses and childcare (these are the same adjustment factors used by the Section 8 Program). Adjusted income is used in HOME to compute the actual tenant payment in TBRA programs and the low HOME rent in rental projects in which rents are based on 30% of a family's adjusted gross income.
3. **Affordability:** The requirements of the HOME Program that relate to the cost of housing both at initial occupancy and over established timeframes, as prescribed

in the HOME Final Rule. Affordability requirements vary depending upon the nature of the HOME assisted activity (i.e., homeownership or rental housing).

4. **Annual Income:** Annual income as defined in 24 CFR 5.609, referred to as "Part 5 annual income", also known as the rules for determining income under the Section 8 voucher program.
5. **Commitment:** Commitment means (1) The participating jurisdiction has executed a legally binding written agreement (that includes the date of the signature of each person signing the agreement) with a State recipient, a subrecipient, or a contractor to use a specific amount of HOME funds to produce affordable housing, provide down payment assistance, or provide tenant-based rental assistance; or has met the requirements to commit to a specific local project, as defined in paragraph (2) of this definition. (See § 92.504(c) for minimum requirements for a written agreement.) An agreement between the participating jurisdiction and a subrecipient that is controlled by the participating jurisdiction (e.g., an agency whose officials or employees are official or employees of the participating jurisdiction) does not constitute a commitment. An agreement between the representative unit and a member unit of general local government of a consortium does not constitute a commitment. In addition, and only until October 21, 2013, a properly executed written agreement reserving a specific amount of funds for a CHDO may constitute a commitment. As of October 22, 2013 the requirements for commitment to a specific local project will apply to all CHDO fund commitments.
6. **Commitment to a specific local project:** Commitment to a specific local project means that a legally binding agreement was executed meeting one of the following sets of requirements:
  - a. For rehabilitation or new construction projects, the PJ (or other entity) and the project owner will execute an agreement for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within 12 months of the agreement date. If the project is owned by the City of Joliet or state recipient, the project must be set up in the disbursement and information system and construction reasonably expected to start within 12 months of the set-up date.
  - b. If the project consists of acquisition of standard housing by the PJ, the agreement must be a binding contract for the sale of an identifiable property and the property title must be transferred to the PJ (or other entity) within six months of the date of the contract.
  - c. If the project involves the acquisition of standard housing and the City of Joliet is providing HOME funds to a purchaser, under the agreement, the title of the property must be transferred to the purchaser within six months of the agreement date.

- d. If the project consists of TBRA, the City of Joliet/Subrecipient must enter into a rental assistance contract with the owner or the tenant in accordance with the provisions of 24 CFR Part 92.209.
  - e. Note that preliminary or conditional “commitments” may be made, but no funds are considered committed under the rules unless the above conditions have been met.
7. **Consolidated Plan:** A plan prepared in accordance with the requirements set forth in 24 CFR Part 91 which describes community needs, resources, priorities and proposed activities to be undertaken under certain HUD programs, including HOME.
  8. **Community Housing Development Organization (CHDO):** A private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations at 24 CFR Part 92.2. The HOME New Rule requires that CHDO’s have paid staff with demonstrated capacity appropriate to the CHDO’s role (this requirement cannot be met through volunteer, donated staff, shared staff, or board members). A participating jurisdiction must award at least 15 percent of its annual HOME allocation to CHDOs.
  9. **Draw-Down:** The process of requesting and receiving HOME funds. The City of Joliet and authorized state recipients draw down funds from a line of credit established by HUD.
  10. **Final Rule:** The Final HOME Rule was published at 24 CFR Part 92 on July 24, 2013 and became effective on August 24, 2013.
  11. **Group Home:** Housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the unit, and (except in the case of shared one-bedroom units) separate private space for each family.
  12. **HOME-Assisted Units:** A term that refers to the units within a HOME project for which rent, occupancy and/or recapture restrictions apply. The number of units designated as HOME-assisted affects the maximum HOME subsidies that may be provided to a project.
  13. **HOME Funds:** All appropriations for the HOME Program, plus all repayments and interest or other returns on the investment of these funds.
  14. **HOME Investment Trust Fund:** The term given to the two accounts - one at the Federal level and one at the local level - that "hold" the CITY OF JOLIET’s HOME funds. The Federal HOME Investment Trust Account is the U.S. Treasury account for each participating jurisdiction. The local HOME Investment Trust Fund account includes repayments of HOME funds, matching contributions and payment of interest or other returns on investment.
  15. **Household:** One or more persons occupying a housing unit.
  16. **Jurisdiction:** A state or unit of general local government.

17. **Low-Income Families:** Families whose annual incomes do not exceed 80 percent of the median income for the area (adjusted for family size).
18. **Match:** Match is the City of Joliet's contribution to the HOME Program -- the local, non-Federal contribution to the partnership. The City of Joliet's match contribution must equal not less than 25 percent of the HOME funds drawn down for projects in that fiscal year.
19. **New Construction:** The creation of new dwelling units. Any project which includes the creation of new or additional dwelling units in an existing structure is considered new construction.
20. **Participating Jurisdiction (PJ):** The term given to any state, local government or consortium that has been designated by HUD to administer a HOME Program. HUD designation as a PJ occurs if a state or local government meets the funding thresholds, notifies HUD that they intend to participate in the program and has a HUD-approved Consolidated Plan. Program Income: Gross income received by the CITY OF JOLIET, state recipient, or a sub recipient directly generated from the use of HOME funds or matching contributions.
21. **Project:** A site or an entire building or two or more buildings, together with the site or sites on which the building or buildings is located, that are under common ownership, management and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking. The HOME Final Rule eliminated the requirement that all buildings fall within a four block radius.
22. **Project completion:** All necessary title transfer requirements and construction work have been performed; the project complies with all HOME requirements; the final draw-down of HOME funds has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD, except that with respect to rental housing project completion, for the purposes of § 92.502(d) of this part, project completion occurs upon completion of construction and before occupancy. For TBRA, project completion means the final draw-down has been disbursed for the project.
23. **Reconstruction (also rehabilitation):** The rebuilding, on the same lot, of housing standing on a site at the time of project commitment. Except that housing that was destroyed may be rebuilt on the same lot if HOME funds are committed within 12 months of the date of destruction the number of housing units on the lot may not be changed as part of the reconstruction project, but the number of rooms per unit may change. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing.
24. **Single-Room Occupancy (SRO):** Housing consisting of single-room dwelling units that is the primary residence of its occupant or occupants. The unit must contain food preparation and/or sanitary facilities if the project involves new construction, conversion of non-residential space, or reconstruction. If the units do not contain sanitary facilities, the building must contain sanitary facilities

shared by the tenants. SRO must be in compliance with the local zoning regulations.

25. **State Recipient:** State PJs can award their HOME funds to units of local government to run HOME locally. Any unit of local government designated by a state to receive HOME funds is called a “state recipient.” The state is responsible for ensuring that HOME funds allocated to state recipients are used in accordance with the HOME regulations and other applicable laws.
26. **Sub recipient:** A public agency or nonprofit organization selected by the City of Joliet to administer all or a portion of the CITY OF JOLIET’s HOME Program. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a sub recipient.
27. **Targeting:** Requirements of the HOME Program relating to the income or other characteristics of households that may occupy HOME-assisted units.
28. **Tenant-Based Rental Assistance (TBRA):** A form of direct rental assistance in which the recipient tenant may move from a dwelling unit with a right to continued assistance. Includes security and utility deposits associated with the rental of dwelling units.
29. **Very-Low-Income Families:** Families whose annual incomes do not exceed 50 percent of the median income for the area (adjusted for family size).

# General Eligibility Requirements

## Eligible Activities

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HOME funds may be used to develop and support affordable rental housing and homeownership affordability through:

- Acquisition (including assistance to homebuyers),
- New construction (includes adding additional units to an existing structure), Reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including related costs such as:
  - Real property acquisition,
  - Site improvements,
  - Demolition, and
  - Other eligible expenses including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations;
- Tenant-based rental assistance to eligible household(s), including security deposits;
- Operating expenses of community housing development organizations.

\*All housing supported with HOME funds must be permanent or transitional housing. The specific eligible costs for these activities are set forth in 24 CFR 92.206 through 209. The activities and costs are eligible only if the housing meets the property standards as outlined at 24 CFR 92.251 upon project completion.

\*\* A HOME assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and will be subject to recapture.

### Eligible Properties:

- 1-4 Single family unit homes
- Condominiums/Cooperatives
- Acquisition, rehabilitation, or new construction of affordable multi-family rental housing.
- Group Homes
- Transitional Housing & Single Room Occupancy Units
- Permanent Supportive Housing
- May be one or more buildings on a single site, but project must be assisted with HOME funds as a single undertaking.

### Method of Assistance:

- City of Joliet HOME funds are provided through loans (typically forgivable once the period of affordability has ended).

- **Minimum amount of assistance.** The minimum amount of HOME funds that must be invested in a project involving rental housing or homeownership is \$1,000 times the number of HOME-assisted units in the project.
- **Maximum HOME Investment:**

**Maximum Per Unit Subsidy Amounts**

January 30, 2014\*

0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
\$116,211	\$133,219	\$161,994	\$209,567	\$230,040

\*Actual funding levels will vary project by project and may be lower based on cost reasonableness and needs of project.

- **Projects Containing both HOME and Non-Home Units:** HOME funds may be used to assist one or more housing units in a multi-unit project that contains other non-Home units. However, the following additional restrictions apply:
  - Only the actual HOME eligible development costs may be supported by the HOME program.
  - Actual Costs can be determined by the following:
    - If the assisted and non-assisted units are not comparable (non-HOME units may contain luxury materials, for example) the actual costs may be determined based on a method of cost allocation.
    - If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME assisted units can be determined by pro-rating the total HOME eligible development costs of the project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME-assisted units in the project.

**HOME Subsidy Layering and Underwriting Policy**

Before committing funds to a project, The City must evaluate the proposal to determine that there will be a reasonable level of profit or return on owner's or developer's investment in a project and that no more HOME funds is invested, alone or in combination with other governmental assistance, than is necessary to provide quality affordable housing that is financially viable for the entire affordability period. This evaluation will include:

- An examination of the sources and uses of funds for the project and a determination that the costs are reasonable; and

- An assessment, at minimum, of the current market demand in the neighborhood in which the project will be located, the experience of the developer, the financial capacity of the developer, and firm written financial commitments for the project.
- For projects involving rehabilitation of owner-occupied housing units a market analysis or evaluation of developer capacity is not required.
- For projects involving HOME-funded down payment assistance and which do not include HOME-funded development activity, a market analysis or evaluation of developer capacity is not required.

The City may rely upon the guidelines developed and/or evaluations conducted by other agencies, such as when Low Income Housing Tax Credits (LIHTC) or other HUD program funding, are used.

Applicants seeking HOME funds are required to submit to the City's Community and Economic Department

- The Affordable Housing Underwriting Template, which is available upon request.
- Commitment letters with all terms and conditions for the following:
  - Mortgages
  - Grants and/or other governmental assistance
  - Subordination agreements
  - Bridge (interim) loans
  - Investment tax credits (historic, low-income, if applicable)
  - Copy of partnership agreement (if the applicant is a partnership), which indicates the cash contributions by the general partners and/or limited partners

\*Note: The proceeds from the sale of tax credits must be identified as a source of funding.

Documentation to verify the sources indicated in the Template including:

- Earnest money agreement, option or closing statement for land and/or buildings
- Construction cost estimate
- Construction contract or preliminary bids
- Agreements governing the various reserves which are capitalized at closing (to verify that the reserves cannot be withdrawn later as fees or distributions)
- Appraisal (to substantiate the value of land and property after rehabilitation/construction)

If low-income housing tax credits are utilized, documentation on the syndication costs (legal, accounting, tax opinion, etc.) from the organization /individual who will syndicate and sell the offering to ensure that the project can support the fees necessary to

syndicate/fund the project. All assumptions in the offering should be verified in the supporting documentation.

If the documentation is not adequate and does not support the costs as stated, the City will request additional documentation or a second opinion and/or reference from an appropriate source, such as another construction cost estimator, architect, or lawyer. When required documentation cannot be obtained, the City may deny HOME funding for the project.

