

**City of Pawtucket
HOME Application Packet
2024-2025**

PART II

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APPENDIX A

SUMMARY OF ELIGIBLE AND INELIGIBLE ACTIVITIES HOME Investment Partnership Program

This is a summary of the activities that are eligible and ineligible for assistance under the HOME Investment Partnership Program pursuant to governing regulations of the Code of Federal Regulations, Title 24, Part 92, Sections 92.205 –92.214. This summary is based upon the Final Rules published in September 16, 1996 and amendments thereto through December 2008.

ELIGIBLE AND PROHIBITED ACTIVITIES

§ 92.205 Eligible Activities: General

a. Eligible activities.

1. HOME funds may be used by a participating jurisdiction to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations. The housing must be permanent or transitional housing. The specific eligible costs for these activities are set forth in §§ 92.206 through 92.209.
2. Acquisition of vacant land or demolition must be undertaken only with respect to a particular housing project intended to provide affordable housing.
3. Conversion of an existing structure to affordable housing is rehabilitation, unless the conversion entails adding one or more units beyond the existing walls, in which case, the project is new construction for purposes of this part.
4. *Manufactured housing.* HOME funds may be used to purchase and/or rehabilitate a manufactured housing unit, or purchase the land upon which a manufactured housing unit is located. Except for existing, owner-occupied manufactured housing that is rehabilitated with HOME funds, the manufactured housing unit must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned by the manufactured housing unit owner or land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability.

b. *Forms of assistance.*

1. A participating jurisdiction may invest HOME funds as equity investments, interest-bearing loans or advances, non-interest-bearing loans or advances, interest subsidies consistent with the purposes of this part, deferred payment loans, grants, or other forms of assistance that HUD determines to be consistent with the purposes of this part. Each participating jurisdiction has the right to establish the terms of assistance, subject to the requirements of this part.
2. A participating jurisdiction may invest HOME funds to guarantee loans made by lenders and, if required, the participating jurisdiction may establish a loan guarantee account with HOME funds. The HOME funds may be used to guarantee the timely payment of principal and interest or payment of the outstanding principal and interest upon foreclosure of the loan. The amount of the loan guarantee account must be based on a reasonable estimate of the default rate on the guaranteed loans, but under no circumstances may the amount on deposit exceed 20 percent of the total outstanding principal amount guaranteed; except that the account may include a reasonable minimum balance. While loan funds guaranteed with HOME funds are subject to all HOME requirements, funds which are used to repay the guaranteed loans are not.

c. *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.

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

e. *Terminated projects.* A HOME assisted project that is terminated before completion, either voluntarily or otherwise, constitutes an ineligible activity and any HOME funds invested in the project must be repaid to the participating jurisdiction's HOME Investment Trust Fund in accordance with § 92.503(b) (except for project-specific assistance to community housing development organizations as provided in § 92.301(a)(3) and § 92.301(b)(3)).

§ 92.206 Eligible Project Costs

HOME FUNDS MAY BE USED TO PAY THE FOLLOWING ELIGIBLE COSTS:

- a. ***Development hard costs.*** The actual cost of constructing or rehabilitating housing. These costs include the following:
1. For new construction, costs to meet the applicable new construction standards of the participating jurisdiction and the Model Energy Code referred to in § 92.251;
 2. For rehabilitation, costs:
 - i. To meet the property standards in § 92.251;
 - ii. To make essential improvements, including energy-related repairs or improvements, improvements necessary to permit use by persons with disabilities, and the abatement of lead-based paint activities, as required by part 35 of this title.
 3. For both new construction and rehabilitation, costs:
 - i. To demolish existing structures;
 - ii. To make utility connections including off-site connections from the property line to the adjacent street; and
 - iii. To make improvements to the project site that are in keeping with improvements of surrounding, standard projects. Site improvements may include on-site roads and sewer and water lines necessary to the development of the project. The project site is the property, owned by the project owner, upon which the project is located.
 4. For both new construction and rehabilitation of multifamily rental housing, costs to construct or rehabilitate laundry and community facilities which are located within the same building as the housing and which are for the use of the project residents and their guests.
 5. Costs to make utility connections 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.
- b. ***Refinancing costs.*** The cost to refinance existing debt secured by housing that is being rehabilitated with HOME funds:

1. For single-family (1- to 4-family) owner-occupied housing when loaning HOME funds to rehabilitate the housing, if the refinancing is necessary to reduce the overall housing costs to the borrower and make the housing more affordable.
 2. For multifamily projects, when loaning HOME funds to rehabilitate the units if refinancing is necessary to permit or continue affordability under § 92.252. The participating jurisdiction must establish refinancing guidelines and state them in its consolidated plan described in 24 CFR part 91. Regardless of the amount of HOME funds invested, the minimum affordability period shall be 15 years. The guidelines shall describe the conditions under which the participating jurisdictions will refinance existing debt. At minimum, the guidelines must:
 - i. Demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing;
 - ii. Require a review of management practices to demonstrate that disinvestment in the property has not occurred, that the long term needs of the project can be met and that the feasibility of serving the targeted population over an extended affordability period can be demonstrated;
 - iii. State whether the new investment is being made to maintain current affordable units, create additional affordable units, or both;
 - iv. Specify the required period of affordability, whether it is the minimum 15 years or longer;
 - v. Specify whether the investment of HOME funds may be jurisdiction-wide or limited to a specific geographic area, such as a neighborhood identified in a neighborhood revitalization strategy under 24 CFR 91.215(e)(2) or a Federally designated Empowerment Zone or Enterprise Community; and
 - vi. State that HOME funds cannot be used to refinance multifamily loans made or insured by any Federal program, including CDBG.
- c. **Acquisition costs.** Costs of acquiring improved or unimproved real property, including acquisition by homebuyers.
- d. **Related soft costs.** Other reasonable and necessary costs incurred by the owner or participating jurisdiction 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:
1. Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups.

2. Costs to process and settle the financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees for recordation and filing of legal documents, building permits, attorney's fees, private appraisal fees and fees for an independent cost estimate, builders or developers fees.
 3. Costs of a project audit that the participating jurisdiction may require with respect to the development of the project.
 4. Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants as required by § 92.351.
 5. For new construction or rehabilitation, the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months) and which may only 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 remain unexpended after the period of project rent-up may be retained for project reserves if permitted by the participating jurisdiction.
 6. 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, e.g., housing counseling, may be charged to project costs only if the project is funded and the individual becomes the owner or tenant of the HOME-assisted project. For multi-unit projects, such costs must be allocated among HOME-assisted units in a reasonable manner and documented.
 7. For both new construction and rehabilitation, costs for the payment of impact fees that are charged for all projects within a jurisdiction.
 8. Costs of environmental review and release of funds in accordance with 24 CFR Part 58 which are directly related to the project.
- e. **Community housing development organization costs.** Eligible costs of project-specific assistance are set forth in § 92.301.
- f. **Relocation costs.** The cost of relocation payments and other relocation assistance to persons displaced by the project are eligible costs.
1. Relocation payments include replacement housing payments, payments for moving expenses, and payments for reasonable out-of-pocket costs incurred in the temporary relocation of persons.
 2. Other relocation assistance means staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by the project, including timely written notices to occupants, referrals to comparable and suitable replacement property, property inspections, counseling, and other assistance necessary to minimize hardship.

g. **Costs relating to payment of loans.** If the HOME funds are not used to directly pay a cost specified in this section, but are used to pay off a construction loan, bridge financing loan, or guaranteed loan, the payment of principal and interest for such loan is an eligible cost only if:

1. The loan was used for eligible costs specified in this section, and
2. The HOME assistance is part of the original financing for the project and the project meets the requirements of this part.

§ 92.207 Eligible Administrative and Planning Costs

A participating jurisdiction may expend, for payment of reasonable administrative and planning costs of the HOME program and ADDI, an amount of HOME funds that is not more than ten percent of the sum of the Fiscal Year HOME basic formula allocation plus any funds received in accordance with § 92.102(b) to meet or exceed participation threshold requirements that Fiscal Year. A state that transfers any HOME funds in accordance with § 92.102(b) must exclude these funds in calculating the amount it may expend for administrative and planning costs. A participating jurisdiction may also expend, for payment of reasonable administrative and planning costs of the HOME program and the ADDI described in subpart M of this part, a sum up to ten percent of the program income deposited into its local account or received and reported by its state recipients or sub recipients during the program year. A participating jurisdiction may expend such funds directly or may authorize its state recipients or sub recipients, if any, to expend all or a portion of such funds, provided total expenditures for planning and administrative costs do not exceed the maximum allowable amount. Reasonable administrative and planning costs include:

a. **General management, oversight and coordination.** Reasonable costs of overall program management, coordination, monitoring, and evaluation. Such costs include, but are not limited to, necessary expenditures for the following:

1. Salaries, wages, and related costs of the participating jurisdiction's staff. In charging costs to this category, the participating jurisdiction may either include the entire salary, wages, and related costs allocable to the program of each person whose *primary* responsibilities with regard to the program involves program administration assignments, or the prorated share of the salary, wages, and related costs of each person whose job includes *any* program administration assignments. The participating jurisdiction may use only one of these methods. Program administration includes the following types of assignments:
 - i. Developing systems and schedules for ensuring compliance with program requirements;
 - ii. Developing interagency agreements and agreements with entities receiving HOME funds;

- iii. Monitoring HOME-assisted housing for progress and compliance with program requirements;
 - iv. Developing agreements and monitoring housing not assisted with HOME funds that the participating jurisdiction designates as a matching contribution in accordance with § 92.219(b) for compliance with applicable program requirements;
 - v. Preparing reports and other documents related to the program for submission to HUD;
 - vi. Coordinating the resolution of audit and monitoring findings;
 - vii. Evaluating program results against stated objectives; and
 - viii. Managing or supervising persons whose primary responsibilities with regard to the program include such assignments as those described in paragraphs (a)(1)(i) through (vii) of this section;
2. Travel costs incurred for official business in carrying out the program;
 3. Administrative services performed under third party contracts or agreements, including such services as general legal services, accounting services, and audit services;
 4. Other costs for goods and services required for administration of the program, including such goods and services as rental or purchase of equipment, insurance, utilities, office supplies, and rental and maintenance (but not purchase) of office space; and
 5. Costs of administering tenant-based rental assistance programs.
- b. **Staff and overhead.** 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 (e.g., housing counseling); and staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by the project, including timely written notices to occupants, referrals to comparable and suitable replacement property, property inspections, counseling, and other assistance necessary to minimize hardship. These costs may be charged as administrative costs or as project costs under § 92.206 (d)(6) and (f)(2), at the discretion of the participating jurisdiction.
- c. **Public information.** The provision of information and other resources to residents and citizen organizations participating in the planning, implementation, or assessment of projects being assisted with HOME funds.
- d. **Fair housing.** Activities to affirmatively further fair housing in accordance with the participating jurisdiction's certification under 24 CFR part 91.