# Eligible Project Costs

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HOME funds may be used to pay the following eligible costs:

- Acquisition Costs
- Development Hard Costs
- Related Soft Costs
- Community Housing Development Organization Costs
- Relocation Costs

If a property supported (acquired, rehabilitated, etc) with HOME funds is ultimately unable to provide affordable housing in accordance with HUD regulations, the project will be deemed ineligible and subject to the recapture of HOME funds. These project costs are explained in further detail in the following pages.

## Acquisition Costs:

- Includes costs of acquiring improved or unimproved real property
- Acquisition of vacant land or demolition can only be undertaken for particular housing project intended to provide affordable housing.
- Costs to make utility connections to an adjacent street or to make improvements to the project site, in accordance with the provisions of § 92.206(a)(3)(ii) and (iii) are also eligible in connection with acquisition of standard housing.

## Development Hard Costs:

- Includes the actual cost of constructing or rehabilitating housing.
- **New Construction:** Project costs must meet the City of Joliet Construction Standards attached to this document.
- **Rehabilitation:** Project costs must meet the City of Joliet Construction Standards attached to this document. Demolition of Existing Structures (Remember that Uniform Relocation Act applies)
- Creation of utility connections including off-site connections from the property line to the adjacent street.
- Improvements to the project site (only property owned by the project owner, where the project is located) that is in keeping with improvements of surrounding, standard projects. Including:
  - On-site roads
  - Sewer Lines
  - Water lines

\*Costs must be necessary to the development of the project.

- Costs to construct or rehabilitate laundry and/or community facilities located in the same building as the housing for the use of project residents (only applicable to multi-unit RENTAL housing).

### **New Construction:**

- **Manufactured Housing:** HOME funds may be used to purchase manufactured housing units or purchase the land upon which a manufactured housing unit is located. City of Joliet Home funds shall not be used to rehabilitate manufactured housing units. Any manufactured housing unit purchased with HOME funds must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability.

### **Soft Costs:**

- Costs include other reasonable and necessary costs incurred by the owner and associated with the financing, or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds.
- These costs include, but are not limited to:
  - Architectural Services;
  - Engineering Services;
  - Preparation of plans, drawings, specifications, or work write-ups;
  - Costs to process and settle the financing for a project;
  - Private lender origination fees;
  - Credit reports;
  - Fees for title evidence;
  - Fees for recordation;
  - Filing of legal documents;
  - Building permits;
  - Attorney's fees;
  - Private appraisal fees;
  - Fees for an independent cost estimate;
  - Builders or developers fees;
  - Costs of a project audit;

- Affirmative marketing and fair housing information to prospective homeowners and tenants;
- Staff and overhead costs directly related to carrying out the project, such as:
  - Work specifications preparation,
  - Loan processing inspections, and
  - Other services related to assisting potential owners, tenants, and homebuyers.
  - Housing counseling (only for individuals who ultimately occupy a HOME unit)
  - All costs must be reasonable and thoroughly documented (including timesheets detailing actual time worked on HOME activities).
- For both new construction and rehabilitation, costs for the payment of impact fees that are charged for all projects within a jurisdiction.
- Costs of environmental review and release of funds in accordance with 24 CFR Part 58 which are directly related to the project.
- Cost of funding an initial operating deficit reserve, not to exceed 18 months (ONLY eligible for new construction or rehabilitation projects):
  - Only can be used to pay project operating expenses, scheduled payments to a replacement reserve, and debt service.
  - Any HOME funds placed in an operating deficit reserve that remains unexpended after the period of project rent-up may be retained for project reserves.
- Relocation costs (for persons displaced by the project):
  - Replacement housing payments
  - Moving expenses
  - Other reasonable out-of-pocket costs incurred in the temporary relocation of persons.
  - Staff time associated with providing relocation to displaced persons (including referrals housing search assistance, property inspections, counseling, and other assistance necessary to minimize hardship).
- Payment of Construction Loan, Bridge Financing, or Guaranteed Loan (principle & interest), if:
  - The Project meets all HOME requirements and the loan was used for eligible costs specified in HOME Regulations and this policies and procedures manual; and

- The HOME assistance is part of the original financing for the project.

### **Community Housing Development Organization (CHDO) Costs:**

- A CHDO is defined as a private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations at 24 CFR Part 92.2.
  - i.e. Organized under the Internal Revenue Code of 1986 (IRC) at 501(c)(3) or 501(c)(4); a subordinate of a central organization under IRC 905; or a wholly-owned entity that is regarded as an entity separate from its owner for tax purposes (e.g., a single member limited liability company that is wholly-owned by an organization that qualifies as tax-exempt), when the owner organization has a tax exemption ruling from the IRS under section 501(c)(3) or 501(c)(4) of the IRC. The nonprofit must meet the other qualifying criteria outlined in the CHDO definition.
  - The CHDO is not controlled by, or significantly influenced by, a for-profit entity. In addition to the pre-2013 requirements that remain unchanged, paragraph 3(iv) adds a new criterion that if a for-profit entity creates or sponsors a potential CHDO, while the officers and employees of the for-profit entity can serve as Board members of a CHDO (subject to the one-third appointment limitation), they cannot serve as officers or employees of the CHDO.
- The HOME New Rule requires that CHDO's have paid staff with demonstrated capacity appropriate to the CHDO's role (this requirement cannot be met through volunteer, donated staff, shared staff, or board members).
- CHDO status must be recertified regularly by the City of Joliet.
- In an owner or developer role, the CHDO must own the HOME-assisted housing in fee simple absolute or have a long term ground lease.
- Costs include operating Expense and Capacity Building Costs for eligible CHDO's.
- Operating expenses means reasonable and necessary costs for the operation of the community housing development organization, such costs include:
  - Salaries, wages, and other employee compensation and benefits;
  - Employee education,
  - Training, and travel;
  - Rent;
  - Utilities;
  - Communication costs;
  - Taxes; insurance;

- Equipment; and
  - Materials and supplies.
- Costs DO NOT include operating expenses incurred by a CHDO acting as a subrecipient or contractor under the HOME Program.

**Tenant Based Rental Assistance:**

- Eligible costs include the rental assistance and security deposit payments made to provide tenant-based rental assistance for eligible households.
- Administration of tenant-based rental assistance is generally eligible only under Administrative Expenses (subject to administrative CAP). Specific exceptions will apply where costs for income certifications and unit inspections can be directly assigned to individual projects.

## Ineligible Activities

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HOME funds shall not be used to:

- Provide project reserve accounts, except as provided in § 92.206(d)(5), or operating subsidies;
- Provide tenant-based rental assistance for the special purposes of the existing section 8 program, in accordance with section 212(d) of the Act;
- Provide non-federal matching contributions required under any other Federal program;
- Provide assistance authorized under section 9 of the 1937 Act (Public Housing Capital and Operating Funds);
- Provide assistance to eligible low-income housing under 24 CFR part 248 (Prepayment of Low Income Housing Mortgages), except that assistance may be provided to priority purchasers as defined in 24 CFR 248.101;
- Provide assistance (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by the participating jurisdiction in the written agreement under §92.504. However, additional HOME funds may be committed to a project up to one year after project completion (see § 92.502), but the amount of HOME funds in the project may not exceed the maximum per-unit subsidy amount established under § 92.250.
- Pay for the acquisition of property owned by the City of Joliet, except for property acquired by the participating jurisdiction with HOME funds, or property acquired in anticipation of carrying out a HOME project; or Pay delinquent taxes, fees or charges on properties to be assisted with HOME funds.
- Pay for any cost that is not eligible under §§ 92.206 through 92.209.
- Support activities in connection with litigation involving discrimination or fair housing are set forth in section 224 of the Act.

## **Eligible Beneficiaries/Residents**

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The HOME Program is designed to provide affordable housing to low-income households and individuals.

Eligible beneficiaries must meet the following requirements:

- Household must be at or below 80% of area median income (or applicable requirements for Rental Housing)
- Household must reside in or be relocating to the City of Joliet;
- Household must not be an agent, consultant, officer, employee, and/or elected official of the City of Joliet or a HOME recipient of funds (household may still be able to receive assistance IF a waiver is received by HUD); and
- Household must meet all other requirements where applicable.

Additional restrictions apply when HOME is used for rental housing or HOME assisted rental units and households assisted with HOME funded TBRA must have incomes that are 60% or less of area median income. Twenty percent of the units in each rental housing project with five or more HOME assisted units must be occupied by families with incomes at or below 50% of area median income.

### **Income Eligibility:**

When determining the annual income of an individual or family, the HOME recipient must use the standard for calculating annual income under 24 CFR 5.609.

## **Long-Term Affordability:**

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To ensure investments provide affordable housing over the long term, rent and occupancy restrictions continue throughout the period of Affordability.

The minimum length of an affordability period depends on the amount of the HOME investment in the property and the nature of the activity:

### **HOME Investment per Unit Affordability Period**

HOME Investment per Unit	Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years
New Construction of <b>rental</b> housing	20 years
Refinancing of <b>rental</b> housing	15 years

Throughout the period of affordability, income eligible households must occupy the assisted units. When designated rental units become vacant during the period of affordability, subsequent tenants must be income eligible and must be charged the applicable rent.

If a home purchased with HOME assistance is sold during the period of affordability, **recapture provisions**, outlined in the Homebuyer section below, apply to ensure the continued provision of affordable housing.

## **Site and Neighborhood Standards for Potential HOME Rental Projects:**

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Proposed sites for potential HOME rental projects must meet the following site and neighborhood standards:

- Be adequate to accommodate the number and type of units proposed;
- Have sufficient utilities and streets to service the site;
- Be in full compliance with the applicable provisions of Title VI of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, E.O. 11063;
- Promote greater choice of housing opportunities;
- Avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons.
- Be accessible to social, recreational, educational, commercial, and health facilities and services,
- Be accessible to municipal facilities and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents.
- Be so located to places of employment providing a range of jobs for lower income workers.
- The neighborhood must not be one which is seriously detrimental to family life or other undesirable conditions predominate, unless there is actively in progress a concerted program to remedy the undesirable conditions.

The site must not be located in an area of minority concentration, except as permitted below:

- Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration; or
- The project is necessary to meet overriding housing needs that cannot be met in that housing market area.

Please refer to 24 CFR 983.6 for more details regarding utilization of the exceptions listed above.

# Program Policies & Requirements by Activity Type

## Rental Housing Development:

Before committing funds to a rental project, the City will evaluate the project and verify that the developer did not request or was not allocated any more HOME funds in combination with other governmental assistance than is necessary to provide the affordable housing.

\*See **HOME Subsidy Layering and Underwriting Policy**

### Eligible Beneficiaries:

Eligible tenants must meet the following requirements:

#### FOR PROJECTS WITH LESS THAN 5 HOME UNITS:

- Household must be at or below 80% of area median income;

#### 2014 Adjusted HOME Income Limits

AMI	1 person	2 person	3 person	4 person	5 person	6 person	7 person	9 person
80%	30,420	34,800	39,120	43,440	46,920	50,400	53,880	57,360

- Household must reside in or be relocating to the City of Joliet;
- Household must not be an agent, consultant, officer, employee, and/or elected official of the City of Joliet or a HOME recipient of funds (household may still be able to receive assistance IF a waiver is approved by HUD); and
- Household must meet all other requirements where applicable.

#### FOR PROJECTS WITH MORE THAN 4 HOME UNITS:

- Household must be at or below the corresponding income limit based on the number of units in the HOME development, see below:

#### 2014 Adjusted HOME Income Limits

Applicability	AMI	1 person	2 person	3 person	4 person	5 person	6 person	7 person	9 person
20% of HOME units	50%	25,350	29,000	32,600	36,200	39,100	42,000	44,900	47,800
80% of HOME units	80%	40,550	46,350	52,150	57,900	62,550	67,200	71,800	76,450

- Household must reside in or be relocating to the City of Joliet;
- Household must not be an agent, consultant, officer, employee, and/or elected official of the City of Joliet or a HOME recipient of funds (household may still be able to receive assistance IF a waiver is received by HUD); and
- Household must meet all other requirements where applicable.