- e. **Indirect Costs.** Indirect costs may be charged to the HOME program under a cost allocation plan prepared in accordance with OMB Circulars A-87 or A-122 as applicable.
- f. **Preparation of the consolidated plan.** Preparation of the consolidated plan required under 24 CFR part 91. Preparation includes the costs of public hearings, consultations, and publication.
- g. **Other Federal requirements.** Costs of complying with the Federal requirements in subpart H of this part. Project-specific environmental review costs may be charged as administrative costs or as project costs in accordance with § 92.206(d)(8), at the discretion of the participating jurisdiction.
- h. **Preserving affordable housing already assisted with HOME funds.** Costs specified under §92.254(a)(9) may be charged as an administrative cost or may be charged to the project as provided in §92.254(a)(9). In addition, the foreclosure cost of a HOME-assisted rental housing project with a HOME loan in default is an eligible administrative cost.

§ 92.208 Eligible Community Housing Development Organization (CHDO) Operating Expense and Capacity Building Costs

- a. Up to 5 percent of a participating jurisdiction's fiscal year HOME allocation may be used for the operating expenses of community housing development organizations (CHDO's). These funds may not be used to pay operating expenses incurred by a CHDO acting as a sub recipient or contractor under the HOME Program. 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; materials and supplies. The requirements and limitations on the receipt of these funds by CHDO's are set forth in § 92.300(e) and (f).
- b. HOME funds may be used for capacity building costs under § 92.300(b).

§ 92.209 Tenant-based Rental Assistance: Eligible Costs and Requirements

- a. **Eligible costs.** Eligible costs are the rental assistance and security deposit payments made to provide tenant-based rental assistance for a family pursuant to this section. Administration of tenant-based rental assistance is eligible only under general management oversight and coordination at § 92.207(a).
- b. **General requirement.** A participating jurisdiction may use HOME funds for tenant-based rental assistance only if the participating jurisdiction makes the certification about inclusion of this type of assistance in its consolidated plan in accordance with 24 CFR 91.225(d)(1), 91.325(d)(1), or 91.425(a)(2)(i), and specifies local market conditions that lead to the choice of this option.
- c. **Tenant selection.** The participating jurisdiction must select families in accordance with written tenant selection policies and criteria that are consistent with the following:

1. *Low-income families.* Tenant-based rental assistance may only be provided to very low- and low-income families. The participating jurisdiction must determine that the family is very low or low-income before the assistance is provided. During the period of assistance, the participating jurisdiction must annually determine that the family continues to be low-income.

2. *Preferences for Individuals with Special Needs.*

- i. The participating jurisdiction may establish a preference for individuals with special needs. The participating jurisdiction may offer, in conjunction with a tenant-based rental assistance program, particular types of non-mandatory services that may be most appropriate for persons with a special need or a particular disability. Generally, tenant-based rental assistance and the related services should be made available to all persons with special needs or disabilities who can benefit from such services.
- ii. The participating jurisdiction may also provide a preference for a specific category of individuals with disabilities (e.g., persons with HIV/AIDS or chronic mental illness) if the specific category is identified in the participating jurisdiction's consolidated plan as having unmet need and the preference is needed to narrow the gap in benefits and services received by such persons.
- iii. Preferences cannot be administered in a manner that limits the opportunities of persons on any basis prohibited by the laws listed under 24 CFR 5.105(a). For example, a participating jurisdiction may not determine that persons given a preference under the program are therefore prohibited from applying for or participating in other programs or forms of assistance.

3. *Existing tenants in the HOME-assisted projects.* A participating jurisdiction may select low-income families currently residing in housing units that are designated for rehabilitation or acquisition under the participating jurisdiction's HOME program. Participating jurisdictions using HOME funds for tenant-based rental assistance programs may establish local preferences for the provision of this assistance. Families so selected may use the tenant-based assistance in the rehabilitated or acquired housing unit or in other qualified housing.

d. ***Portability of assistance.*** A participating jurisdiction may require the family to use the tenant-based assistance within the participating jurisdiction's boundaries or may permit the family to use the assistance outside its boundaries.

e. ***Term of rental assistance contract.*** The term of the rental assistance contract providing assistance with HOME funds may not exceed 24 months, but may be renewed, subject to the availability of HOME funds. The term of the rental assistance contract must begin on the first day of the term of the lease. For a rental assistance contract between a participating jurisdiction and an owner, the term of the contract must terminate on termination of the lease. For a rental assistance contract between a participating

jurisdiction and a family, the term of the contract need not end on termination of the lease, but no payments may be made after termination of the lease until a family enters into a new lease.

f. **Rent reasonableness.** The participating jurisdiction must disapprove a lease if the rent is not reasonable, based on rents that are charged for comparable unassisted rental units.

g. **Tenant protections.** The lease must comply with the requirements in § 92.253(a) and (b).

h. **Maximum subsidy.**

1. The amount of the monthly assistance that a participating jurisdiction may pay to, or on behalf of, a family may not exceed the difference between a rent standard for the unit size established by the participating jurisdiction and 30 percent of the family's monthly adjusted income.

2. The participating jurisdiction must establish a minimum tenant contribution to rent.

3. The participating jurisdiction's rent standard for a unit size must be based on:

i. Local market conditions; or

ii. For each unit size, may not be less than 80 percent of the published Section 8 Existing Housing fair market rent (in effect when the payment standard amount is adopted) nor more than the fair market rent or HUD-approved community-wide exception rent (in effect when the participating jurisdiction adopts its rent standard amount). (Community-wide exception rents are maximum gross rents approved by HUD for the Rental Certificate Program under 24 CFR 882.106(a)(3) for a designated municipality, county, or similar locality, which apply to the whole PHA jurisdiction.) A participating jurisdiction may approve on a unit-by-unit basis a subsidy based on a rent standard that exceeds the applicable fair market rent by up to 10 percent for 20 percent of units assisted.

i. **Housing quality standards.** Housing occupied by a family receiving tenant-based assistance under this section must meet the requirements set forth in 24 CFR 982.401. The participating jurisdiction must inspect the housing initially and re-inspect it annually.

j. **Security deposits.**

1. A participating jurisdiction may use HOME funds provided for tenant-based rental assistance to provide loans or grants to very low- and low-income families for security deposits for rental of dwelling units whether or not the participating jurisdiction provides any other tenant-based rental assistance under this section.

2. The relevant State or local definition of "security deposit" in the jurisdiction where the unit is located is applicable for the purposes of this part, except that the amount of HOME funds that may be provided for a security deposit may not exceed the equivalent of two month's rent for the unit.

3. Only the prospective tenant may apply for HOME security deposit assistance, although the participating jurisdiction may pay the funds directly to the tenant or to the landlord.
 4. HOME funds for security deposits may be provided as a grant or as a loan. If they are provided as a loan, the loan repayments are program income to be used in accordance with § 92.503.
 5. Paragraphs (b), (c), (d), (f), (g) and (i) of this section are applicable to HOME security deposit assistance, except that income determinations pursuant to paragraph (c)(1) of this section and Housing Quality Standard inspections pursuant to paragraph (i) of this section are required only at the time the security deposit assistance is provided.
- k. **Program operation.** A tenant-based rental assistance program must be operated consistent with the requirements of this section. The participating jurisdiction may operate the program itself, or may contract with a PHA or other entity with the capacity to operate a rental assistance program. The tenant-based rental assistance may be provided through an assistance contract to an owner that leases a unit to an assisted family or directly to the family. In either case, the participating jurisdiction (or entity operating the program) must approve the lease.
- l. **Use of Section 8 assistance.** In any case where assistance under section 8 of the 1937 Act becomes available to a participating jurisdiction, recipients of tenant-based rental assistance under this part will qualify for tenant selection preferences to the same extent as when they received the tenant-based rental assistance under this part.

§ 92.212 Pre-award Costs

- a. **General.** Before the effective date of the HOME Investment Partnership Agreement, the participating jurisdiction may incur costs which may be charged to the HOME allocation after the award of the HOME allocation, provided the costs are in compliance with the requirements of this part (including environmental review requirements) and with the statutory and regulatory requirements in effect at the time the costs are charged to the HOME allocation.
- b. **Administrative and planning costs.** Eligible administrative and planning costs may be incurred as of the beginning of the participating jurisdiction's consolidated program year (see 24CFR 91.10) or the date the consolidated plan describing the HOME allocation to which the costs will be charged is received by HUD, whichever is later.
- c. **Project Costs.** Eligible project costs may be incurred during the current program year in an amount not to exceed 25% of the current HOME allocation amount, to be charged to the following year's HOME allocation. Before incurring the pre-award costs, the participating jurisdiction must comply with its citizen participation plan requirements addressing 24 CFR 91.105(b)(2), (4), (5) and (g) (local governments) or 24 CFR 91.115(b)(2), (4), (5) and (f) (States). In lieu of a full action plan, the participating jurisdiction may develop a mini-action plan which describes the proposed pre-award projects and costs in accordance with 24 CFR 91.220(c) and includes, if applicable, 24 CFR 91.220(g)(2) (local governments) or 24 CFR

91.320(c) and, if applicable, 24 CFR 91.320(g)(2) (States). The mini-action plan must state that HOME funding for the project(s) is subject to future availability of HOME funds. The subsequent action plan (i.e., action plan for the HOME allocation to which the costs will be charged) must also include the use of HOME funds contained in the mini-action plan.

d. Subrecipient or State recipient costs. The participating jurisdiction may authorize its subrecipient or State recipient to incur pre-award costs in accordance with the requirements of this section. The authorization must be in writing.

§ 92.214 Prohibited Activities

- a. HOME funds may not be used for the following:
 1. Provide project reserve accounts, except as provided in § 92.206(d)(5), or operating subsidies;
 2. Provide tenant-based rental assistance for the special purposes of the existing section 8 program, in accordance with section 212(d) of the Act;
 3. Provide non-federal matching contributions required under any other Federal program;
 4. Provide assistance authorized under section 9 of the 1937 Act (Public Housing Capital and Operating Funds);
 5. Provide assistance to eligible low-income housing under 24CFR part 248 (Pre-payment of Low Income Housing Mortgages), except that assistance may be provided to priority purchasers as defined in 24 CFR 248.101;
 6. Provide assistance other than tenant-based rental assistance, assistance to a homebuyer to acquire housing previously assisted with HOME funds, or assistance to preserve affordability of homeownership housing in accordance with § 92.254(a)(9) 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 for 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.
 7. Pay for the acquisition of property owned by the participating jurisdiction, except for property acquired by the participating jurisdiction with HOME funds, or property acquired in anticipation of carrying out a HOME project; or
 8. Pay delinquent taxes, fees or charges on properties to be assisted with HOME funds.
 9. Pay for any cost that is not eligible under §§ 92.206 through 92.209.

(b) Participating jurisdictions may not charge monitoring, servicing and origination fees in HOME-assisted projects. However, participating jurisdictions may charge nominal application fees (although these fees are not an eligible HOME cost) to project owners to discourage frivolous applications. Such fees are applicable credits under OMB Circular A-87.

APPENDIX B

Executive Summary

The Executive Summary is required. Include the objectives and outcomes identified in the plan as well as an evaluation of past performance, a summary of the citizen participation and consultation process (including efforts to broaden public participation) (24 CFR 91.200 (b)), a summary of comments or views, and a summary of comments or views not accepted and the reasons therefore (24 CFR 91.105 (b)(5)).

The priorities that the City has established for the five year period 2020-2024 are:

http://www.pawtucketri.com/sites/default/files/uploads/pdfs/Planning/Pawtucket_CP_DPR_1.pdf

1. Homebuyer Assistance: Funds may be allocated for down payment and closing cost assistance for first-time homebuyers to purchase housing units developed by CHDO;
2. Housing Development: Funds may be invested directly and indirectly through CHDO set asides to develop affordable housing units for low and moderate persons within the City (either through acquisition and substantial rehab or new construction);
3. TBRA: Funds may be available to assist clients with special needs.
4. CHDO Admin: Funds may be available to assist maintain or increase CHDO capacity.
5. Administration: Funds may be utilized for administration of the program.

The analysis of needs in sections below has established that nearly all communities in the Consortium have older housing stock which is likely to have lead paint. This in turn contributes to the elevated levels of lead and even lead poisoning in children. The City will also take into consideration any apparent lead problems being addressed and the location of projects submitted in its funding decisions.

To develop the five year (2020-2024) needs, priorities and strategies, the City conducted focus groups, held meetings to discuss issues and needs, researched data, debriefed experts in areas of concern and held public hearings to secure input and comments. In addition, the City met with the community discussed what priorities would be set with staff and agencies.

City staff will evaluate and score development proposals submitted for each action year, based on:

- a. meeting a HUD national objective;
- b. project eligibility;
- c. income eligibility of beneficiaries;
- d. number of affordable units;
- e. Consolidated Plan priorities;
- f. reasonable timeframe for project/activity;

- g. reasonable amount of funding requested;
- h. leveraged funds;
- i. organizational capacity;
- j. effectiveness of activities based on project outputs and outcomes.

The Board reviews projects submitted by the subcommittee, especially for “readiness to proceed”, for technical eligibility for funding, for relevance to priority needs and for proportionate distribution of HOME funds across the Consortium.

Table 1: HOME Objectives and Outcomes

Summary of Affordable Housing	
Goal	Specific Activity
a. Assist the rehabilitation of foreclosed and other distressed properties for reuse as deed restricted (30 years) affordable rental housing.	Provide funding pool for non-profits to acquire and rehabilitate foreclosed and other housing for rental housing.
b. Assist low and moderate income qualified homebuyers purchase properties, with an emphasis on multi-families and on the Woodlawn and Pleasant View neighborhoods.	Down payment and closing cost assistance targeted to specific priority purchase areas.
c. Support small scale (6 space units and under per property) redevelopment of distressed properties with a priority for permanent supportive housing for homeless individuals and families.	Provide funding pool for non-profits to acquire and rehabilitate distressed properties.
d. Provide low cost loan financing to qualified Pawtucket property owners to rehabilitate their properties.	Provide loan funding pool through the Pawtucket Redevelopment Agency for qualified property owners.
e. Support for tenant-based rental assistance programs, with a priority for individuals/families with special needs.	Provide funding for agencies to administer rental vouchers to low/moderate income households.
f. Provision of emergency rental assistance to low/moderate income households facing eviction.	Provide on-time emergency stipend to low/moderate income households facing eviction
g. Support for appropriately sealed neighborhood infill affordable housing with a priority for owner occupancy to create/preserve	Provide funding and/or property for non-profits to build infill housing to create/preserve affordable rental units.
h. Promote understanding of and access to the protections of the federal fair housing law.	Support efforts to promote fair housing awareness to local citizenry.

Recent Sub-Prime and Foreclosure Issues

The City is proud of our minimal foreclosure rate for the HUD-funded First Time Home Buyer Program. However, we are aware that homeowners **not** funded through HUD or state programs are suffering from job and mortgage problems. Recent data from HUD and from the state's Division of Banking indicates that initial actions, which are the first step leading to foreclosure and actual foreclosures, are increasing across the region and impacting the City. In addressing these issues, some of the organizations assisted by HOME funds are pursuing the counseling, intervention and re-use of foreclosed properties under recent federal legislation, including the Neighborhood Stabilization Act.

Recent legislation (the American Recovery and Reinvestment Act) created a new Homelessness Prevention and Rapid Re-Housing Program [HPRP]. This focuses on preventing foreclosure and in assisting families who have lost their housing. While no the City did not receive a grant, the state was awarded funds. It is expected that agencies which serve the City resident will be seek some of these funds.

The problem of housing difficulties leading to foreclosure, will likely persist for some of the period covered by this plan. The City plans to assist homeowners and/or deal with the increasing number of abandoned properties in whatever way it can.

APPENDIX C

HOME INCOME LIMITS

To get the most current and accurate information for the locality (MSA) in which the project will be located, please go to the following website:

https://www.huduser.gov/portal/datasets/il/il2020/select_Geography.odn and click the appropriate year. You will then have to choose the state and open the PDF file, locate the appropriate area/locality and appropriate percentage of Area Median Income (AMI).

As of June 1, 2023 – City of Pawtucket

[PDF HOME Income Limits \(huduser.gov\)](#)

An additional source for the information is at <http://www.huduser.org/portal/datasets/il.html> Scroll down and click appropriate year, on new screen select state and city/town/county

HOME RENT LIMITS

To get the most current and accurate information for the locality (MSA) in which the project will take place, please go to the following website:

<https://www.hudexchange.info/programs/home/home-rent-limits/> and click the appropriate year. You will then have to choose the state and open the PDF file, then choose the appropriate area/locality and locate the appropriate HIGH, LOW, or percentage rent limit.

As of June1, 2023 – City of Pawtucket

[PDF HOME Rental Limits](#)

APPENDIX D SUBSIDY LAYERING ANALYSIS

Executive Summary

HUD's Layering and Reasonable cost rules state in summary the following:

- *The minimum HOME subsidy is \$1,000 per-HOME assisted unit.*
- *The maximum HOME subsidy per unit will be the lowest of the results of the following analysis:*
 - ✓ *221(d)(3) limit for the Pawtucket area.*
 - ✓ *The PJ's written policy*
 - ✓ *Proportion of actual and reasonable total project cost that is HOME eligible and how many units are HOME-assisted units ("fair share" of costs).*
 - ✓ *The financial needs of the project--HOME assistance should be no greater than the amount needed to make the project financially feasible.*

FACTORS CONSIDERED

The Applicable Subsidy Ceiling

The HOME Investments Partnerships Program Final Rule (24 CFR Part 92) limits the amount of HOME funds that may be invested on a per unit basis to the amounts established under section 221(d)(3)(ii) of the National Housing Act for elevator-type projects. These amounts vary by jurisdiction and are published annually by HUD. The following limits apply to the City of Pawtucket this year:

Table 1: HOME 221 d (3) per Unit Subsidy Limits

0 Bedroom (studio) unit	\$
1 Bedroom unit	\$
2 Bedroom unit	\$
3 Bedroom unit	\$
4 Bedroom unit	\$

Table 2 HOME City of Pawtucket per Unit Subsidy Limits (If Applicable)¹

0 Bedroom (studio) unit	\$
1 Bedroom unit	\$
2 Bedroom unit	\$
3 Bedroom unit	\$
4 Bedroom unit	\$

¹ The local ceiling applies if it is less than the 221 d(3) amount.

Before committing HOME funds to a project, the City will:

(1) Make a written determination for the project files that the amount of per unit assistance to be awarded would not exceed the above limits in Table 1 (or, if applicable, Table 2) and,

(2) Establish that all costs for which HOME is requested are eligible, customary and reasonable as per OMB guidance and as provided in the Uses and Source document of the Applicant.

(3) Evaluate the project to determine the need for assistance (as stipulated below) and not invest more HOME funds, in combination with other governmental assistance, than is necessary to provide affordable housing.

The City will generally structure its HOME subsidy to fund the gap between available private sources of financing committed to a project and the actual and reasonable development costs in order to provide housing affordable to the intended and eligible recipients as follows:

Project Development Cost minus Other Government Funds minus any Private Financing (including Investor and Owner Equity) minus any other assistance such as Federal Home Loan Bank investment or discounted financing.

The GAP in funding to serve the intended population will be the proposed investment from HOME.

Note that in this review, the City may suggest alternative structure for the project which could reduce or eliminate the GAP and thus the need for the HOME investment.

When assessing whether and how to fund a project, the City will make sure that the project is financially feasible, that proposed uses of funds cover the needs of the development program, that the sources are equivalent to the uses and that development and operating costs are reasonable. After considering all of the underwriting factors and determining that the project is sound and likely to succeed, the City will determine whether to invest in the project, whether its investment should be in the form of a loan or a grant, and how much to invest. Following are guidelines used for making those decisions.

I. Rental Projects

In calculating how much subsidy to invest in a rental project, the City will examine four primary factors: the debt service coverage ratio, the loan-to-value ratio of the first mortgage as well as any other mortgage to be repaid from the income of the project, when applicable the cash-on-cash return and the break-even ratio. [See Excel 'table-templates' below for calculation of these underwriting standards].

1. Debt Coverage Ratio

This is the ratio of annual debt service to annual net operating income. In other words, how much income must be used for debt service? The City as a Lender wants to be sure there is a cushion of income left over after debt service and other operating expenses have been paid. Generally, if the project appears sound, the debt service coverage ratio would be between 1.1 and 1.3. The City Reviewer determines whether the debt service coverage ratio is at least 1.1 in years 3 – 10 and/or if there are sufficient operating reserves during the lease-up phase. Also, the Reviewer will examine the project to see if there are sufficient replacement reserves for the term of the HOME affordability period or the loan term, whichever is longer. Please provide a Table similar to the one below.

Table 3: Template for Debt Coverage Ratio (DCR)

Item	Amount/Rate	Amount for Debt Coverage Calculation
Gross Rent	\$80,000	\$80,000
Vacancy Rate	6.00%	\$4,800
Effective Gross Income		\$75,200
Expenses	\$20,000	\$20,000
Net Operating Income (NOI)		\$55,200
Annual Debt Payments		\$46,000
Debt Coverage Ratio (DCR)		1.20

2. Loan-to-Value Ratio (LTV)

The Loan-to-Value Ratio (LTV) should fall between 75 to 85 percent. LTV is an indication of how much mortgage debt is placed on the property relative to its value. The typical range is between 75 – 80% of the property's fair market value. A high LTV may indicate that there is too much debt on the property relative to its value. In this instance if some of the higher interest debt is replaced with HOME funds this problem could be mitigated.

Table 4: Template for Loan to Value Ratio (LTV)

Loan Amount	Amount for LTV Calculation
1 st Mortgage Loan	\$529,000
2 nd Mortgage Loan	\$250,000
3 rd Mortgage Loan	\$0
Total Mortgage Loans	\$779,000
Owner Equity	\$125,000
Fair Market Value Appraisal	\$1,000,000

Table 5 below shows how the debt coverage ratio is impacted by HOME investment in a rental development project.

Table 5: Template for determining Debt Coverage Ratio (DCR)

Item	Amount/Rate	Debt Coverage Calculation – no HOME	Debt Coverage Calculation with HOME Investment
Gross Rent	\$80,000	\$80,000	\$80,000
Vacancy Rate	10.00%	\$8,000	\$8,000
Effective Gross Income		\$72,000	\$72,000
Expenses	\$20,000	\$20,000	\$20,000
Net Operating Income (NOI)		\$52,000	\$52,000
Annual Debt Payments		\$46,000	
Debt Coverage Ratio (DCR)		1.13	
Annual Debt Payments with HOME Investment			\$40,872
Debt Coverage Ratio (DCR)			1.27

Model for Table 5

	Amount	Debt Service 30 Years
Mortgage Loan – 4.25%/30 Years	\$779,000.00	\$80,004.00
HOME Investment	\$0.00	\$0.00
Total Debt Financing	\$779,000.00	\$80,004.00

	Amount	Debt Service 30 Years
Mortgage Loan – 4.25%/30 Years	\$529,000.00	\$31,224.00
HOME Investment @1%/30 Years	\$250,000.00	\$9,648.00
Total Debt Financing	\$779,000.00	\$40,872.00

Table 6 shows how much subsidy would be needed to keep the DCR at 1.13.