### **Deadlines for Completion and Rent-Up**

Within **4 years of contract execution** rental projects must be complete, meaning 100% of HOME funds has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD (completion may occur after construction is completed, but before occupancy as long as beneficiary data is provided when the units are occupied).

The HOME-assisted units in a rental housing project must be occupied by households that are eligible as low-income families and must meet the requirements of this section to qualify as affordable housing. If eligible tenants do not occupy the housing within six months following the date of project completion, the Developer must submit marketing information and, if appropriate, a marketing plan.

HOME funds invested in any housing unit that has not been rented to eligible tenants **18 months after the date of project completion** shall be repaid to the City of Joliet and/or HUD. The affordability requirements also apply to the HOME-assisted nonowner-occupied units in single-family housing purchased with HOME funds in accordance with § 92.254. The tenant must have a written lease that complies with § 92.253.

### **Eligible Activities:**

Activities allowed with the use of City funds are activities that support the development of affordable rental housing and address the needs identified in the Consolidated Plan.

- The activities may include but are not limited to:
- Acquisition of existing structure(s) for rehabilitation of affordable rental housing
- Rehabilitation of existing structure(s) of affordable rental housing
- New construction of affordable rental housing

### **Eligible Types of Projects:**

- 1-4 Single family unit homes
- Group Homes
- Acquisition, rehabilitation, or new construction of affordable multi-family rental housing.
- Transitional Housing & Single Room Occupancy Units
- Permanent Supportive Housing

- May be one or more buildings on a single site, but project must be assisted with HOME funds as a single undertaking

#### **Eligible Costs:**

- Development hard cost for both new construction and rehabilitation
- Acquisition costs
- General management
- Related soft costs
  - Architectural, engineering or related professional services required:
  - Cost to provide information services such as affirmative marketing and fair housing information to prospective tenants as required by HUD
  - Operating cost directly related to carrying out the project, such as work specifications preparation, and loan processing inspections
  - Cost of environmental review and release of funds in accordance with **24CFR part 58** directly related to the project

#### **Prohibited Activities:**

- Funds may NOT be used to pay for any cost that is not eligible costs under the HOME program (including 92.206 and 209), like delinquent taxes, fees or charges on properties to be assisted.
- Development of student housing and dormitories (including farm worker dormitories) is an ineligible activity.

#### **Program Rules/Regulations:**

##### Property Management Policies:

- The developer must use fair marketing practices when leasing HOME units. The city will review and approve the developer's marketing policy as part of the application review and it will incorporate the policy as part of the funding agreement.
- Developers/owners must distribute to residents:
  - All applicable HUD or Environmental Protection Agency (EPA) approved pamphlets
  - "Renovate Right" Brochure (prior to any repairs that may disturb lead based paint in home built prior to 1978).  
<http://epa.gov/lead/pubs/renovaterightbrochure.pdf>.
  - "Protect Your Family from Lead in Your Home"

- “Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards” signed by renters prior to their becoming obligated under a rental contract
- The City of Joliet requires that developers/owners obtain evidence of tenant receipt of any pamphlet distributed. Owners may create their own receipt of disclosure.
- All HOME projects shall be in compliance with Fair Housing Act and Section 504 of the Rehabilitation Act of 1973.
- The owner cannot refuse to lease HOME-assisted units to persons with a voucher for Section 8 Tenant-Based Assistance.
- The Developer must submit to the City of Joliet for rents each year for HOME assisted units (during the period of affordability) for review and approval. Undue rent increases from year to year are prohibited.
- To ensure compliance with the affordability period, owners must establish systems to re-certify tenant income on an annual basis. Recertification documents will be monitored by the city.
- Tenants who no longer qualify as low-income families must pay as rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the family’s adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent governed by section 42. In addition, in projects in which the HOME units are designated as floating pursuant to paragraph (j), tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood.
- Any increase in rents for HOME-assisted units is subject to the provisions of outstanding leases, and in any event, the owner must provide tenants of those units not less than 30 days prior written notice before implementing any increase in rents.
- The lease between the tenant and the owner must be at least one year (12 months). Termination of the lease requires a 30 day notice of refusal to renew or termination of tenancy.
  - The lease must comply with all the conditions listed in the **Lease Requirements** section of this document
- Every unit assisted with HOME funds is subject to annually updated rent limits.
  - If the assisted unit has multiple subsidies, e.g. HOME and LIHTC the more restrictive guidelines must be met for the rent and income limits.
  - The tenant can at no time be charged more than HOME rent limits even in conjunction with another program.

- The maximum HOME rent limits are recalculated on a periodic basis after HUD determines fair market rents and median incomes. Regardless of changes in fair market rents and in median income over time, the HOME rents for a project are not required to be lower than the HOME rent limits for the project in effect at the time of project commitment.
- If a project has five or more HOME assisted units, the HOME regulation says that at least 20% of the HOME assisted rental units must be occupied by household at 50% of median income or below, and they must occupy units at or below the Low HOME Rent. (See chart below for rent limits)

### 2014 HOME Program Monthly Rent Limit

Applicability	TYPE	SRO	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
20% of HOME units	Low HOME Rent	663	711	853	985	1100	1213	1326
80% of HOME units	High HOME Rent	572	676	876	1234	1356	1478	1600

- The Developer must submit to the City of Joliet for rents each year for HOME assisted units (during the period of affordability) for review and approval. Undue rent increases from year to year are prohibited.
- The rent limit includes both rent and a utility allowance. To calculate the monthly utility allowances, use the chart below. Add the together the applicable allowances by unit size (number of bedrooms) and the utilities offered onsite.

### 2013 HOME Program Utility Allowances

Unit Type: High Rise (High Rise with Elevator)							
Utility or Service		Monthly Dollar Allowances					
		0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
Heating	a. Natural Gas	9	10	12	13	15	16
	d. Electric	18	30	41	53	64	76
Cooking	a. Natural Gas	2	2	3	4	5	5
	d. Electric	6	8	10	12	14	16
Other Electric/Lighting		16	24	32	39	47	55
Water Heating	a. Natural Gas	3	5	7	8	10	12
	d. Electric	11	18	24	31	37	43
Water:		17	18	25	32	40	47
Sewer:		19	20	26	32	38	45
Trash Collection		24	24	24	24	24	24
Range/Microwave		12	12	12	12	12	12
Refrigerator		13	13	13	13	13	13

<b>Unit Type: Duplex/Two/Three Family (Semi Detached)</b>							
Utility or Service	Monthly Dollar Allowances						
	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	
Heating	a. Natural Gas	11	18	24	30	36	42
	d. Electric	26	39	52	65	79	92
Cooking	a. Natural Gas	2	2	3	4	5	5
	d. Electric	6	8	10	12	14	16
Other Electric/Lighting		16	26	36	50	59	69
Water Heating	a. Natural Gas	3	5	7	8	10	12
	d. Electric	11	18	24	31	37	43
Water:		17	18	25	32	40	47
Sewer:		19	20	26	32	38	45
Trash Collection		24	24	24	24	24	24
Range/Microwave		12	12	12	12	12	12
Refrigerator		13	13	13	13	13	13

<b>Unit Type: Row House/Garden Apartment (Rowhouse/Townhouse)</b>							
Utility or Service	Monthly Dollar Allowances						
	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	
Heating	a. Natural Gas	11	18	24	30	36	42
	d. Electric	26	39	52	65	79	92
Cooking	a. Natural Gas	2	2	3	4	5	5
	d. Electric	6	8	10	12	14	16
Other Electric/Lighting		16	26	36	50	59	69
Water Heating	a. Natural Gas	3	5	7	8	10	12
	d. Electric	11	18	24	31	37	43
Water:		17	18	25	32	40	47
Sewer:		19	20	26	32	38	45
Trash Collection		24	24	24	24	24	24
Range/Microwave		12	12	12	12	12	12
Refrigerator		13	13	13	13	13	13

**Utility Allowances for Tenant-Paid Utilities**

Source:		US Department of HUD			Date Updated:	Effective 5/1/2013	
Unit Type: Detached House							
Utility or Service		Monthly Dollar Allowances					
		0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
Heating	a. Natural Gas	11	19	26	32	38	46
	d. Electric	33	49	65	81	96	112
Cooking	a. Natural Gas	2	2	3	4	5	5
	d. Electric	6	6	10	12	14	16
Other Electric/Lighting		23	33	44	58	69	79
Water Heating	a. Natural Gas	3	5	7	8	10	12
	d. Electric	11	18	24	31	37	43
Water:		27	27	35	42	49	57
Sewer:		19	20	26	32	38	46
Trash Collection		24	24	24	24	24	24
Range/Microwave		12	12	12	12	12	12
Refrigerator		13	13	13	13	13	13

**Fiscal Policies:**

- The owner must submit annual performance reports to the City of Joliet for review (in a similar format to the pro-forma). If problems are identified, the City of Joliet may offer technical assistance and/or request additional documentation and corrective actions.
- For rental projects with 10 or more units, financial statements prepared by an independent CPA (in the form of either a formal annual audit or CPA-compiled review) must be annually submitted to the City of Joliet for review.
- All cost must be in direct relation to the city’s HOME assisted unit and supporting documentation of all expenditures is required for all costs being paid for with HOME funding.
- With the exception of acquisition and financing costs, HOME funds are available as reimbursement for eligible expenses.
- Related soft costs must be necessary for the development of the city HOME units, and documentation must be provided for any cost re-imbusement.
- Funding will be limited to the amount necessary to facilitate completion of the project and will not exceed a proportionate share of costs in a project with floating units.
- Before monies are released, an agreement will be signed between the City and the recipient. The agreement will satisfy Federal requirements and establishes the terms under which the funding is being provided. Funds will not be released

until a funding agreement is executed and all applicable regulations have been met (i.e. environmental).

- The City will determine the number of HOME units based on the funding award. The city will allow the developer to determine if the assisted units are “fixed” or “floating”.
  - A “fixed” unit is when the owner applies funding requirements to specific units throughout the affordability period.
  - A “floating” unit is when the units designated as HOME assisted may change over the term of affordability, as long as the number of HOME assisted unit in the project remains constant.
  - Whatever decision the developer makes, there always has to be the required amount of designated HOME units in the projects.

Term of Affordability:

- The city will provide gap financing in the form of a deferred loan or grant to affordable housing projects. Funding agreements will define the term of affordability according to the Federal regulations (see chart below).

HOME Investment per Unit	Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years
New Construction of <b>rental</b> housing	20 years
Refinancing of <b>rental</b> housing	15 years

- The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership.

Property Standards:

Housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion, except as provided below.

- The City has written standards for rehabilitation that ensure that HOME-assisted housing is decent, safe, and sanitary.
- Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.
- All other HOME-assisted housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements.
- The housing must meet the accessibility requirements at 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and

covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619).

- Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing. Participating jurisdictions providing HOME assistance to install manufactured housing units must comply with applicable State and local laws or codes. In the absence of such laws or codes, the participating jurisdiction must comply with the manufacturer's written instructions for installation of manufactured housing units. Manufactured housing that is rehabilitated using HOME funds must meet the requirements set out in paragraph (a)(1) of this section.

The following requirements apply to housing for homeownership that is to be rehabilitated after transfer of the ownership interest:

- Before the transfer of the homeownership interest, the City will:
  - Inspect the housing for any defects that pose a danger to health; and
    - Notify the prospective purchaser of the work needed to cure the defects and the time by which defects must be cured and applicable property standards met.
  - The housing must be free from all noted health and safety defects before occupancy and not later than 6 months after the transfer.
- The housing must meet the property standards listed above not later than 1 year after transfer of the ownership interest.
- An owner of rental housing assisted with HOME funds must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements
- All housing occupied by tenants receiving HOME tenant-based rental assistance must meet the housing quality standards in 24 CFR 982.401.
- All properties constructed or rehabilitated with City HOME funds will meet the minimum local codes and standards once construction is completed and occupied.
- All projects will be designed and constructed in compliance with the City of Joliet Construction Standards (attached to this document).
- Monitoring visits will be conducted by the city to ensure property and construction standards are being met before, during, and after construction.
- All HOME assisted units should pass an annual Uniform Physical Condition Standards (UPCS) inspection performed by the owner (until the affordability period ends).