Table 6: Template for Determining Alternate HOME Investment using Debt Coverage Ratio (DCR)

Item	Amount/Rate	Debt Coverage Calculation – no HOME	Debt Coverage Calculation with HOME Investment
Gross Rent	\$80,000	\$80,000	\$80,000
Vacancy Rate	10.00%	\$8,000	\$8,000
Effective Gross Income		\$72,000	\$72,000

Item	Amount/Rate	Debt Coverage Calculation – no HOME	Debt Coverage Calculation with HOME Investment
Expenses	\$20,000	\$20,000	\$20,000
Net Operating Income (NOI)		\$52,000	\$52,000
Annual Debt Payments		\$46,000	
Debt Coverage Ratio (DCR)		1.13	
Annual Debt Payments with HOME Investment			\$45,986
Debt Coverage Ratio (DCR)			1.13

Model for Table 6

	Amount	Debt Service 30 Years
Mortgage Loan – 4.25%/30 Years	\$779,000.00	\$80,004.00
HOME Investment	\$0.00	\$0.00
Total Debt Financing	\$779,000.00	\$80,004.00
	Amount	Debt Service 30 Years
Mortgage Loan – 4.25%/30 Years	\$679,000.00	\$40,083.00
HOME Investment @1%/30 Years	\$100,000.00	\$5,903.00
Total Debt Financing	\$779,000.00	\$45,986.00

3. Cash-on-Cash Return

Another method of evaluating the amount of HOME subsidy that a project should be awarded is by calculating the cash-on-cash return to the project owner/developer.

Table 7: Cash-on-Cash Return Analysis

Item	Amount/Rate	Amount for Cash-on-Cash Calculation
Gross Rent	\$80,000	\$80,000
Vacancy Rate	8.00%	\$6,400
Effective Gross Income		\$73,600
Expenses		\$20,000
Net Operating Income (NOI)		\$53,600
Annual Debt Payments		\$42,666
Net pre-tax return		\$10,934
Owner Equity		\$125,000
Cash-on-Cash Return		9%

Cash-on-cash return for an affordable housing project could typically range between 5 - 15%. In the above example the owner invested \$125,000 of his/her own funding into the project. The annual cash flow of the project is \$10,934. By dividing the project cash flow (which is determined by subtracting the annual debt service from Net Operating Income (NOI) by the amount of the owner/developer's investment a cash-on-cash return of 9% is obtained. What is an acceptable cash-on-cash return depends upon a number of factors, including the risk the owner/developer is taking. The lower the risk for the developer the lower the return and vice versa.

4. Break-Even Point

Another way of determining to what extent a project can function with or without HOME assistance is to conduct a break-even analysis. A break-even analysis tells the lender the maximum vacancy rate (or stated in reverse the minimum occupancy rate) a project must maintain in order to be able to pay debt service and all expenses. Table 8 below demonstrates how it is calculated:

Table 8: Break-Even Point Analysis

Item	Amount/Rate	Amount for Breakeven Calculation
Gross Rent	\$80,000	\$80,000
Vacancy Rate	21.67%	\$17,334
Effective Gross Income		\$62,666
Expenses		\$20,000
Net Operating Income (NOI)		\$42,666
Annual Debt Payments		\$42,666
Breakeven Point		\$0

In the above example the project would need to maintain an occupancy rate of 78.33% (meaning a vacancy rate of no more than 21.67%) to break even. If a project has break-even that is overly generous such as above, this should be evaluated against the needs of other projects that might have a smaller break-even margin indicating that assistance is needed to lower debt and or expenses.

Example of a Layering Cost Reasonableness Analysis

Subsidy Layering Analysis for XYZ Project

The following represents my layering and cost reasonableness analysis for the proposed XYZ Project.

The costs for acquisition or development of housing in this community makes it likely that costs will be greater than \$250,000. We have noted that in the Developer's pro forma for XYZ project, the \$172,000 sale price is assuming that we work through DHCD. HOME funds are the most common source of affordable housing capital and this program has a limit of \$172,000 which is set by the 221(d)(3) rule of HOME. XYZ Project contemplates using HOME funds.

The proposed project for 6 homeownership units sponsored by the City but to be developed by ABC Corporation will require either a mixed income approach or a subsidy.

The market analysis submitted indicates that the proposed units in this location could sell for \$375,000 per unit. For someone at 60% of median income, the sales price could be set at \$235,000. However, the project intends to use HOME funds and as a result, is proposing an affordable sales price of \$172,000.

We have reviewed the costs and find them to be appropriate for this location and have enough detail to confirm their validity. Therefore, we are focusing on the revenue sources for this analysis

The submitted pro forma leaves a gap of \$1,078,079 for which the developer is requesting HOME funds.

Firstly, the HOME funds per unit requested will exceed the 221 (d) 3 limits. Secondly, there are some other sources and/or approaches which could be used.

The City has favored mixed income developments and so the developer could lower the HOME subsidy needed by making at least two of the unit's market rate. This would reduce the HOME funds needed by \$406,000. (See Alternate Analysis A in Spread Sheet below). However, the Town has in the past had problems with using public property for market rate use, so City Council may not be amenable to this approach. HOME funds required would be \$112,013/unit to meet the sales price proposed of \$172,000.

In Alternate Analysis B, we have suggested that the City use a program which relies on CRA funds through its Housing Trust Fund. The limit on these funds are \$50,000 per unit for a 2 bedroom unit. This comes in the form of a second mortgage equity loan to the buyer. We believe that these units will meet the requirements of the program. Thus, if these units are eligible this would be a good option. HOME funds required would be \$129,680 per unit to meet the sales price proposed of \$172,000.

In Alternate Analysis C, we have suggested that the City encourage the developer to apply for Federal Home Loan Bank funds. The conversations with the FHLB indicate that the City will have a high likelihood of securing a grant. These funds, similar to the City's Housing Trust Fund, are not federal government funds and therefore there would not present a layering problem.

There are several additional reasons for using FHLB funds.

Firstly, if a project uses certain kinds of funding, then the affordable units are automatically (after informing DHCD and supplying evidentiary materials for the source of funds) added to the SHI. FHLB is one of the approved sources.

In fact, the FHLB formula for affordable housing would support a sale price of \$294,000 which exceeds our proposed sales price. This sale price assumes a down payment of 3% (FHLB minimum) and closing cost assistance of \$5,000 from the Housing Trust. Our neighboring town requires a 20% down payment which they can adjust to 10% under certain circumstances. If we obtain an FHLB grant of \$30,000, then we would meet the LTV of the bank. If we did not get it then under the Town's Housing Trust rules, the family could get that amount of assistance. The proposed mortgage rate using RIHousing's soft mortgage is 4.25%. We have used this in order to be more conservative. However, if we can use conventional financing, then we could avoid the significant number of RIHousing requirements that would potentially limit a number of options. Our recommendation is to apply to the FHLB. Even if we are not successful, I believe we can make the project still work with these low rates. However, we would then be back into the DHCD loop in order to get counted in the SHI. I therefore reran the numbers for purchasing in today's market and if we sell the units to families with incomes below 60% of median, which gives us another maximum set of points with the FHLB (I used 55%) and using current interest rates of the local member of the Federal Bank and a down payment of 5%, then we can sell them for \$284,500. However, the underwriting ratio for PITI would be 37%. That would not work. HOME funds required would be \$149,680/unit to meet the sales price proposed of \$172,000. If we used this approach we could avoid the DHCD limit of \$172,000 and the HOME investment needed could drop to \$65,500.

We also developed Alternate Analysis D. The current estimated cost is \$351,680 per unit. If we obtained \$30,000 per unit from the FHLB then the cost would drop to \$321,680 per unit. If we wanted to lower the cost further the applicants could apply for the local Affordable Housing Trust- Home Purchase Funds of \$50,000. This would lower the cost to \$271,680 per unit. Under this scenario, the HOME investment needed would be \$99,680.

The other consideration is that if we use the LIP process, we will be back into the DHCD loop again. However, as we discussed, we could use cluster zoning or perhaps a re-classification of the zoning or cluster zoning ordinance, to permit this development without overriding local zoning through the LIP process. It appears to me that as many of DHCD's rules may be problematic for the City and as it is likely that we may develop other housing, all of which can use subsidy funds which automatically qualify the units for the SHI, which we would want to

maximize our zoning flexibility to avoid the LIP process. We should look closely at how the existing zoning code could permit this project. If it is not permissible at present then it would be in our interest to secure City Council approval of the necessary changes.

Finally, it is not realistic to submit a project to the FHLB by September 30th this year (second round), which would have a chance of success. So, we would not know until later next year (competing in the first round next year).

HUD's layering and Reasonable cost rules state in summary the following:

- The minimum HOME subsidy is \$1,000 per-HOME assisted unit.
- The maximum HOME subsidy per unit will be the lowest of: the results of the following analysis:
 - ✓ 221(d)(3) limit (in this case \$172,000 per unit)
 - ✓ The PJ's written policy (in this case the sale price cannot exceed \$172,000 per unit except under Alternate C)
 - ✓ Proportion of actual and reasonable total project cost that is HOME eligible and how many units are HOME-assisted units ("fair share" of costs). This does not apply except under Alternate A.
 - ✓ The financial needs of the project—HOME assistance should be no greater than the amount needed to make the project financially feasible.

In conclusion, we would note that there is not a layering problem with this project based on the proposed sources of funding or the alternates we have developed.

In terms of the financial needs of the project, Alternates B, C and D are the ones to consider.

- Alternate A is going to be difficult to secure City Council approval.
- Alternate B is the most likely source for additional subsidies and still get counted on the SHI
- Alternate C is a competitive source for additional funds and would require the most HOME subsidy. It has the flexibility of still counting on the SHI if the sale price was raised above the PJ's limit of \$172,000.
- Alternate D still requires the FHLB competitive source but would require the least amount of HOME funds.

I would recommend that the developer be asked to apply for FHLB funds, but that we set aside the HOME funds of \$129,680 in Alternate B, in case they are not awarded. The time frame for FHLB would not put us in jeopardy for timeliness of obligation.