- In addition to the annual inspections performed by the owner, the City of Joliet will perform inspections based on state and local codes within 12 months of project completion and
  - Every 3 years for 1-4 units (until the affordability period ends).
  - Every 2 years for 5-25 units (until the affordability period ends).
  - Annually for 26 + units (until the affordability period ends).
- Inspections are performed as described below:
  - 1-4 HOME Assisted Units 100% of HOME Units must be inspected.
  - 5+ HOME Assisted Units 51% of HOME Units or 4 Units (whichever is greater).
  - The City of Joliet may also approve a different statistically valid sample size upon written request.
- Accessibility. The housing must meet the accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601–3619).
- All new construction housing developments with 5 or more units must design and construct 5 percent of the dwelling units, or at least one unit, whichever is greater, to be accessible for persons with mobility disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.
- All renovations of existing structures with 15 or more units (where the cost of the alterations is 75 percent or more of the replacement cost of the completed facility) must have 5 percent of the dwelling units to be accessible for persons with mobility disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.
- Regardless of project size, all multifamily housing projects shall, to the maximum extent feasible, be made to be readily accessible to and usable by individuals with handicaps.
- In projects with less than 15 units, HOME recipients are not required to take any action would result in a fundamental alteration in the nature of its program or activity or in undue financial and administrative burdens.
- Construction progress inspections. The City shall conduct progress and final inspections of construction to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents.

## Homeownership Housing Development:

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The City of Joliet Neighborhood Services Division (NSD) will provide loans to developers of affordable homeownership projects to assist with cost that are in excess of construction, permanent, and/or other subsidy financing and equity resources. The amount of funds invested in a homeownership housing project will always reflect the minimum amount of public subsidy necessary to achieve the maximum public benefit.

Before committing funds to a housing project, the City will evaluate the project and verify that the developer did not request or was not allocated any more HOME funds in combination with other governmental assistance than is necessary to provide the affordable housing.

### Eligible Beneficiaries:

Eligible homebuyers must meet the following requirements:

- Household must be at or below 80% of area median income (At time of purchase):

#### 2014 Adjusted HOME Income Limits

AMI 1	1 person	2 person	3 person	4 person	5 person	6 person	7 person	9 person
80%	40,550	46,350	52,150	57,900	62,550	67,200	71,800	76,450

- Household must reside in or be relocating to the City of Joliet;
- Household must not be an agent, consultant, officer, employee, and/or elected official of the City of Joliet or a HOME recipient of funds (household may still be able to receive assistance IF a waiver is approved by HUD);
- Household will ultimately use the dwelling unit as their principal residence;
- Household will ultimately legally own the dwelling unit/property (as evidenced through a fee simple title, 99 year leasehold interest, or equivalent form of ownership approved by the City of Joliet; and
- Household must meet all other requirements where applicable.

### Eligible Activities:

Activities allowed with the use of City funds are activities that support the development of affordable housing and address the needs identified in the Consolidated Plan. The activities may include but are not limited to:

- Acquisition of existing structure(s) for rehabilitation of affordable homeownership housing
- Rehabilitation of existing structure(s) of affordable homeownership housing
- New construction of affordable homeownership housing

### Eligible Types of Projects:

- 1-4 Single family unit homes

- Condominiums/Cooperatives
- May be one or more buildings on a single site, but project must be assisted with HOME funds as a single undertaking.

#### **Eligible Costs:**

- Development hard cost for both new construction and rehabilitation
- Acquisition costs
- General management
- Related soft costs
  - Architectural, engineering or related professional services required:
  - Cost to provide information services such as affirmative marketing and fair housing information to prospective tenants as required by HUD
  - Operating cost directly related to carrying out the project, such as work specifications preparation, and loan processing inspections
  - Cost of environmental review and release of funds in accordance with 24 CFR part 58 directly related to the project

#### **Prohibited Activities:**

- Funds may NOT be used to pay for any cost that is not eligible under the HOME program at 92.206 and 209, including delinquent taxes, fees or charges on properties to be assisted.
- Development of homeownership units where there is not a considerable market study illustrating demand for homeownership housing will not be supported with HOME funds.

#### **Deadlines and conversion of units to rental**

All projects must be **fully complete** with units sold within **4 years of the commitment** of HOME funds. In addition, any unit not sold within **6 months** (9 months for projects funded under City action plans 2014 and later) of the completion of construction **must be converted to rental and meet all of the requirements for HOME rental housing**. HOME funds provided for any such unit that is not rented within 18 months of conversion must be repaid to the City.

#### **Program Rules/Regulations:**

##### Property Management Policies:

- The developer must use fair housing marketing practices when selling HOME units, as required by the Fair Housing Act (4.2 U.S.C. 3601-29). The city will review and approve the developer's marketing policy as part of the application review and it will incorporate the policy as part of the funding agreement.
- 100 percent of HOME funds must be invested in dwelling units that are occupied by households that qualify as low-income families (80% AMI and below).

- If HOME funds are used to help a purchase/acquire one or more rental units along with the homeownership unit, the HOME rental affordability requirements apply to the rental units.
- All HOME projects shall be in compliance with Fair Housing Act and Section 504 of the Rehabilitation Act of 1973.
- The ownership interest may be subject only to the following:
  - Mortgages, deeds of trust or other debt instruments approved by the City of Joliet; or
  - Any other encumbrances or restrictions that do not impair the marketability of the ownership interest, other than the HOME Program restrictions on recapture.

Fiscal Policies:

- All cost must be in direct relation to the city's HOME assisted unit and supporting documentation of all expenditures is required for all costs being paid for with HOME funding.
- With the exception of acquisition and financing costs, HOME funds are available as reimbursement for eligible expenses.
- Related soft costs must be necessary for the development of the city HOME units, and documentation must be provided for any cost re-imbusement.
- Funding will be limited to the amount necessary to facilitate completion of the project and will not exceed a proportionate share of costs in a project with multiple units. All projects will be underwritten according to the City of Joliet HOME underwriting guidelines. See **HOME Subsidy Layering and Underwriting Policy**.
- Individual homebuyers must also be underwritten per the guidelines.
- Before monies are released, an agreement will be signed between the City and the recipient. The agreement will satisfy Federal requirements and establishes the terms under which the funding is being provided. Funds will not be released until a funding agreement is executed and all applicable regulations have been met (e.g. environmental review requirements).

Term of Affordability:

- Investment of HOME funds into a homebuyer project requires an affordability period be attached to that home. The affordability period represents the minimum length of time a homeowner must reside in the property as his/her primary residence. The affordability period begins after project completion. The periods are based on the amount of HOME funds provided for the property.
- When the homebuyer sells or fails to reside in the property as his/her primary residence during the affordability periods, repayment of a portion of the HOME subsidy is required.

HOME investment amount per unit	Minimum period of affordability
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
> \$40,000	15 years

- The city will provide gap financing in the form of a deferred loan or grant to affordable housing projects. Funding agreements will define the term of affordability according to the Federal regulations (see chart below).
- Affordability requirements shall be recorded on the property through:
  - A deed restriction or covenant running with the land; and
  - Loan documents.

\*Loan default and subsequent foreclosure negates the principal residence limitation, but not the affordability restrictions.

- All homeowners must be provided homebuyer counseling prior to purchase.
- All units must be sold at or below the HOME Unit Sale Limits (95% of the median purchase price for the area for the specified housing type). See chart below:

#### 2014 HOME Unit Sale Limits (Updated Annually)

Homeownership Value Limits - 2014				
	1-Unit	2-unit	3-unit	4-unit
REHAB	\$171,000	\$219,000	\$265,000	\$328,000
NEW	\$226,000	\$289,000	\$350,000	\$434,000

- Unit prices may vary (underneath this limit) based on neighborhood trends, target buyers, and project underwriting.
- The sale of a property and any assistance to a homebuyer require that the buyer be underwritten according to the City's HOME project underwriting guidelines for homebuyers. This underwriting will include standards for the first mortgage and establish the terms for any subordination of the HOME loan.
- Resale of the property during the affordability period and qualification of subsequent buyers will be governed by the HOME covenant and land use restriction on the property.

#### Change in Ownership:

- If a home purchased with HOME assistance is sold during the period of affordability, **recapture provisions**, outlined below, apply to ensure the continued provision of affordable housing.

## RECAPTURE PROVISIONS

- The HOME recapture provisions are established at §92.253(a)(5)(ii)
- The City of Joliet chooses to reduce the amount of direct HOME subsidy on a pro-rata basis for the time the homebuyer has owned and occupied the housing, measured against the required affordability period. The resulting ratio would be used to determine how much of the direct HOME subsidy the City would recapture. The pro rata amount recaptured by the City cannot exceed what is available from net proceeds.
- To determine the pro rata amount recaptured divide the number of years the homebuyer occupied the home by the period of affordability and multiply the resulting figure by the total amount of direct HOME subsidy originally provided to the homebuyer.

$$\frac{\text{Number of years homebuyer occupied the home}}{\text{Period of affordability}}$$

$$\times \text{Total direct HOME subsidy} = \text{Recapture}$$

### Property Standards:

- All properties constructed or rehabilitated with City HOME funds will meet the minimum local codes and standards once construction is completed and occupied.
- All projects will be designed and constructed in compliance with the City of Joliet Construction Standards (attached to this document).
- Monitoring visits will be conducted by the city to ensure property and construction standards are being met before, during, and after construction.
- All new construction housing developments with 5 or more units must design and construct 5 percent of the dwelling units, or at least one unit, whichever is greater, to be accessible for persons with mobility disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.
- All renovations of existing structures with 15 or more units (where the cost of the alterations is 75 percent or more of the replacement cost of the completed facility) must have 5 percent of the dwelling units to be accessible for persons with mobility disabilities. These units must be constructed in accordance with the Uniform Federal Accessibility Standards (UFAS) or a standard that is equivalent or stricter.
- Regardless of project size, all multifamily housing projects shall, to the maximum extent feasible, be made to be readily accessible to and usable by individuals with handicaps.
- In projects with less than 15 units, HOME recipients are not required to take any action that would result in a fundamental alteration in the nature of its program or activity or in undue financial and administrative burdens.

## **Overarching Program Regulations and Requirements**

### **Recordkeeping**

The City of Joliet, HUD, the Comptroller General of the United States or any of their authorized representatives, has the right to access the Project and any books, documents, papers or other records of a HOME assisted unit.

Developers/owners will maintain all books and records pertaining to HOME assisted units with the provisions of 24 C.F.R. § 92.508 for a period of not less than five (5) years after the affordability period ends and all matters pertaining to the project (e.g., audit, disputes or litigation) are resolved under applicable federal or state laws, regulations or policies.

Developers/Owners shall maintain records for inspection by NSD in the checklists included in the following pages. The developer/owner will make any additional records requested available to the City of Joliet upon request.

**HOME Monitoring Documentation:  
Homeowner Rehabilitation  
Case File Checklist 4B**

Owner Name: \_\_\_\_\_

Project ID \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

ITEMS IN PROJECT CASE FILE?	Y	N	NOTES
<b>UNDERWRITING INFORMATION</b>			
1. Pre-Screening Questionnaire			
2. Project Underwriting Worksheet			
3. Origination Checklist			
4. Project Activity Log			
5. Other Underwriting Checklists			
<b>APPLICANT INFORMATION</b>			
6. Authorization to Release Information			
7. Verification of Utility Expenses (for past 12 mos.)			
8. Verification of Employment/Income			
9. Verification of Expenses			
10. Credit Report			
11. Program Application Form			
12. Approval of Rehabilitation Assistance Notice			
<b>LEGAL DOCUMENTS</b>			
13. Copy of Deed			
14. Title Search and/or Title Opinion			
15. Closing Documents			
16. Copies of Post Closing Documents			
17. Written Homeowner HOME Agreement			
<b>PROPERTY INFORMATION</b>			
18. Environmental Screening Checklist			

19. Appraisal/Market Analysis			
20. Work Write-Up/Cost Estimate			
21. Rehabilitation Contract			
22. Addendum to Construction Contract			
23. Sub-Contractor Agreements			
24. HUD Debar/Suspension Clearance Forms			
25. Lead-Based Paint Compliance Documentation (including copies of notices, lead hazard evaluation and clearance reports)			
<b>CONSTRUCTION MANAGEMENT</b>			
26. Initial Inspection Form			
27. Pre-construction Conference Report			
28. Notice to Proceed			
29. Progress Inspection Reports			
30. Punch List			
31. Change Orders (if applicable)			
32. Contractor Payment Requests			
33. Subcontractors Final Lien Releases (if applicable)			
34. Contractors Final Lien Release			
35. Documentation of Final Inspection			
36. Receipt of Final Payment Form			

**HOME Monitoring Documentation: Homebuyer Project  
Case File Checklist 5B**

Owner Name: \_\_\_\_\_

Project ID \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

ITEMS IN PROJECT CASE FILE?	Y	N	NOTES
1. Program Application			
2. Relocation Notice (if applicable)			
3. Income and Asset Verification Forms			
4. Initial Inspection Form			
5. Homebuyer Written HOME Agreement			
6. Sales Prices. (if rehabilitation, use estimated property value)			
7. Environmental Clearance			
8. Written Recapture or Resale Agreement			
9. IDIS Set-Up			
10. Work Write-Up/Cost Estimate			
11. Payment Certifications			
12. Progress Payment Authorizations			
13. Contractor Bid Documents			
14. Contractor Eligibility Form			
15. Contractor Approval Form			
16. Pre-Construction Conference Report			
17. Lead-Based Paint Compliance Documentation (including copies of notices, lead hazard evaluation and clearance reports)			
18. Rehabilitation Contract (if applicable)			
19. Notice to Proceed			
20. Approved Change Orders (if applicable)			
21. Documentation of Final Inspection			
22. Final Invoice from Contractor			
23. Waiver of Liens from General Contractor, Subcontractors, and Suppliers			
24. Warranties (if applicable)			
25. Receipt of Final Payment Form			
26. Project Completion Form			
27. Applicant File Checklist			



## II. PROJECT DOCUMENTATION

Check the project file to verify that the documents below have been submitted. For documents that have not yet been executed at the time of review, make a note that they must be submitted prior to final payment.

ITEMS IN PROJECT CASE FILE?	Y	N	NOTES
<b>A. RENT REQUIREMENTS</b>			
1. Program Application			
2. Project Underwriting Worksheet			
3. Relocation Notice			
4. Affirmative Marketing Plan			
5. Initial Inspection Form			
6. Owner/Developer HOME Written Agreement			
7. Rent Disclosure Form			
8. Appraisal/Market Analysis			
9. Environmental Clearance			
10. Subsidy Layering Review Certification (if applicable)			
11. Loan Documents and Deed Restrictions			
12. IDIS Set-up			
13. Work Write-Up/Cost Estimate			
14. Contractor Bid Documents			
15. Contractor Eligibility Form			
16. Contractor's Certificate of Insurance			
17. Evidence of Contractor Licensure			
18. Debarment List			
19. Pre-construction Conference Report (optional)			
20. Lead-based Paint Compliance Documentation			
21. New Construction or Rehabilitation Contract			
22. Notice to Proceed			
23. Approved Change Orders (if applicable)			
24. Contractor Payment Requests/Authorizations			
25. Payment Certifications			
26. Documentation of Final Inspection			
27. Waiver of Liens from All Contractors and Suppliers			
28. Receipt of Final Payment Form			
29. IDIS Project Completion			

### III. FILE REVIEW

ITEMS IN PROJECT CASE FILE?	Y	N	NOTES
<b>A. PROJECT RECORD KEEPING</b>			
1. Based on the checklist on the previous page, is the project case file complete?			
<b>B. PROPERTY REQUIREMENTS</b>			
2. Is the property an eligible property type?			
3. If the floating designation was used, are the rental units comparable?			
4. Does the project's HOME subsidy exceed \$1000 per unit?			
5. Is the project's HOME subsidy under the maximum?			
6. If units are not comparable, was a unit-by-unit cost allocation system used? (See HUD CPD Notice 98-02 for additional guidance on cost allocation.)			
7. If a cost allocation system was used, does sufficient documentation exist to support the cost allocation?			
8. Was any funding leveraged from non-HOME sources?			
9. Does the loan document (or other legal document) state whether the HOME-assisted units are fixed or floating?			
10. If the floating designation was used, are the rental units comparable?			
<b>C. PROPERTY STANDARDS</b>			
11. Do work write-ups, change orders, and inspection documentation indicate that the following property standards were met? a. State Rehabilitation Standards b. Local Codes and Standards c. Section 8 HQS (if applicable)			
<b>D. ELIGIBLE COSTS</b>			
12. Does the project documentation—work write-ups, change orders, etc.—demonstrate that all costs were eligible under the HOME Program?			

<b>E. CONTRACTOR SELECTION</b>			
13. Was the bid selected consistent with the work write-up/cost estimate?			
14. Was the bid selected cost reasonable— e.g., within 10 percent of the original cost estimate?			
15. Was the contractor selected cleared from any debarment lists?			
16. Did the contractor selected have appropriate insurance and licensing?			
<b>F. CONSTRUCTION MANAGEMENT</b>			
17. Does the project file demonstrate that inspections were performed prior to contractor payment?			
18. Do inspection and payment documentation show all work was satisfactorily performed prior to payment?			
19. Did the contractor payment requests include adequate documentation of costs and work performed?			
20. Were all changes to the scope of work in the construction contract documented with written change orders signed by the contractor & the owner?			
21. Was a Release of Liens granted before final contractor payment?			
22. Was retainage withheld from each payment and paid after all work was completed?			
23. Was a final code inspection performed?			
<b>G. ON-SITE INSPECTION</b>			
24. Does the project appear to meet applicable property standards?			
25. Was all work detailed in the rehabilitation contract completed satisfactorily?			
26. Was all work documented in the payment request completed?			
27. Are units designated as comparable similar in size, number of bedrooms, and amenities?			

# HOME Monitoring Documentation: Initial Rent and Occupancy

## Checklist 6B

Owner Name: \_\_\_\_\_

Project ID \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

### I. BACKGROUND INFORMATION

1. Total number of units: Number leased to date:	
2. Total number of HOME-assisted units: Number leased to date:	
3. Number of HOME-assisted units rented to households below: 50 % of AMI _____ 60 % of AMI _____ 80 % of AMI _____	
4. Are the HOME units fixed or floating? (Circle one) Fixed                  Floating	
5. Are tenants receiving Section 8 rental assistance? If yes, how many?	
6. Is there project-based rental assistance attached to any HOME units? If yes, which units?	

## II. PROJECT DATA

ITEMS IN PROJECT CASE FILE?	Y	N	NOTES
<b>A. RENT REQUIREMENTS</b>			
1. Did project use proper utility allowances to calculate maximum rent levels?			
2. In properties of 5 or more units, are at least 20 percent of the units rented at or below the Low HOME Rent level?			
3. Are the rent levels listed consistent with the project's application?			
4. If tenants receive Section 8 assistance,			
a. Is the appropriate tenant payment (i.e., 30 percent of adjusted income) charged to the tenant?			
b. Is the total rent charged for the unit below			
5. If any in-place tenants have incomes above 80 percent of the area median income, are they charged 30 percent of their adjusted monthly income for rent and utilities?			
6. Do the rents listed for HOME-assisted units in the Project Compliance Report demonstrate that High and Low HOME Rent limits have been observed? ( <i>Compare to the maximum rent limits on the previous page.</i> )			
<i>Note: if the project has additional forms of assistance, review additional rent requirements as appropriate.</i>			
<b>B. OCCUPANCY REQUIREMENTS</b>			
7. At initial project lease-up:			
a. Did existing tenants have incomes below 60 percent AMI or pay 30 percent of adjusted income for rent?			
8. If units are floating, do HOME-assisted and unassisted units represent proportionate number of units by bedroom size? (e.g., if 50 percent of the units are HOME-assisted, 50 percent of units of each bedroom size are designated as HOME units.)			
9. If the units are floating, are HOME-assisted and unassisted units comparable in terms of amenities and size?			

10. As tenants vacate units: a. Are tenants in Low HOME Rent units replaced by other tenants with incomes at or below 50 percent AMI?			
11. In projects where the HOME-assisted units float: a. When a tenant vacates a HOME unit, is the next available unit made available to a HOME-eligible tenant? b. When a tenant's income rises above 80 percent of AMI, is the next available comparable unit rented to a HOME-eligible tenant?			
<b>C. TENANT ELIGIBILITY &amp; LEASES</b>			
12. Is each unit file complete with the following documentation: a. Tenant income certifications? b. Tenant income supporting documentation? c. Lease and lease addendum? d. Lead-based paint compliance documentation?			
13. Do the unit files that the project owner maintains adequately document income determinations?			
14. Do the unit files that the project owner maintains adequately document income determinations?			
15. Are tenant leases properly executed and free of all prohibited provisions?			
16. Are the tenant leases for a minimum of one year (unless otherwise agreed upon by tenant and owners)?			
17. Do the tenant leases support that the rents reported in project files and project documentation submitted to the PJ are accurate?			
<b>D. PROPERTY STANDARDS</b>			
18. Does the property have documentation that it meets ongoing property standard requirements? a. Local codes and standards b. Written rehabilitation standards (if applicable)			

**HOME Ongoing Monitoring: Rental Housing Project  
Checklist 6C**

Owner Name: \_\_\_\_\_

Project ID \_\_\_\_\_

Reviewer: \_\_\_\_\_

Date: \_\_\_\_\_

**I. BACKGROUND INFORMATION**

1. Amount of HOME Allocation:
2. Number HOME-assisted Units:
3. Period of Affordability:
Owner should also complete a Project Compliance Report (Checklist 6-D) on a yearly basis during the period of affordability and submit it to the PJ.

**II. PROJECT COMPLIANCE**

QUESTIONS	Y	N	COMMENTS/ ACTION REQUIRED
<b>A. PROJECT REQUIREMENTS</b>			
1. Does the owner have tenant selection procedures that are non-discriminatory?			
2. Does the owner provide adequate information to program applicants about program rules and expectations?			
3. When the floating designation is used, does the owner ensure that the rental units are comparable?			
<b>B. PROPERTY STANDARDS AND ELIGIBLE COSTS</b>			
4. Does the property still meet all local codes and property standards?			

QUESTIONS?	Y	N	COMMENTS/ ACTION REQUIRED
<b>C. RENT, OCCUPANCY, AND ONGOING REQUIREMENTS</b>			
5. Does the owner complete a Project Compliance Report (Checklist 6-D) and submit it to the PJ on time every year?			
6. Does the owner monitor rents in HOME-assisted units and enforce HOME rent limits in all projects?			
7. Does the owner monitor and enforce HOME low-income occupancy requirements?			
8. Are tenant incomes properly documented during occupancy?			
9. Is there a copy of a lease in every tenant file?			
10. Are all leases signed in HOME-assisted units free of prohibited provisions?			
11. Does the owner conduct regular property inspections?			
12. Does the owner affirmatively market units?			
13. Does the owner follow his/her tenant selection policy?			