XYZ Project				
Proposed Affordable Townhomes				
Development Budget and Pro Forma – 6 Units				
Item			Total	Per Unit
Land Acquisition (Presumed sale price from City)			\$0	\$0
Hard Costs				
Site Work				
Demolition and site prep		\$24,000		
Excavation, road and utilities		\$275,400		
Landscaping		\$15,000		
Subtotal Site Work			\$314,400	\$52,400
Total Construction Contract	Includes all other costs		\$1,214,400	\$202,400
Actual Building Construction:	All Units 7,500 @ \$120.00 per SF	\$900,000		\$150,000
Construction Contingency	@5.0%		\$60,720	\$10,120
Total Hard Costs			\$1,589,520	\$264,920
Soft Costs				
Architectural Fees	3.33%		\$30,000	\$5,000
Engineering Fees (Civil and Survey)			\$35,000	\$5,833
Permits (Building, other local)			\$19,358	\$3,226
Water Connection Fees	\$1,000 per du		\$6,000	\$1,000
Monitoring Agent and Selection Contract			\$25,000	\$4,167
Lender Appraisal Fees	\$1,000 per du		\$6,000	\$1,000
Accounting Fees			\$15,000	\$2,500
Liability, Builder's Risk Insurance			\$6,000	\$1,000
Real Estate Taxes			\$2,500	\$417
Marketing Expenses	4%		\$6,880	\$1,147
Financing Costs			\$25,000	\$4,167
Acquisition & Construction Period Interest			\$30,000	\$5,000

XYZ Project				
Proposed Affordable Townhomes				
Development Budget and Pro Forma – 6 Units				
			Total	Per Unit
Item				
Legal and Consulting Fees			\$40,000	\$6,667
Unit Closing Costs- Legal/stamps	\$1,800/du		\$10,800	\$1,800
Soft Cost Contingency	@2% of Soft costs		\$5,151	\$858
Sub-Total Soft Costs			\$257,538	\$42,923
\$244,658				
Project Overhead and Administration	@2% of Hard and Soft Costs		\$36,941	\$6,157
Total Soft Costs			\$294,479	\$49,080
Total Development Cost			\$1,883,999	\$314,000
Developer Profit and Overhead 12.0%	@12%		\$226,080	\$37,680
Total Developer Cost and Profit			\$2,110,079	\$351,680
Total Projected Sales Price for All Units			\$1,032,000	\$172,000
Required Additional Funds from HOME			\$1,078,079	\$179,680
Alternate Analysis A				
Sell two units at market rate	Additional Revenue		\$406,000	
Required Additional Funds from HOME			\$672,079	\$112,013
Alternate Analysis B				
Proposed Additional Funds from Housing Trust	See Analysis		\$300,000	\$50,000
Required Additional Funds from HOME			\$778,079	\$129,680
Alternate Analysis C				
Proposed Additional Funds from FHLB	See Analysis		\$180,000	\$30,000
Required Additional Funds from HOME			\$898,079	\$149,680

XYZ Project				
Proposed Affordable Townhomes				
Development Budget and Pro Forma – 6 Units				
			Total	Per Unit
Alternate Analysis D				
Proposed Additional Funds from FHLB	See Analysis		\$180,000	\$30,000
Proposed Additional Funds from Housing Trust	See Analysis		\$300,000	\$50,000
Required Additional Funds from HOME			\$598,079	\$99,680
Unit Schedule and Pricing				
Type	Number of Units	Size of Unit N.S.F.		
Affordable	6	1,250	\$1,032,000	\$172,000
Market	0	1,250		\$375,000
Total Revenue			\$1,032,000	\$172,000

APPENDIX E

City of Pawtucket HOME Program Site and Neighborhood Standards Policy and Procedures

Background

HOME Program regulations at 24 CFR 92.202(b) state that for new construction of rental housing, “a participating jurisdiction is responsible for making the determination that proposed sites for new construction meet the requirements in 24 CFR 983.6(b).”

In order to properly conduct and document the review required by the regulations, the following policy and procedures are used:

City staff will perform a HUD Site and Neighborhood Standard Standards review for all new construction rental projects requesting HOME Program funds. This review will occur as a part of the staff underwriting process after receipt of the funding application and before any funding recommendation is made to the board.

Procedure

All HOME project files shall contain a “HUD Site and Neighborhood Standards review.” During the staff underwriting phase, staff will perform this review by completing the “Site and Neighborhood Standards Checklist” which includes the requirements at 24 CFR 983.6(b). The CD Program Manager will review and sign off on the determination.

For the purposes of the review, “areas of minority concentration” shall be defined as census tracts where the percentage of any minority group is greater than or equal to twice the percentage in the population of the jurisdiction as a whole as based on the most recent census data.

For the purposes of the review, “areas of low/moderate income concentration” shall be defined as census tracts where 51% or more of the residents are at or below 80% of area median income as determined by HUD.

In order to determine the census tract of the proposed project site, and to determine whether the census tract meets the definition of an “area of minority concentration”, staff shall use the US Census American Fact Finder website.

In order to determine whether the census tract meets the definition of an “area of low and moderate income concentration”, staff shall use “Summarized Low/Mod Data” provided by HUD for the jurisdiction at <http://www.hud.gov/offices/cpd/systems/census/ma/index.cfm>

APPENDIX F
ENERGY STANDARDS OF THE CITY OF PAWTUCKET

All new construction units (includes conversion/change of use) must meet a minimum standard of “Energy Star Qualified HOME” certification by an Energy Star accredited provider, and a home energy system (HCRS) certified rater must be provided upon completion.

Developers are encouraged to construct new units to a level beyond these standards, including LEED certification.

Rehab standards and building/energy codes apply to rehabilitation of existing units.

APPENDIX G

DESIGN STANDARDS OF THE CITY

Design Guidelines: The design standards described in the **September 2003** HOME Design Guidelines for new construction.

Please see https://www.hud.gov/program_offices/housing/ramh/mps/mhsmpp for an explanation and guidelines.

APPENDIX H

REHAB STANDARDS OF THE CITY OF PAWTUCKET

For new construction (or change in use/conversion) the current Rhode Island Building Codes, HUD Energy and ADA/Section 504 standards shall serve as the minimum allowable standards for new construction, substantial rehabilitation and moderate rehabilitation or conversion of properties containing more than 4 units.

For rehab projects comprising of 1 to 4 residential units, standard housing rehabilitation codes shall apply.

HOME RULE PROPERTY STANDARDS:

92.251 Property Standards

a.

1. *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 in paragraph (b) of this section. The participating jurisdiction must have written standards for rehabilitation that ensure that HOME-assisted housing is decent, safe, and sanitary. In the absence of a local code for new construction or rehabilitation, HOME-assisted new construction or rehabilitation must meet, as applicable: one of three model codes (Uniform Building Code (ICBO), National Building Code (BOCA), Standard (Southern) Building Code (SBCCI)); or the Council of American Building Officials (CABO) one or two-family code; or the Minimum Property Standards (MPS) in 24 CFR 200.925 or 200.926. To avoid duplicative inspections when FHA financing is involved in a HOME-assisted property, a participating jurisdiction may rely on a Minimum Property Standards (MPS) inspection performed by a qualified person. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.*
2. *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.*
3. *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).*
4. *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.

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

1. Before the transfer of the homeownership interest, the participating jurisdiction must:

i. Inspect the housing for any defects that pose a danger to health; and

ii. 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.

2. The housing must be free from all noted health and safety defects before occupancy and not later than 6 months after the transfer.

3. The housing must meet the property standards in paragraph (a)(1) of this section not later than 2 years after transfer of the ownership interest.

c. 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.

APPENDIX I

AFFIRMATIVE FAIR HOUSING MARKETING PLAN

CITY OF PAWTUCKET'S AFFIRMATIVE FAIR HOUSING MARKETING PROGRAM

I. UNDERSTANDING AFFIRMATIVE FAIR HOUSING MARKETING

Affirmative Fair Housing Marketing Plans (“AFHMP Plan”) and Marketing Procedures (“AFHMP Procedures”) are required to be included in all applications for the City’s HOME funds which have 5 or more HOME units. All applicants for the receipt of such funding from the City who are developers of Fair Housing (“Developer”) must comply with the AFHMP requirements outlined herein in order to receive housing development funding assistance. AFHMP Procedures must continue throughout the period of affordability, and will be monitored to ensure compliance. For single-family homeownership dwellings, the initial marketing plan remains in effect until all the dwelling units are sold, but the ongoing affordability requirements and other restrictions will remain in place for the entire period of affordability.

By Federal law, no one may discriminate in the sale or leasing of housing units based on race, color, religion, sex, national origin, familial status, or disability. These laws are based on the notion that traditional residential marketing practices have conditioned people to view certain neighborhoods or groups as undesirable. AFHMP does not limit choices; choices are expanded to include those that might not otherwise be considered for occupancy because of past discrimination. There are additional laws of the State of Rhode Island which apply. AFHMP is not a separate marketing program. It must be an integral part of the overall project marketing effort and adds little to the cost of a project.

The key focus of AFHMP is to attract to the project those who are identified as “least likely to apply”. Through the AFHMP, the Developer indicates what special efforts they will make to attract racial or ethnic groups who might not normally seek housing in their project based on its location. Quantitative data and analysis are essential to planning and monitoring the AFHMP to determine its success.

This information is a guide to assist Developers who are applicants for City of Pawtucket HOME funds and is not a substitute for obtaining legal advice on fair housing. It summarizes the AFHMP requirements and Procedures as required by the City.

II. OVERVIEW OF THE AFHMP

The AFHMP is a marketing strategy designed to attract buyers and renters of all majority and minority groups regardless of race, color, religion, sex, familial status, national origin and disability to assisted rental and sales units which are being marketed. It describes initial

advertising, outreach (community contacts) and other marketing activities which inform potential buyers and renters of the availability of the units. No application for HOME assistance for 5 or more units from the City of Pawtucket will be funded without an approved AFHMP.

In formulating the AFHMP, the Developer must do the following as detailed in the requirements below:

- A. Targeting: Identify the segments of the eligible population which are least likely to apply for housing without special outreach efforts.
- B. Outreach: Outline an outreach program which includes special measures designed to attract those groups identified as least likely to apply and other efforts designed to attract persons from the total eligible population.
- C. Indicators: State the indicators to be used to measure the success of the marketing program.
- D. Staff Training: Demonstrate the capacity to provide training and information on fair housing laws and objectives to sales or rental staff.

Developers who are recipients of funds are required to make a good faith effort to carry out the provisions of their approved AFHMP. Good faith efforts are recorded activities and documented outreach to those individuals identified as least likely to apply. Examples of such efforts include but are not limited to:

- 1. Advertising in print and electronic media that are used and viewed or listened to by those identified as least likely to apply;
- 2. Marketing housing to specific community, religious or other organizations frequented by those least likely to apply;
- 3. Developing a brochure or handout that describes facilities to be used by buyers or renters, e.g. transportation services, schools, hospitals, facilities, industry and recreation facilities. The brochure should also describe how the proposed project will be accessible to physically handicapped persons and describe any reasonable accommodations made to persons with disabilities; and
- 4. Ensuring that the sales/management staff has read and understood the Fair Housing Act, and the purposes and objectives of the AFHMP.

III. DEVELOPER AND PROJECT IDENTIFICATION

The following outline identifies areas that must be included in the AFHMP. These areas must be addressed by all Developers

- a. Name, address, phone, fax and email of Developer.

- b. Name, address of Project and provide phone, fax and email if on-site staff and office, if different than Developer or property management company.
- c. Name, address, phone, fax and email of Property Manager (if applicable)
- d. Number of units being marketed, including type (owner/renter, apartment/townhome, etc.), unit size(s), etc.
- e. Sale Price or rent range of units.
- f. For multifamily rental units only, the household types to be served by the project, e.g., family, elderly or any special needs populations.
- g. State whether the project is a new construction, rehabilitation acquisition or site improvement
- h. For new construction or partially occupied projects, the AFHMP must state approximate starting dates for advertising to target groups and completion of initial occupancy.
- i. If the project is partially occupied and rehabilitation will occur with tenants in place, please indicate this and state the number of unoccupied units affected.
- j. Housing Market Area (see Market Analysis Matrix submitted with the Application).
- k. Census Tract in which the project will be located.

IV. ACCESSIBILITY/ADAPTABILITY OF UNITS

The AFHMP should state the number of accessible/adaptable units and the number of units available for the visual and hearing impaired.

DEFINITIONS

ACCESSIBLE means that the unit is located on an accessible route and when designed, constructed, altered or adapted can be approached, entered and used by individuals with physical disabilities.

ADAPTABLE means the ability of certain elements of a dwelling unit, such as kitchen counters, sinks, and grab bars, to be added to, raised, lowered, or otherwise altered, to accommodate the needs of persons with or without disabilities, or to accommodate the needs of persons with different types or degrees of disability.

V. ACCESSIBILITY/ADAPTABILITY POLICIES TO BE INCLUDED IN MANAGEMENT PLAN²

² It is important to remember that legal obligations with respect to accessibility and modifications in housing extend beyond the State of Rhode Island requirements, including federal requirements imposed by the Fair Housing Act, the Americans with Disabilities Act, and the Rehabilitation Act. Under state law, in the case of publicly assisted housing, multiple dwelling housing consisting of ten or more units, or contiguously located housing consisting of ten or more units, reasonable modification of existing

Describe in detail how accessible/adaptable units will be marketed.

- a. Describe how requests for reasonable accommodations will be handled and who will be authorized to approve or deny any such requests
- b. State whether the project has a Telecommunication Device for the Deaf (TDD) or an equally effective communication system. (Note: If the complex has Section 8 assistance from the U.S. Department of Housing and Urban Development (“HUD”), the complex is required to have a TDD.)
- c. Describe any procedures established to accommodate the hearing and sight impaired. (Example of methods to be used might include readers, signs language, interpreters, and Braille materials.)
- d. State whether the Developer will give priority for fully accessible units to persons who are in need of the special design features of an accessible unit, and if priority will be given first to those living in the complex and then to persons on the waiting list.
- e. Before accessible units are temporarily rented to persons who do not need the special design features, have there been diligent marketing efforts to market the units to special need persons and how will those efforts be documented. State whether marketing efforts will continue after rental of the unit to someone who does not need the special design feature.
- f. State whether lease clauses will be included to require non-special needs occupants to relocate to another unit in the building if the unit is needed by a special needs person.
- g. State Developer’s policy for verifying a person’s disability and whether it will be limited to only that which is needed to establish eligibility. State whether verification will be required only after a prospective tenant or homeowner has asked that their disability be considered by management.
- h. State whether Developer has a policy that permits persons with disabilities to have service and/or companion animals.
- i. State whether Developer gives persons with disabilities the same choices other persons applying for the housing units are given; e.g., an offer for both first and second floor apartments.

VI LOCAL MARKET AREA

- a. Identify the project’s Local Market Area: This is an area in which the project is located and within which most of the marketing efforts are focused as delineated in the Marketing Analysis Matrix.
- b. This is needed to establish demographic information of the area in order to identify those who are most likely to apply, thereby providing the basis to establish the population which is least likely to apply.

premises shall be at the expense of the owner or other person having the right of ownership if necessary for the disabled person to fully enjoy the premises. See also 24 C.F.R. part 8 for Rehabilitation Act requirements of housing providers that receive federal financial assistance.

- c. Identify the racial/ethnic characteristics of the Local Market Area population using relevant US Census data obtained from the www.census.gov website or other sources. Include this information in the Plan.
- d. Specify the racial/ethnic group(s) identified in the data as “Least Likely to Apply” for the project’s units.

VII AFHMP

The Developer must describe the marketing program including the requirements below and outline the methods to be used in marketing to all segments of the eligible population. The program must include special outreach steps which will be taken to attract groups identified as least likely to apply for the housing. The Developer must ensure that all marketing efforts are coordinated and initiated at a minimum of 90 days prior to occupancy but may begin 6 months or more prior to occupancy.

I. Commercial Media to be used

The Developer must indicate the commercial media to be used to advertise the availability of the housing, in particular, the commercial media that are customarily used by the Developer, including minority publications, publications targeted toward disabled persons, and other outlets which are available in the Fair Housing market area.

If the Developer conducts marketing efforts beyond the use of commercial media, the AFHMP should describe such efforts and provide copies of such marketing materials. All advertising should be consistent with the Fair Housing Advertising Regulations (24CFR 109) and the Fair Housing Act Regulations at 24 CFR 100.75. This must be stated in the AFHMP for each project. Size and/or frequency of advertising material must be indicated and be consistent with the preceding requirements.

(1) Newspapers/Publications:

- (a) Identify by name all newspapers and publications of general circulation.
- (b) Identify by name all newspapers and publications that circulate to least likely to apply populations and specify the racial/ethnic composition of readerships/audiences of each.
- (c) Provide a narrative description and size for all newspaper/publication advertisements to be used.
- (d) Indicate the frequency of all publication advertising to be used.
- (e) Submit draft copy of all ads, if available. If unavailable at the time the plan is submitted, copies draft ads must be forwarded to the City as soon as they become available.

(f) Ads should show both the Equal Housing Opportunity and Accessibility Logos

(2) Radio and Television:

(a) Identify radio and television stations to be used.

(b) Indicate the approximate frequency and description of use.

(3) Other Types of Media

(a) List, with names and addresses, of media including publications of limited circulation such as neighborhood-oriented weekly newspapers, religious publications (b) Description of the media and the frequency of the advertising.

II. Brochures, Signs and the HUD Fair Housing Poster

Brochures, signs and the HUD Fair Housing Poster are to be integral parts of any successful AFHMP marketing effort.

(1) All signs, brochures, and leaflets must show both the Equal Housing Opportunity and Accessibility Logos.

(2) Description and size of permanent project sign, if one is to be erected. A photograph of the project sign must be submitted with the AFHMP, or as soon as possible after the sign is erected.

(3) Description of the Brochure

(i) The brochure may include a range of information which influences decisions regarding housing choice. The brochure should communicate the Developer's Equal Housing Opportunity Policy. It must be consistent with the Fair Housing Advertising Guidelines, including display of the Equal Housing Opportunity Logotype and slogan; use of words, phrases and photographs; and human models.

(ii) Where appropriate it should also contain information on the Developer's policy toward families with children and whether or not the project is reserved for persons 55 years old and above or 62 years old and above as well as the project management promising that it will not discriminate against eligible families with children.

(iii) The brochure should be distributed through community contacts (see Section III. below), mailed to groups identified as least likely to apply and kept in rental or sales offices for distribution to visitors.

(4) Submit copies of brochures and leaflets. If unavailable at the time the plan is submitted, copies must be forwarded to the City no later than 90 days prior to engaging in marketing activities.

- (5) Fair Housing Poster. HUD's Fair Housing Poster must be conspicuously displayed wherever sales/rentals and showings take place. The Developer must indicate whether the poster will be displayed in the sales/rental office(s), the real estate office(s), model units and/or other places.

III. Community Contacts

Community contacts can supplement formal communications media for the purpose of soliciting tenants and buyers. Community contacts should be individuals or organizations that have direct and frequent contact with those groups identified as least likely to apply.

Community contacts should also be chosen on the basis of their positions of influence within the general community and the particular target group.

Examples of suitable community contacts include:

- Fair housing organizations and local non-profit housing associations, housing counseling agencies, regional tenant referral services;
- Local businesses, including non-profit and institutional entities
- Minority organizations, (for example: National Association for the Advancement of Colored People (NAACP), Urban League) women's organizations, civil rights groups, editors of majority owned and minority-owned newspapers;
- Local government agencies which are in the position to make referrals;
- Real estate industry related groups;
- Organizations which advocate for individuals with disabilities or address issues related to the housing needs of such individuals; and
- Organizations which advocate for families with children or address issues related to housing needs of such families.

The Developer must give the following information about the community contacts:

(1) List, with names and addresses, of groups or organizations identified as serving least likely to apply populations and those serving special populations who may be served by the project, including those with physical disabilities.

(2) List, with names and addresses, of community contact(s) that serve the disabled community, such as an independent living center (ILC).

(3) Indicate the method of contact for each of these outreach organizations e.g., community meetings, brochures, briefing sessions, etc. , approximate date the group or individuals are to be contacted and how the project manager/agent will document such contact.

(4) Submit a sample of correspondence to be sent to community contacts.

VIII HOMEOWNER/TENANT SELECTION PROCEDURES

The initial selection process must be made on a random basis through the use of a lottery, noting that where selection preferences are deemed allowable by the City, those preferences may be applied in the selection process as set forth in local regulations and not on a first-come first-served basis unless otherwise required by State or Federal regulations, with one exception which is if the project is occupied and rehabilitation will occur with tenants in place. Please note that the City does not permit application fees, credit report fees in excess of the actual cost

for that report or any other fees to be charged to persons completing applications for Fair Housing.

The AFHMP must include the following:

- a. Describe how applications will be made available to prospective tenants (e.g., who to contact and where applications may be obtained). State when the initial application period will close.
- b. Describe the process by which applications for housing units will be received and logged and how a list of eligible persons/households will be created.
- c. Describe how tenant eligibility will be determined, e.g., income certification, employment verification, creditworthiness.
- d. Describe the characteristics which cause a person applying for a housing unit(s) to be rejected from consideration and describe the appeal process for a person who is rejected.

IX. FUTURE MARKETING ACTIVITIES (For Rental Units Only)

The Developer must describe the types of activities to be undertaken after the completion of initial occupancy of rental units in order to fill vacancies resulting from normal turnover. These activities shall be consistent with provisions of the Fair Housing Act, Executive Order 11063 and the AFHMP.

- a. Describe how marketing activities to fill vacancies will be undertaken.
- b. Describe how a waiting list will be maintained.

X. ASSESSMENT OF MARKETING EFFORTS

a. The Developer must describe the means by which it will assess the effectiveness of various components of the AFHMP such as the advertising methods and the outreach activities targeted toward the groups identified as least likely to apply or the use of community contacts. Indicators such as the anticipated racial/ethnic composition of the tenant population or applicant pool are not to be used as indicators of effectiveness of an AFHMP Plan under any circumstances. The Developer is encouraged to use indicators based on actual efforts, including the number of referrals by community contacts listed in the Plan; the number of visits to the site or walk-ins due to outreach or advertising; or the representation of persons identified as least likely to apply as part of the potential buyer or renter group in comparison to the percentage of that group within the housing market area.

b. Include a discussion of corrective measures to be taken if least likely to apply populations are poorly represented.

XI. STAFF EXPERIENCE AND INSTRUCTIONS FOR FAIR HOUSING TRAINING

The successful implementation of any AFHMP depends in great measure upon the sensitivity of management and sales staff to the importance of conducting the marketing program in a nondiscriminatory manner. The proposed AFHMP should include the following material on staff training and experience:

- a. Experience. The Developer shall indicate whether it has had any experience in marketing housing to the group(s) identified as least likely to apply.
- b. Developer's Training Responsibilities. Developers are responsible for instructing all employees and agents in writing and orally concerning nondiscrimination in housing. The specific civil rights laws and Executive Orders on which sales and management staff should be trained and should clearly be identified in the AFHMP includes:
 - Federal Civil Rights Act of 1866 (42 U.S.C. § 1982)
 - Federal Fair Housing Act, (Title VIII of the Civil Rights Act of 1968), as amended, 42 U.S.C. § 3601
 - Federal Regulations at 24 CFR Part 100
 - Executive Order 11063 and 24 CFR Part 107
 - The Affirmative Fair Housing Marketing Regulations, 24 CFR 200, Subpart M;
 - Section 504 of the Rehabilitation Act of 1973, as amended, where applicable, and 24 CFR Part 8

Instructions regarding fair housing requirements and objectives should also be a continuing part of the agenda of staff meetings or other activities carried out for sales and rental staff.