## HOME RENTAL PROGRAMS

### Case File Checklist

1. Name of project \_\_\_\_\_ 1b. IDIS# \_\_\_\_\_
2. Project Address \_\_\_\_\_  
     2b. Address of unit/house \_\_\_\_\_
3. Developer \_\_\_\_\_
4. Type of project (circle one)  
     rental- acquisition/rehab/resale, Or rental new construction
5. # Of HOME units \_\_\_\_\_ Total # of units in project \_\_\_\_\_
6. HOME funds awarded \$ \_\_\_\_\_
7. Status of project and the file \_\_\_\_\_

ITEMS IN PROJECT CASE FILE	N/A	In File	Date	Notes
<b>Developer Documentation</b>				
1) Application and Proforma				
2) Project Narrative (Including description of development team experience)				
3) Evidence of Site Control				
4) Illinois Housing Application (if project includes tax credits (LIHTCs))				
5) Appraisal ("As is" value for all properties – "as built" value also required unless another lender provides first mortgage financing)				
6) Market Study				
7) Evidence of Zoning (Building permit or letter from local zoning administrator)				
8) If non-City regulatory agreements will be in place, the required documentation				
9) Commitments for non-HOME funds				
10) If any existing building was completed prior to 01-01-1978, additional submission requirements re: lead based paint				

11) Relocation Plan, including:				
a. Current tenant profile				
b. Current rent and utility schedule				
c. Relocation process and budget				
12) Preliminary plans and specifications				
13) Statement re: Demolition				
14) Energy Efficiency and Sustainability plan				
15) Affirmative marketing plan				
16) Tenant Selection plan				
17) Minority and Women's Business Enterprise Outreach/Participation plan				
18) Organizational documents / ownership structure				
19) Plan for Special Needs Services for residents (if applicable; otherwise note N/A)				
20) Audited corporate or partnership financial statements				
<b>Underwriting Requirement Considerations</b>				
21) Subsidy Layering Analysis (if more than one source of public funds in project financing)				
22) For mixed income properties: evidence of "cost allocation" to determine HOME assisted units.				
23) Maximum subsidy per unit limit 221(d)(3)				
24) Rent loss 7.0%				
25) Initial Debt Service Coverage Ratio between 1.15 and 1.40. If above 1.40, an explanation is required.				
26) Inflation 2.0% for revenues and 3.0% for expenses				
27) First mortgage business terms must agree with the commitment loan commitment				
28) Developer fee within 12% cap				
29) Good Faith Estimate and Budget				
30) Cost reasonableness review				

31) Architectural Drawings (renderings)				
a. CD				
b. Full size				
c. 11x17				
32) Section 504 determination & applicability				
33) HOME Developer Agreement				
a. # of HOME units identified and designated as Low (50%) or High (80%) by bedroom size				
b. Fixed/Floating designated				
34) Project abstract				
35) Obligation of funds approval form				
36) City Award Letter				
37) IDIS Set-up				
<b>Property/Acquisition</b>				
38) Environmental review record/clearance				
39) Purchase contract				
40) Appraisal (within 60 days of final offer)				
41) Notice to Owner - URA				
42) General Information Notice - URA				
43) Tenant relocation notices/documents (if applicable)				
<b>Closing/settlement statement</b>				
44) Confirm purchase price (equal to or less than) Current Market Appraised Value				
45) Flood Insurance Certificate (if appl.)				
46) Letter of instruction (if City not present at closing)				
47) City attended closing (provide name of staff in Notes column)				
48) Recorded legal documents with affordability requirements (land use restriction covenants, mortgage & note)				
<b>Inspection/Work Scope</b>				
49) Initial inspection				
50) Property standards inspection				

51) Lead Based Paint Risk Assessment (if pre-1978)				
52) Notice of Evaluation/Presumption of LBP				
53) Asbestos abatement report				
54) Work write up and cost estimate				
<b>Construction/Rehabilitation (if applicable)</b>				
55) Letter of plan approval from municipality				
56) Davis Bacon (12 or more total units)				
57) Section 504 included in work write up				
58) Contractor bid documents				
59) Contractor eligibility (debarment check)				
60) Procurement review documents				
61) Certification of efforts/bid tabulations				
62) Notice to contractors				
63) Bid tabulation sheet				
64) Construction/rehabilitation contract				
65) Pre-construction conference report				
66) Municipal permits				
67) Notice to proceed				
68) Progress payment documentation				
a. Invoice from contractor				
b. Lien waiver from contractor				
c. Inspection conducted by City				
d. Check issuance date				
69) Change orders (if applicable)				
70) LBP clearance report (if applicable)				
71) Notice of Lead Hazard Reduction Activities (if applicable)				
72) Abatement report (if applicable)				
73) Final inspection report				
74) Final invoice from contractor				
75) Waiver of liens from general contractor, subcontractors, and suppliers				

76) Warranties (if applicable)				
77) Receipt of final payment form				
78) Notice of occupancy				
<b>Project Financial Records</b>				
79) Project pro forma				
80) IDIS set-up				
81) Cost eligibility/reasonableness review				
82) HOME disbursement records				
83) IDIS Project Completion Form				
<b>Initial Occupancy</b>				
84) Rents provided to owner				
85) Utility allowances provided to owner				
86) Income guide provided to owner				
87) Income calculation sheet provided to owner				
88) Lease				
89) LBP Pamphlet (Protect Your Family from Lead)				
90) Income certification & verification				
91) Lead-Based Paint disclosures to tenants (if appl.)				
92) Source documentation collected				
93) Initial Occupancy Compliance form				

**HOMEBUYER DEVELOPMENT PROJECT  
Case File Checklist**

1. Name of project \_\_\_\_\_ 1b. IDIS# \_\_\_\_\_
2. Project Address \_\_\_\_\_  
2b. Address of unit/house \_\_\_\_\_
3. Developer \_\_\_\_\_
4. Type of project (circle one)  
acquisition/rehab/resale, Or HB down-payment assistance, OR HB new construction
5. # Of HOME units \_\_\_\_\_ Total # of units in project \_\_\_\_\_
6. HOME funds awarded \$ \_\_\_\_\_
7. Status of project and the file \_\_\_\_\_
- 

ITEMS IN PROJECT CASE FILE	N/A	In F i l e	Date	Notes
<b>Developer Documentation (if applicable)</b>				
1) Developer application				
2) Good Faith Estimate and Budget				
3) Architectural Drawings (renderings)				
a. CD				
b. Full size				
c. 11 X17				
4) Cost reasonableness review				
5) HOME Developer Agreement				
6) Mortgage (developer loan)				
7) Promissory Note (developer loan)				

8) Land Use Restriction Covenant (developer)				
9) Project abstract				
10) Award letter				
11) IDIS Set-up				
<b>Property/Acquisition</b>				
12) Environmental review record/clearance				
13) Purchase contract				
14) Appraisal				
15) "Notice to Owner" of Voluntary Acquisition				
16) Tenant relocation notices/documents (if appl.)				
<b>Closing/settlement statement</b>				
17) Confirm purchase price - Current Market Appraised Value				
18) Letter of instruction (if City not present at closing)				
19) 112)City attended closing (provide name of staff in Notes column)				
20) HUD 1 Closing Statement				
21) Copy of Title Report				
<b>Inspection/Work Scope</b>				
22) Initial inspection				
23) Property standards inspection				
24) Lead Based Paint Risk assessment (if pre-1978)				
25) Notice of Evaluation/Presumption of LBP (if applicable)				
26) Asbestos abatement report (only if demo)				
27) Work write up and cost estimate				
<b>Construction/Rehabilitation (if applicable)</b>				
28) Letter of approval from				

municipality (only for new construction)				
29) Davis Bacon (12 or more total units) – Labor standards certification				
30) Contractor bid documents				
31) Contractor eligibility (debarment check)				
32) Procurement review documents				
33) Certification of subrecipient efforts/bid tabulations				
34) Notice to contractors				
35) Publication of notice				
36) Construction/rehabilitation contract				
37) Pre-construction conference report				
38) Municipal permits				
39) Notice to proceed				
40) Progress payment documentation				
a. Invoice from contractor				
b. Lien waiver from contractor				
c. Inspection conducted by City				
d. Check issuance date				
41) Change orders (if applicable)				
42) LBP clearance report (if applicable)				
43) Notice of Lead Hazard Reduction Activities (if applicable)				
44) Abatement report (if applicable)				
45) Final inspection report				
46) Final invoice from contractor				
47) Waiver of liens from general contractor, subcontractors, and suppliers				
48) Warranties (if applicable)				
49) Receipt of final payment form				

50) Notice of occupancy				
<b>Sale to Homebuyer</b>				
51) Program application - homebuyer				
52) LBP Pamphlet (Protect Your Family from Lead)				
53) Income certification & verification				
54) Buyer counseling training certificate				
55) Sale price review-maximum property value not exceed 203(b) limit - (appraisal) (print-out)				
56) Maximum subsidy per unit limit 221(d)(3)				
57) Purchase contract				
58) Signed written agreement with resale or recapture provisions				
59) Purchase agreement addendum				
60) )Lead-Based Paint disclosures (if appl.)				
61) Commitment letter				
62) Buyer underwriting				
a. Front End Ratio _____				
b. Back End Ratio _____				
63) Recorded legal documents with affordability requirements (land use restriction covenant, mortgage & note)				
64) Lease Agreement (2 – 4 family unit)				
65) Flood Insurance Certificate (if appl.)				

## **Environmental Review**

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The environmental effects of each activity carried out with HOME funds must be assessed in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and the related authorities listed in HUD's implementing regulations at 24 CFR parts 50 and 58.

Any funds committed to a HOME activity or project will be conditional on the completion of the environmental review and approval of the request for release of funds and related certification, except as authorized by 24 CFR part 58. No HOME funds will be disbursed without the establishment of an Environmental Review Record and the appropriate level of Review completed.

## Lead Based Paint Hazards

The HOME Program requires owners/developers to take actions to reduce lead-based paint hazards in HOME-assisted units. Owners must comply with 24 CFR 35, the regulations implementing the Lead-Based Paint Poisoning Prevention Act along with requirements for dealing with lead-based paint found in the Uniform Physical Condition Standards (UPCS). Current Part 35 requirements stipulate that all occupants receive and acknowledge notice of the possible presence of lead paint.

Level of Assistance in Property	Hazard Reduction Requirements	Summary of Requirements
Assistance of more than \$5,000 per unit up to and including \$25,000 per unit	Interim controls.	<p>Interim controls means a set of measures designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards.</p> <p>Once work is completed a passing an IL Dept of Health LEAD SAFE CERTIFICATE must be realized for the exterior, common spaces, and all assisted units.</p> <p>Interim controls include, but are not limited to, repairs, painting, temporary containment, specialized cleaning, clearance, ongoing lead-based paint maintenance activities, and the establishment and operation of management and resident education programs.</p>
Assistance of more than \$25,000 per unit	Abatement of lead based Paint hazards.	<p>Abatement means any set of measures designed to permanently eliminate lead-based paint or lead based paint hazards (see definition of “permanent”) on the exterior, common spaces, and all assisted units.</p> <p>Once work is completed a passing an IL Dept of Health Lead Free Certificate must be realized for the exterior, common spaces, and all assisted units.</p> <p>Abatement includes:</p> <ol style="list-style-type: none"> <li>(1) The removal of lead-based paint and dust lead hazards, the permanent enclosure or encapsulation of lead-based paint, the replacement of components or fixtures painted with lead-based paint, and the removal or permanent covering of soil-lead hazards; and</li> <li>(2) All preparation, cleanup, disposal, and post abatement clearance testing activities associated with such measures</li> </ol>

The Lead-Based Paint Poisoning Prevention Act applies to all units in a property assisted with HOME funds -- not only to HOME-assisted units. During the compliance review, staff will monitor to ensure that the owner has conducted all necessary activities and maintained appropriate documentation in their files.

Owners/developers must be in compliance with 24 CFR 35 and Sections 302 and 401 (b) of the Lead-Based Paint Poisoning Prevention Act. This subpart implements the

provisions of 42 U.S.C. 4852d, which impose requirements on the sale or lease of housing. The seller or lessor of housing shall:

- Disclose to the purchaser or lessee the presence of any known lead-based paint and/or lead-based paint hazards;
- Provide available records and reports;
- Provide the purchaser or lessee with a lead hazard information pamphlet;
- Give purchasers a 10-day opportunity to conduct a risk assessment or inspection; and
- Attach specific disclosure and warning language to the sales or leasing contract before the purchaser or lessee is obligated under a contract to purchase or lease target housing.

In addition, any disturbance of a painted surface on housing constructed prior to 1978 requires additional testing, notices and remediation as specified by 24 CFR35.

## Lease Requirements

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The lease between a tenant and an owner of rental housing assisted with HOME funds must be for not less than one year, unless by mutual agreement between the tenant and the owner.

Prohibited lease terms. The lease may not contain any of the following provisions:

- *Agreement to be sued.* Agreement by the tenant to be sued, to admit guilt, or to 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. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law;
- *Excusing owner from responsibility.* Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
- *Waiver of notice.* Agreement of the tenant that the owner may institute 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 a jury trial.* Agreement by the 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; and
- *Tenant chargeable with cost of legal actions regardless of outcome.* Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- *Termination of tenancy.* An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing; or for other good cause. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

## **Davis Bacon Act:**

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Any contract for the construction of Affordable Housing with 12 or more units will require that all laborers and mechanics who are employed to perform work on any project, or any contractor or construction work which is financed, in whole or in part, with assistance which is received under the Housing and Community Development Act of 1974 shall be paid wages at rates which are not less than those that prevail in the locality for similar construction and shall receive overtime compensation in accordance with the Contract Work Hours and Safety Standards Act.

The contractor and its subcontractors shall also comply with all applicable Federal laws and regulations, which pertain to labor standards, including the minimum wage law.

## **Uniform Relocation Assistance**

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All owners/developers shall be in compliance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601 et seq.), in accordance with the following objectives:

- To ensure that owners of real property to be acquired for Federal and federally assisted projects are treated fairly and consistently, to encourage and expedite acquisition by agreements with such owners, to minimize litigation and relieve congestion in the courts, and to promote public confidence in Federal and federally-assisted land acquisition programs;
- To ensure that persons displaced as a direct result of Federal or federally assisted projects are treated fairly, consistently, and equitably so that such persons will not suffer disproportionate injuries as a result of projects designed for the benefit of the public as a whole; and
- To ensure that Agencies implement these regulations in a manner that is efficient and cost effective.

## **Conflict of Interest**

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No person who is an employee, agent, consultant, officer, or elected official or appointed official of the City of Joliet or recipient which are receiving HOME funds of this section who exercise or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds there under, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

The conflict of interest provisions above apply to any person.

## Construction Standards

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Housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. Specifically, housing must meet the City of Joliet HOME Construction Standards (attached to this document) and must conform to any design plans and specifications provided as part of a developer or owner application.

Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

All other HOME-assisted housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401.

The housing must meet the accessibility requirements at 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619).

Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR Part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing.

An owner of rental housing assisted with HOME funds must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401.

The following requirements apply to housing for homeownership that is to be rehabilitated after transfer of the ownership interest:

Before the transfer of the homeownership interest, the City of Joliet will:

- Inspect the housing for any defects that pose a danger to health; and
- Notify the prospective purchaser of the work needed to cure the defects and the time by which defects must be cured and applicable property standards met.

The housing must be free from all noted health and safety defects before occupancy and not later than 6 months after the transfer. The housing must meet the property standards attached to this section not later than 1 year after transfer of the ownership interest.

## Fair Housing:

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Recipients of HOME funds are held to Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4), the Fair Housing Act (42 U.S.C. 3601 et seq.), E.O. 11063 20Title VI of the Civil Rights Act of 1964, P. L. 88-352 and the regulations of HUD with respect thereto, including 24 CFR, Parts 1.

Section 109 of the HCD Act of 1974, Title I, prohibits discrimination on the basis of race, color, national origin, disability, age, religion, and sex within Community Development Block Grant (CDBG) programs or activities. <http://www.hud.gov/progdsc/sec-109.cfm>

HOME recipients are prohibited from discriminating on the basis of:

- Race
- Color
- Religion
- National origin
- Disability Status (Including prior Alcohol & Illegal Substance Addictions)
- Familial status
- Ethnicity
- Gender
- Gender Identity
- Language(s) Spoken
- Literacy
- Sexual Orientation
- Veteran Status

Discrimination is prohibited in the assistance, tenant selection, sale, rental, and financing of dwellings. It is also prohibited in program administration and any enforcement mechanisms.

No person in the United States shall on the ground of race, color, national origin (or any of the other items listed above) be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funding and/or assistance. Assistance includes:

- Grants and loans of Federal funds,
- The grant or donation of Federal property and interests in property,
- The detail of Federal personnel,
- The sale and lease of, and the permission to use (on other than a casual or transient basis), Federal property or any interest in such property without consideration or at a nominal consideration, or at a consideration which is reduced for the purpose of assisting the recipient, or in recognition of the public interest to be served by such sale or lease to the recipient, and
- Any Federal agreement, arrangement, or other contract which has as one of its purposes the provision of assistance.

## **Affirmative Marketing & Minority Outreach**

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Each HOME developer must adopt affirmative marketing procedures and requirements for rental and homebuyer projects containing 5 or more HOME- assisted housing units.

HOME developers shall use the Equal Housing Opportunity Slogan, logo, or statement must in all advertisements, public service announcements, press releases, and information mailings. The HUD Fair Housing poster must be displayed in offices where rental activity takes place for all properties with five or more units.

Affirmative marketing steps consist of actions to provide information and otherwise attract eligible without regard to:

- Race,
- Color,
- National origin,
- Sex,
- Religion,
- Familial status or
- Disability.

The affirmative marketing procedures do not apply to families with Section 8 tenant-based rental housing assistance or families with tenant-based rental assistance provided with HOME funds.)

The affirmative marketing requirements and procedures adopted must include:

- Methods for informing the public about Federal fair housing laws and the affirmative marketing policy;
- Procedures to inform and solicit applications from persons in the housing market area who are not likely to apply for the housing without special outreach (e.g., use of community organizations, places of worship, employment centers, fair housing groups, or housing counseling agencies);
- Records that will be kept describing actions taken to affirmatively market units and records to assess the results of these actions; and

Developers to the maximum extent possible, will be inclusive of minorities and women, and entities owned by minorities and women, including, without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services, in all contracts entered into by the participating jurisdiction with such persons or entities, public and private, in order to facilitate the activities of the participating jurisdiction to provide affordable housing authorized under this Act or any other Federal housing law applicable to such jurisdiction.

## **Housing Accessibility**

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Most housing properties fall under several different laws. Federal programs and the age of the property determine which laws apply.

- Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) protects race, religion, sex and national origin
- The Fair Housing Amendments Act of 1988 (Amendments Act - FHAA) added disability and familial status
- The Americans with Disabilities act (ADA) of 1990 addresses public accommodations (rental offices and common areas are considered public accommodations)
- Section 504 of the Rehabilitation Act of 1973 (Section 504) applies to those receiving federal assistance

### **Disability Rights in Housing**

Federal laws define a person with a disability as "Any person who has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment."

In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and mental retardation that substantially limits one or more major life activities. Major life activities include walking, talking and hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.

Disability Rights in Private and Public Housing regardless of whether you live in private or public housing, Federal laws provide the following rights to persons with disabilities:

- Prohibits discrimination against persons with disabilities. It is unlawful for a housing provider to refuse to rent or sell to a person simply because of a disability. A housing provider may not impose different application or qualification criteria, rental fees or sales prices, and rental or sales terms or conditions than those required of or provided to persons who are not disabled.

*Example: A housing provider may not refuse to rent to an otherwise qualified individual with a mental disability because they are uncomfortable with the individual's disability. Such an act would violate the Fair Housing Act because it denies a person housing solely on the basis of their disability.*

- Requires housing providers to make reasonable accommodations for persons with disabilities. A reasonable accommodation is a change in rules, policies, practices, or services so that a person with a disability will have an equal opportunity to use and enjoy a dwelling unit or common space. A housing provider should do everything they can to assist, but they are not required to make changes that would fundamentally alter the program or create an undue financial and administrative burden. Reasonable accommodations may be

necessary at all stages of the housing process, including application, tenancy, or to prevent eviction.

*Example: A housing provider would make a reasonable accommodation for a tenant with mobility impairment by fulfilling the tenant's request for a reserved parking space in front of the entrance to their unit, even though all parking is unreserved.*

- Requires housing providers to allow persons with disabilities to make reasonable modifications. A reasonable modification is a structural modification that is made to allow persons with disabilities the full enjoyment of the housing and related facilities.

*Examples of a reasonable modification: would include allowing a person with a disability to install a ramp into a building, lower the entry threshold of a unit, or install grab bars in a bathroom.*

Reasonable modifications are usually made at the resident's expense. However, there are resources available for helping fund building modifications. Additionally, if you live in federally assisted housing the housing provider may be required to pay for the modification if it does not amount to an undue financial and administrative burden.

For more information, see the Reasonable Accommodations section of the Section 504 Frequently Asked Questions page.

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/fair\\_housing\\_equal\\_opp/disabilities/sect504](http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504)

## **Housing Accommodations**

New multifamily housing be designed and constructed to be accessible. In covered multifamily housing consisting of 4 or more units with an elevator built for first occupancy after March 13, 1991, all units must comply with the following seven design and construction requirements of the Fair Housing Act:

- Accessible Entrance on an Accessible Route
- Accessible Public and Common-Use Areas
- Usable Doors
- Accessible Route Into and Through the Dwelling Unit
- Accessible Light Switches, Electrical Outlets, Thermostats, and Environmental Controls
- Reinforced Walls in Bathrooms
- Usable Kitchens and Bathrooms
- In covered multifamily housing without an elevator that consists of 4 or more units built for first occupancy after March 13, 1991, all ground floor units must comply with the Fair Housing Act's seven design and construction requirements.

For information on how to comply with the physical accessibility requirements of the Fair Housing Act, visit the Fair Housing Accessibility FIRST Web site:

<http://www.fairhousingfirst.org/>

These requirements apply to most public and private housing. However, there are limited exemptions for owner-occupied buildings with no more than four units, single family housing sold or rented without the use of a broker, and housing operated by organizations and private clubs that limit occupancy to members.

If you live in federally assisted multifamily housing consisting of 5 or more units, 5 percent of these units (or at least one unit, whichever is greater) must meet more stringent physical accessibility requirements. Additionally, 2 percent of units (or at least one unit, whichever is greater) must be accessible for persons with visual or hearing disabilities. For more information, visit Section 504 Questions and Answers:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/fair\\_housing\\_equal\\_opp/disabilities/sect504faq](http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504faq)

### **People with Disabilities in Federally Assisted Housing**

Federal law makes it illegal for an otherwise qualified individual with a disability to be excluded, solely because of his or her disability, from programs receiving federal financial assistance.

For more information on the rights of persons with disabilities in federally assisted housing as well as the responsibilities of housing providers who receive federal financial assistance, visit our Section 504: Disability Rights in HUD Programs site:

[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/fair\\_housing\\_equal\\_opp/disabilities/sect504](http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/disabilities/sect504)

**Zoning and Land Use:** It is unlawful for local governments to utilize land use and zoning policies to keep persons with disabilities from locating to their area. For more information, see the Joint Statement of DOJ and HUD on Group Homes, Local Land Use, and the Fair Housing Act:

[http://searchjustice.usdoj.gov/search?q=crt%20housing%20final8\\_1&q=site%3Awww.justice.gov%2Fcrts&sort=date%3AD%3AL%3Ad1&output=xml\\_no\\_dtd&client=default\\_frontend&proxystylesheet=default\\_frontend&site=default\\_collection](http://searchjustice.usdoj.gov/search?q=crt%20housing%20final8_1&q=site%3Awww.justice.gov%2Fcrts&sort=date%3AD%3AL%3Ad1&output=xml_no_dtd&client=default_frontend&proxystylesheet=default_frontend&site=default_collection)

**State and Local Laws:** Many states and localities have fair housing laws that are substantially equivalent to the Federal Fair Housing Act. Some of these laws prohibit discrimination on additional bases. Some of these laws may impose more stringent design and construction standards for new multifamily housing.

### **The Americans with Disabilities Act**

In most cases, the ADA does not apply to residential housing. Rather, the ADA applies to places of public accommodation such as restaurants, retail stores, libraries, and hospitals as well as commercial facilities such as office buildings, warehouses, and factories. However, Title III of the ADA covers public and common use areas at housing developments when these public areas are, by their nature, open to the general public.

For example, it covers the rental office since the rental office is open to the general public.