- c. Submission of Material. The Developer must submit as part of the AFHMP a copy of the instructions given to sub-management staff and especially marketing personnel including consultants and sub-contractors on fair housing concerns such as federal, state or local fair housing laws and the Developer's AFHMP. The material must also indicate the date established for conducting such training and the name and title of the person responsible for developing the fair housing training program. Documentation must be submitted of any and all training provided to staff.

XII RECORD KEEPING

- a. An AFHMP file is to be established and maintained. The file will contain advertisements, flyers and other public information documents to demonstrate that the appropriate logos and language have been used. Additionally, records will be kept of activities to implement the AFHMP, including community outreach efforts to special interest groups and agencies and to the general population. This file will be kept in the project's management office.
- b. Up-to-date records based on census data, application and surveys about community residents, applicants for housing units, residents of the project and

records about tenant selection or rejection will be kept on file in the project's management office.

- c. Racial and Ethnic data on all persons applying for housing units and participants will be collected and kept on file in the project's management office.

The City will conduct audits to review documentation establishing efforts were made concerning marketing to all groups consistent with equal opportunity and accessibility requirements including targeting efforts to LLA (Least Likely to Apply) populations including the disabled.

XIII. SIGNATURE. The AFHMP must be signed by an authorized official of the sponsoring or ownership organization. By signing the AFHMP, the Developer assumes full responsibility for its implementation and agrees to make any changes which may be required to assure continued compliance with the AFHMP (24 CFR 200.620). The agreement to make changes is also applicable to AFHMPs covering rental projects during the affordability period. With respect to single-family subdivisions, the Developer may request changes to the AFHMP only during the initial sales period.

XIV. APPROPRIATENESS OF THE MARKETING PROGRAM

The AFHMP should include actions which are appropriate for attracting the target groups(s). The following should be considered:

1. Where African American, Hispanics, Asian-Americans or other racial/ethnic groups have been identified as requiring special outreach and minority media are available in the housing market area, developers are encouraged to use minority-owned media as part of their marketing program.
2. Languages other than English should be used in the advertising where it is necessary to attract target groups, e.g., Hispanics;
3. The advertising should convey an easily understood message that the target groups are welcome in the area in which the proposed project is located. However, the advertising should not imply that the project area is restricted to persons of a particular race, color, creed, sex or national origin, or that families with children and handicapped persons would feel unwelcome;
4. Both majority and minority models should be used in pictorial advertising and women should be depicted in non-sex-stereotyped roles;
5. The advertising should convey the message that families with children are encouraged to apply for the housing;
6. The advertising should feature units that have been made accessible to individuals with disabilities to convey the message that reasonable accommodations can be made so that individuals with disabilities can fully enjoy the project's services and facilities on the same basis as non-disabled individuals; and
7. The Equal Housing Opportunity Logo and Accessibility Logo should be displayed on all advertising materials.

XV. IMPLEMENTATION OF THE AFHMP

(1) Marketing for Initial Sales or Rental

In accordance with HUD's guide "Implementing Affirmative Fair Housing Marketing Requirements" (8025.1), no later than 90 days prior to the commencement of any sales or rental marketing activities the applicant must submit to the City a notice of intent to begin marketing. This notice should be in writing and state the date on which the applicant proposes to commence marketing activities. Marketing may commence up to six (6) months or more prior to expected occupancy of a project. At a minimum of 90 days prior to the commencement of occupancy the applicant should follow the items below:

a. Pre-Marketing Activities

Prior to initiating general marketing, contact the commercial media, fair housing groups, civil rights organizations, employment centers and the community contacts which have been identified in the AFHMP as resources for attracting persons who are "least likely to apply" for housing.

b. Outreach Documentation

Establish a system for documenting outreach activities and for maintaining records which provide racial, ethnic and gender data on all persons applying for the proposed housing. The system should be consistent with any reporting and record keeping requirements. An AFHMP file should be maintained and it should include all documentation pertaining to the following:

- How the groups considered least likely to apply were identified;
- The special outreach activities undertaken to attract these groups and the general public to the housing;
- The training given to staff on Federal, State and local civil rights laws;
- The selection of the community contacts who assisted in implementing the AFHMP;
- The implementation of the HUD Fair Housing Advertising Regulations stated at 24 CFR Part 109;
- Race and ethnicity of all persons applying for the housing; and
- Race and ethnicity of all individuals who visited the project in person.

c. Fair Housing Training

In accordance with HUD 8025.1, during the 90-day or more period prior to the commencement of taking applications or sales, all management or sales staff must be provided training in Federal, State and local fair housing laws, AFHMP objectives and the approved AFHMP.

d. File Documentation:

The following materials should be submitted to the City and be kept in the AFHMP file for future monitoring:

- Copies of advertisements, brochures, leaflets, and letters to community contacts;
- Photographs of project signs;
- A copy of instructions used to train sales/rental staff of Fair Housing laws.

APPENDIX J SECTION 3 GUIDE

Questions and Answers about Section 3 of the Housing & Urban Development Act of 1968³

Executive Summary of the Regulation

1. *Section 3 only applies when over \$200,000 in funds are received by a jurisdiction, in this case the City of Pawtucket. This has two components:
 - a. *Section 3 applies to the total of all sources of Federal public construction funding, not just HOME – LIHTC, CDBG, etc. are included*
 - b. *Note that it only kicks in when the funds are drawn down. So theoretically, one could have total Federal grants of \$300,000, but until \$200,000 of these funds are received, Section 3 does not kick in.**
2. *Section 3 refers to public construction which includes demolition, clearance, rehab and new construction*
3. *Section 3 applies to contractors and sub-contractors whether for-profit or non-profit or a CHDO, when over \$100,000 in funds are received for a specific project. If a contractor or sub-contractor has more than one project, it applies to each project individually not cumulatively.*

Read the following guidance carefully to see if your proposed project is covered and what it requires of you.

PLEASE NOTE THAT IF YOUR PROJECT IS NOT REQUESTING FEDERAL FUNDS INCLUDING THE HOME FUNDS REQUESTED IN THE APPLICATION FOR MORE THAN \$100,000 THEN IT IS NOT COVERED UNDER THIS SECTION

GENERAL QUESTIONS

1. What is Section 3?

Section 3 is a provision of the Housing and Urban Development Act of 1968, which recognizes that HUD funds are typically one of the largest sources of federal funding expended in communities through the form of grants, loans, entitlement allocations and other forms of financial assistance. Section 3 is intended to ensure that when employment or contracting opportunities are generated because a covered project or activity necessitates the employment of additional persons or the awarding of contracts for work, preference must be given to low- and very low-income persons or business concerns residing in the community where the project is located.

2. What does the term “Section 3 resident” mean?

³ *Please Note: This guidance is not official HUD policy or regulation for NSP. For final and legal requirements please consult with HUD and the NSP Office.*

A “section 3 resident” is: 1) a public housing resident; or 2) a low- or very low-income person residing in the metropolitan area or Non-metropolitan County in which the Section 3 covered assistance is expended.

3. What does the term Section 3 Business Concern mean?

Section 3 business concerns are businesses that can provide evidence that they meet one of the following:

- a. 51 percent or more owned by Section 3 residents; or
- b. At least 30 percent of its fully time employees include persons that are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or
- c. Provides evidence, as required, of a commitment to subcontract in excess of 25 percent of the dollar award of all subcontracts to be awarded to business concerns that meet the qualifications in the above two paragraphs.

4. How does Section 3 differ from the Minority Business Enterprise/Women Business Enterprise programs?

Section 3 is both race and gender neutral. The preferences provided under this regulation are based on income-level and location. The Section 3 regulations were designed to encourage recipients of HUD funding to direct new employment and contracting opportunities to low-income residents, and the businesses that employ these persons, within their community regardless of race and/or gender.

5. How is “low-income” determined?

The term “low-income” is used in the Section 3 regulation to include both low- and very low-income individuals. Local income levels can be obtained online.

6. Define “metropolitan area” and “Non-metropolitan County.”

Metropolitan area means a metropolitan statistical area (MSA), as established by the Office of Management and Budget. Non-metropolitan County means any county outside of a metropolitan area.

7. What is a “new hire”?

A new hire means a full-time employee for a new permanent, temporary, or seasonal position that is created during the expenditure of Section 3 covered financial assistance.

8. What is a Section 3 covered project?

A Section 3 covered project involves the construction or rehabilitation of housing (including reduction of lead-based paint hazards), or other public construction such as street repair, sewage line repair or installation, updates to building facades, etc.

9. Who is considered a recipient of Section 3 funding?

A recipient is any entity which receives Section 3 covered assistance, directly from HUD or from another recipient. It does not include contractors or any ultimate beneficiary under the HUD program to which Section 3 applies.

10. Is a non-profit organization considered a “business” for the purposes of Section 3?

Yes. A non-profit organization is a legitimate business. The non-profit organization must meet the criteria of a Section 3 business concern as defined in 24 CFR Part 135.5 in order to receive Section 3 preference.

11. What is a Service Area?

The Service area is the geographical area in which the persons benefiting from the Section 3 covered project reside. The Service Area shall not extend beyond the unit of local government in which the Section 3 covered financial assistance is expended.

APPLICABILITY

12. What is Section 3 covered assistance?

It applies to certain projects as follows⁴:

Recipients of \$200,000 or more of the following Housing and/or Community Development financial assistance:

- a. NSP funds
- b. Community Development Block Grant (CDBG) funding
- c. HOME Investment Partnership funding

13. What are funding thresholds and how do they apply to Section 3 covered financial assistance?

Funding thresholds are minimum dollar amounts that trigger Section 3 requirements. There are no thresholds for Public Housing Authorities (PHAs). The requirements of Section 3 apply to all PHAs regardless of the amount of assistance received from HUD.

The requirements of Section 3 apply to recipients of Housing and Community Development assistance that invest \$200,000 or more into projects/activities involving housing construction, rehabilitation, or other public construction.

14. What dollar threshold amounts apply to contractors/subcontractors?

With respect to recipients of Housing and/or Community Development funding, all contractors (or subcontractors) receiving covered funds in excess of \$100,000 to complete projects involving housing construction, rehabilitation, or other public construction are required to comply with the requirements of Section 3.

15. What responsibilities do contractors/subcontractors have if they receive Section 3 covered financial assistance?

If the contractor/subcontractor has the need to hire new persons to complete the Section 3 covered contract or needs to subcontract portions of the work to another business, they are required to direct their newly created employment and/or subcontracting opportunities to Section 3 residents and business concerns. The same numerical goals apply to contractors and subcontractors (i.e., 30 percent of new hires, 10 percent of construction contracts, and 3 percent of non-construction contracts). In addition, the contractor/subcontractor must notify the recipient agency about their efforts to comply with Section 3 and submit any required documentation.