Title II of the ADA applies to all programs, services, and activities provided or made available by public entities. This includes housing when the housing is provided or made available by a public entity. For example, housing covered by Title II of the ADA includes public housing authorities that meet the ADA definition of "public entity," and housing operated by States or units of local government, such as housing on a State university campus.

For more information on the Americans with Disabilities Act, visit the Department of Justice ADA Home Page. <http://www.ada.gov/>

For information on how HUD processes housing discrimination complaints, see Fair Housing-It's Your Right:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/fair\\_housing\\_equal\\_opp/FHL\\_aws/yourrights](http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/FHL_aws/yourrights)

US Department of Housing & Urban Development Office of Fair Housing & Equal Opportunity UFAS Accessibility Checklist:  
[http://portal.hud.gov/hudportal/documents/huddoc?id=UFASAC\\_PHAs5708.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=UFASAC_PHAs5708.pdf)

## **Financial Management Requirements:**

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Projects and programs receiving HUD funds must abide by the financial management requirements of the Federal Office of Management and Budgets which pertain to their particular type of organization, whether it is an institution of Higher Education, a hospital, other non-profit, a state, a local government, etc. For instance, a CHDO serving as a sub-recipient for the Consortium and as a development organization has different OMB requirements based on their activity.

Some of the basic financial requirements are:

**OMB Circular A-110:** Uniform Administrative Requirements for grants and Agreement with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (<http://www.whitehouse.gov/omb/circulars/a110/a110.html>);

**OMB Circular A-133:** Audits of States, Local Governments and Non-Profit Organizations (<http://www.whitehouse.gov/omb/circulars/a133/a133.html>);

**OMB Circular A-122:** Cost Principles for Non-Profit Organizations (<http://www.whitehouse.gov/omb/circulars/a122/a122.html>)

### **Audit requirements for non-profit organizations**

Non-profit organizations subject to regulations in the part 200 and part 800 series of title 24 of the CFR shall comply with the audit requirements of revised OMB Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations" (see 24 CFR 84.26). For HUD programs, a non-profit organization is the mortgagor or owner (as these terms are defined in the regulations in the part 200 and part 800 series) and not a related or affiliated organization or entity.

## **Other Federal Requirements**

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The Federal requirements set forth in 24 CFR part 5, subpart A, are applicable to participants in the HOME program. The requirements of this subpart include:

- Nondiscrimination and equal opportunity;
- Disclosure requirements;
- Debarred, suspended or ineligible contractors; and
- Drug-free workplace.

The nondiscrimination requirements at section 282 of the Act are applicable. These requirements are waived in connection with the use of HOME funds on lands set aside under the Hawaiian Homes Commission Act, 1920 (42 Stat.108).

## Calculating Annual (Gross) Income

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The annual income definition found at 24 CFR Part 5 is used by a variety of Federal Programs including Section 8, public housing and the Low-Income Housing Tax Credit Program and will be used as the qualifying standard for City of Joliet housing programs. Annual income is used to determine program eligibility and, in some programs, the level of assistance the household will receive. This definition was formerly commonly referred to as the Section 8 definition.

The Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period. Each of the italicized phrases in this definition is key to understanding the requirements for calculating annual income:

- **Gross amount.** For those types of income counted, gross amounts (before any deductions have been taken) are used;
- **Income of all adult household members.** The Part 5 definition of annual income contains income “inclusions” – types of income to be counted – and “exclusions” – types of income that are not considered (for example, income of minors); and
- **Anticipated to be received.** The Part 5 annual income is used to determine eligibility and the amount of Federal assistance a family can receive. Therefore, Developers shall use a household’s expected ability to pay, rather than past earnings, when estimating housing assistance needs.

Beneficiaries of HOME funds- homebuyers, homeowners, or tenants- must be determined income eligible based upon a review of their projected **gross anticipated annual income** by all adult household members (everyone 18 years of age and older).

- The income determination cannot be more than **6 months** old at the time the assistance is received<sup>1</sup>.
- The income of household receiving tenant based rental assistance or living in rental housing cannot exceed the HOME income limits for their designated unit over time.

ALL HOME recipients are required to document:

- Income of ALL Adults (persons 18 and over), even if there is no income
- If there are more than one ADULT in a household, documentation must be provided for each ADULT household member.
- If an adult has more than one income source or job, each source of income should have its own documentation (i.e. paystubs for employment & RIW benefit letter for Jane Smith).

To determine if applicants are income eligible, recipients shall review and verify income using the following (but not limited to):

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<sup>1</sup> 24 CFR 92.203

- Pay stubs
- SSI/SSDI benefit letters
- Pension Statements
- Wage statements
- Interest statements
- Unemployment compensation statements
- Tax returns, w-2 forms
- Profit and loss statement from business
- Other Third party documentation (bank statements, etc)

Recipients of the City's HOME program must use Part 5 definition for determining income. Remember that the Part 5 definition includes assets in its calculation of income (see the attached Part 5 Income Workbook).

## **Monitoring & Project Oversight**

City of Joliet will review the proper maintenance, marketing, occupancy, rents and utility allowances of housing funded with HOME funds by applying the procedures that are described in detail in this document.

HOME activities will be evaluated on the basis of the following program areas:

- Adherence to HOME guidelines, procedures and regulations for programs as a whole and for individual projects
- Internal Procedures and policies and those of program partners
- Overall administration and management
- Fair Housing
- Construction quality, ongoing housing condition and maintenance
- Davis-Bacon, Lead Based Paint, and other Federal Requirements as applicable
- Cost reasonableness and financial accountability
- Environmental Review

The City of Joliet may withhold, reduce, or terminate funding to a developer or subrecipient where deficiencies have not been sufficiently corrected to the City of Joliet and/or HUD's satisfaction.

### **Overall Approach and Project Selection for Monitoring**

Project oversight will be provided on all active development projects and will be similar to but generally more rigorous than ongoing monitoring.

Ongoing monitoring will be based primarily on the analysis of regular reports, reports from regular inspections and documents submitted for review as projects are developed and managed through the affordability period. In addition, periodic reviews of market data and cost data may be undertaken. This desk monitoring will be supported by field visits to funded organizations and examination of housing product.

The first line of approach for monitoring will be the maintenance of files and file checklists to assure that all required documentation is produced, reviewed and on hand as needed.

The selection and prioritization of documents, files and organizations to be monitored will utilize a risk reduction approach. The following priorities will be considered:

- The early part of a key project phase such as acquisition, construction or rentup will take absolute priority over other efforts and all development projects will be monitored and inspected at these early phases.

Beyond that basic priority, the following factors will also affect priorities:

- New organizations and any organization with unresolved compliance issues,

- Particular functions being carried out by new staff.
- Any project that may have special compliance challenges or that is substantially different in terms of size, complexity, or other factors from other projects the PJ or the developer has undertaken.
- Because the HOME-assisted projects have ongoing affordability requirements, the compliance specialist will also monitor and inspect a sample of units in completed projects.

### **Contract Requirements for Partners**

All contracts and agreements include reporting requirements for developers and agreement to open records and open sites.

Terms include:

- Agreement to submit or open any and all records and sites upon request;
- Notification by inclusion in the funding agreement of required records;
- Reporting requirements specific to each project;
- Budgets and limitations on budget changes.

### **Monitoring Tools, Resources and Readiness Procedures**

Monitoring staff will maintain up to date files for the monitoring activity as a whole, each activity type, and each project. Tools and documents to be maintained in a ready state include:

- Portfolio Tracking spreadsheet (electronic file)
- Templates for File Checklists and document review checklists (attached)
- HUD required checklists found at [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing/training/web/checkup/performance/monitoringtools](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/checkup/performance/monitoringtools)
- IDIS reports and Web-based Performance Reports (PR16, PR 25, PR 27, Snapshot and Open Activities reports)
- Relevant correspondence by developer or project
- Previous monitoring reports and audits by developer or project
- Project budgets and contractual performance requirements by project
- Agreement and covenant templates
- Current and historic files of HOME income, rent, subsidy and sale price/valuation limits as regularly published by HUD

Resources required for monitoring include: the HOME final rule, as amended; applicable cross-cutting regulations; CPD Notices dealing with HOME; the Technical Guide for Determining Income and Allowances for the HOME Program (HUD-1780-CPD).

Note that oversight and monitoring rely on the use of the tools indicated above and addressing the issues raised by evaluating performance in relation to the published checklists and limits, and in relation to the contractual terms for each project is the essence of effective action.

### **Schedule Overview**

The City will monitor on ongoing, annual and situational bases. Schedule details relating to each regulation and each stage of development may be found in the relevant attachments. In addition to the overall schedule and approach in this plan, a specific schedule may be generated for each developer and project. Here is a summary of the City's approach and basic scheduling standards.

### **Situational**

Certain reviews and monitoring will be scheduled or carried out in response to events, especially for projects under planning and development, based on the specific stage or circumstances of the project. This will include:

- Acquisition and Procurements
- Disbursement Requisitions
- Relocation
- Contracts prior to execution
- Design review; 504 compliance
- Environmental review
- Construction-related wages, hours, Section 3, Equal Opportunity, Debarment, and other labor related interviews and document reviews
- All critical construction phases will be inspected on site by City building officials including a pre-commitment inspection to determine deficiencies and reasonableness of the proposed construction and costs.
- Any complaints by neighbors or parties to the project, or un-reconciled paperwork, may call for an on-site inspection, or in-person interview.
- Monitors must also confirm that project underwriting has occurred. Those procedures are addressed in the Project Approval and Underwriting section.

For rental projects, situational monitoring will also include:

- Review of initial affirmative marketing, tenant selection and screening, and lease contents

- Review of initial income certifications and rents

For homebuyer units, situational monitoring will also include:

- Review of initial affirmative marketing, homebuyer selection and screening
- Review of initial income certifications and affordability for homebuyers
- Review of covenants

### **Ongoing**

All expenditure requests will be reviewed for proper documentation (see also attachment on payment processing procedures), completion of construction costs charged, if applicable, and reconciled with budget. (On some projects, construction completion payments may be based on certification by supervising architect.)

Project schedule and timeliness of progress will be monitored.

### **Annual**

Each year various city staff as indicated below will review:

- Overall performance and financial health of the developer;
- Accounting procedures and records;
- Status and certification of CHDO, if applicable;
- For rental property:
  - Condition of property
  - Proper occupancy and rents according to HOME and other program regulations
  - Affirmative marketing procedures
  - Fair housing and tenant selection;
  - Lease provisions
  - Financial health of property
- For homebuyer property
  - Occupancy as principal residence
  - Proper enforcement of covenants and loan agreements

### **Pre-on-site-Monitoring Preparation:**

Prior to an on-site monitoring visit, the City will provide written notification of the visit to recipient. The notice will provide the following information:

- Dates and time of the monitoring visit

- A copy of the HOME Monitoring Checklist
- A list of files to be reviewed
- A list of properties to be inspected
- The recipient will be asked to provide the City with the following:
  - Disbursement and expenditure reports
  - Agreements/contracts
  - Policy guidelines and procedures, administrative plans, and operation manuals
  - Beneficiary data

Staff will provide program monitoring over three phases:

#### 1. Contract Development Phase

- Ensuring that projects are consistent with the Consolidated Plan
- Ensuring that all Environmental Review requirements have been met
- Ensuring clients are income-eligible

#### 2. Development Phase

- Ensuring that project costs, budgets, and timelines are adhered to
- Ensuring conformance to HOME standards through periodic property inspections

#### 3. Post-Development Phase (Long-Term)

- The duration and frequency of on-sight subrecipient monitoring and inspections is based on the length of the affordability period and the total number of project units.

### **Project Monitoring Plan:**

A written report will be prepared and provided to the recipient following the completion of each monitoring review. The report will include the following information:

- An explanation of the purpose and scope of the review
- A list of findings, comments, recommendations and corrective actions to be taken
- A list of the files reviewed
- A list of the houses/units inspected
- A summary of the project funds expended to date
- An evaluation of project performance to date
- A time frame for taking corrective action

**Follow up and Enforcement Actions:**

Failure by a developer or owner to carry out corrective action as specified within the specified timeline will result in notification to the Director of NSD regarding next steps for enforcement or collection of funds.