16. Are maintenance projects covered by Section 3?

⁴ The requirements of Section 3 typically apply to recipients of HUD funds that will be used for housing construction, rehabilitation, or other public construction. Contact the Economic Opportunity Division of HUD to determine applicability to a particular project/activity

Yes, but only for projects using funding that is provided for the operation, development, or modernization of Public Housing Authorities.

17. Does reduction and abatement of lead-based paint hazards constitute housing rehabilitation?

Yes, reduction and abatement of lead-based paint hazards does constitute housing rehabilitation and is covered by Section 3.

18. Are professional service contracts covered under Section 3?

Yes, the term “Section 3 covered contract” includes professional service contracts provided that the work to be performed is for work arising in connection with projects involving housing rehabilitation, housing construction, or other public construction.

19. Does Section 3 apply to hiring by a CDBG-Entitlement recipient?

Yes. If the recipient intends to use its HUD allocation to hire additional staff person(s) to perform work related to housing construction, rehabilitation, or other public construction, then the position(s) is covered by Section 3. However, if the local municipality uses a civil servant applicant process to hire new employees, compliance with the requirements of Section 3 may not be feasible.

20. For community development and other housing assistance, do the thresholds apply to the total amount of HUD assistance received or the amount of funds invested into Section 3 covered projects/activities?

The threshold applies to the amount of funds invested into Section 3 covered projects/activities.

Example: The City of Recovery, receives \$210,000 through the NSP program. The funds will be used as follows:

Housing rehabilitation	\$180,000
Housing revolving loan fund	\$20,000
Housing counseling	\$10,000

Recovery is not subject to Section 3 requirements because only \$180,000 is spent for Section 3 covered activities, and the remaining \$30,000 is not used for construction, rehabilitation, or other public construction. Therefore, the \$200,000 threshold is not met. However, the city must still submit a Section 3 annual summary report (form 60002) to HUD headquarters.

21. Are contracts cumulative for reaching the Section 3 thresholds? For example, an agency receives \$800,000 in NSP funds. The recipient awards contracts for single housing rehabilitation on a rotating basis from a list of qualified contractors. One contractor receives three contracts (\$36,000; \$50,000; and \$20,000) with a cumulative total of \$106,000 for three different projects within a twelve month period. Is that contractor covered by Section 3?

No, contracts for Section 3 covered projects are not cumulative.

The requirements of Section 3 apply to contractors and subcontractors performing work on a Section 3 covered project for which the amount of the assistance exceeds \$200,000; and each contract or subcontract exceeds \$100,000.

CONSISTENCY WITH OTHER LAWS

22. Does Section 3 apply to other State/local laws?

Compliance with Section 3 shall be achieved to the greatest extent feasible, and consistent with local laws and regulations.

23. What is the relationship between Section 3 and Minority Business Enterprises (MBEs)?

“Minority business enterprise” (MBE) means a business enterprise that is owned and controlled by one or more minority or socially and economically disadvantaged persons. Such disadvantage may arise from cultural, racial, chronic economic circumstances or other similar causes.

Section 3 preferences are not tied to race or ethnic origin of the owner. A minority business enterprise must provide evidence that it meets at least one criterion of a Section 3 business outlined above in order to receive preference under Section 3. However, the Department anticipates that Section 3 will serve to support, and not impede, contract opportunities for minority business enterprises.

The MBE designation may provide preferences promoted by other statutes and regulations, such as goals for MBEs, and other socially and economically disadvantaged businesses. Additional information about the MBE program can be obtained by calling the Office of Small and Disadvantaged Business Utilization at 202-708-1428.

RECIPIENT RESPONSIBILITIES

24. What are the responsibilities of recipient agencies under Section 3?

Recipients are required to ensure their own compliance and the compliance of their contractors/subcontractors with the Section 3 regulations, as outlined at 24 CFR § 135.32.

25. Are funds provided to recipients that comply with the requirements of Section 3?

No. There is no need for funds to be provided to ensure Section 3 compliance because the Section 3 requirements are only triggered when new jobs and/or contracting opportunities are created during the completion of covered projects/activities.

26. Does Section 3 require that the expenditure of NSP funds result in the creation of training, employment, and contracting opportunities?

Recipient agencies are not required to create jobs or contracts for Section 3 residents and business concerns simply for the sake of creating them. Section 3 requires that when employment or contracting opportunities are generated because a project or activity undertaken by a recipient of NSP funds and this in turn necessitates the employment of additional personnel through individual hiring or the awarding of contracts, the recipient must give preference in hiring to low- and very low- income persons and/or businesses owned by these persons or that substantially employ these persons.

27. Are Section 3 residents or business concerns guaranteed employment or contracting opportunities under Section 3?

No. Section 3 residents must demonstrate that they meet the qualifications for new employment opportunities created as a result of the expenditure of covered assistance.

Section 3 business concerns must submit evidence to the satisfaction of the party awarding the contract to demonstrate that they are responsible firms and have the ability to perform successfully under the terms and conditions of the proposed contract.

28. Are recipients and contractors required to provide long- term employment opportunities, and not simply seasonal or temporary employment/

Recipients and contractors are required, to the extent feasible, to direct all employment opportunities to low- and very low-income persons- including seasonal and temporary employment opportunities.

Employment goals are based on “new hires”, which is defined as full-time employees for permanent, temporary or seasonal employment opportunities.

Recipients and contractors are encouraged to provide long-term employment. They may count a Section 3 resident employee for three years to meet the business criterion that at least 30 percent of the permanent, full-time employees are Section 3 residents.

29. When might a recipient agency be exempt from the requirements of Section 3?

If Section 3 covered assistance is awarded and the recipient has no need for additional employees or trainees, or the recipient has no need to contract for work, then the Section 3 requirements are not triggered.

However, the recipient agency must still submit a Section 3 Annual Summary report (HUD form 60002), in accordance with 24 CFR § 135.90.

SECTION 3 PREFERENCE

30. What is considered acceptable evidence to determine eligibility as a Section 3 resident?

HUD does not prescribe any specific forms of evidence are required for Section 3 certification. Sample certification documents can be found on the MHIC website. Acceptable documentation includes, but is not limited to the following:

- a. proof of residency in a public housing development;
- b. evidence of participation in a HUD Youthbuild program operated in the metropolitan area (or non-metropolitan county) where the Section 3 covered assistance is spent;
- c. evidence that the individual resides in the Section 3 area and is a low or very low-income person, as defined in Section 3(b) (2) of the U.S. Housing Act of 1937 (1937 Act).

Recipient agencies may choose to allow prospective Section 3 residents to self-certify their eligibility. Any self-certification should include a statement of penalty for falsifying information.

31. What is acceptable evidence for determining eligibility as a Section 3 business?

HUD does not prescribe any specific forms of evidence are required for Section 3 certification. Sample certification documents can be found on the MHIC website. The business seeking the preference must be able to demonstrate that it meets one of the following:

- a. 51 percent or more owned by Section 3 residents; or
- b. Has permanent, full time employees at least 30 percent of whom are currently Section 3 residents, or within three years of the date of first employment with the business concern were Section 3 residents; or

- c. Has a commitment to sub-contract in excess of 25 percent of the dollar award of all sub-contracts to be awarded to such businesses described above.

Recipient agencies may choose to allow prospective Section 3 business concerns to self-certify their eligibility. Any self-certification should include a statement of penalty for falsifying information.

32. Are all public and Indian housing residents considered Section 3 residents regardless of their income?

Yes. Public and Indian housing residents need only show proof of residency in public housing within the metropolitan area (or non-metropolitan county). Other residents of the Section 3 area need to show proof of residency in the metropolitan area (or non-metropolitan county) and meet the income requirements. [See 24 CFR Part 135.5 for the definition of a Section 3 resident].

33. Does preference to a Section 3 business mean that the business should be selected if it meets the technical requirements of the bid, regardless of bid price?

No. As provided in 24 CFR 85.36(b) (8), contract awards shall only be made to responsible contractors possessing the ability to perform under the terms and conditions of the proposed contract. The determination that a prospective contractor is responsible must include consideration of the firm's compliance with technical and public policy requirements. Preference to Section 3 business concerns means that a recipient's or contractor's procurement procedures include methods to provide preference to Section 3 business concerns. Accordingly, if a Section 3 business concern is a responsible bidder, but their bid price is slightly higher than a non-Section 3 firm, the recipient agency can give preference to the Section 3 business in an effort to meet its numerical goals annually.

34. Does a business have to be incorporated to be considered as a Section 3 eligible business? What forms of identification are used to determine that an organization is a Section 3 business?

No, a business does not have to be incorporated to be a Section 3 business concern. It can be any type of business- sole proprietorship, partnership or a corporation.

ECONOMIC OPPORTUNITIES/NUMERICAL GOALS

35. What types of new employment opportunities are covered by Section 3?

For Housing and Community Development Programs, all employment opportunities arising in connection with housing rehabilitation (including reduction and abatement of lead-based paint hazards), housing construction, or other public construction project (i.e., management and administrative jobs, technical, professional, and construction and non-construction jobs; and jobs at all levels).

36. Are recipient agencies required to meet the Section 3 goals or are they merely "goals"?

The Section 3 Numerical goals are minimum numerical targets that must be reached in order for the Department to consider a recipient in compliance. I.e., meeting them is a 'safe harbor'. Recipient agencies are required to make efforts to the greatest extent feasible to achieve the annual numerical goals for employment and contracting. If an agency fails to fully meet the Section 3 numerical goals, they must be prepared to demonstrate the efforts taken in an attempt to meet the numerical goals.

37. What are the Section 3 numerical goals?

The minimum numerical goal for employment 30 percent of the aggregate number of new hires shall be Section 3 residents annually—i.e., 1 out of 3 new employees needed to complete a Section 3 covered project/activity shall be a Section 3 resident.

The minimum goals for contracting are:

- a. Ten percent of the total dollar amount of all Section 3 covered contracts for building trades work arising in connection with housing rehabilitation, housing construction and other public construction, shall be awarded to Section 3 businesses; and
- b. Three percent of the total dollar amount of all non-construction Section 3 covered contracts, shall be awarded to Section 3 businesses.

38. Are the numerical goals the same as set-asides and quotas?

No. A set-aside guarantees that a specific portion of funds will be provided to a protected class. The numerical goals in the Section 3 regulations are goals that a recipient of HUD Section 3 covered financial assistance must try to meet in order to demonstrate Section 3 compliance.

39. What is the meaning of the “safe harbor” determination?

Absent evidence to the contrary (i.e., evidence that efforts to the “greatest extent feasible” were not expended), if a recipient or contractor meets the numerical goals, the recipient or contractor is considered to be in compliance with Section 3.

A recipient or contractor considered to be in compliance with Section 3 may not be subject to routine compliance reviews.

In the event that a complaint is filed against a recipient or contractor considered to be in compliance with Section 3. HUD will investigate to determine if “the greatest extent feasible” policy was met.

RECORDKEEPING AND REPORTING

40. What are the recordkeeping requirements of a recipient?

Documentation of actions taken to comply with the employment and training requirements of Section 3, the results of actions taken and impediments encountered. Recipient agencies should maintain records of job vacancies, solicitation for bids or proposals, selection materials, and contract documents (including scope of work and contract amount), in accordance with Federal or State procurement laws and regulations. The documentation should demonstrate efforts taken towards the achievement of the Section 3 numerical goals.

41. Who is required to submit Section 3 reports?

Each recipient of Section 3 covered HUD financial assistance shall submit an annual report to the Assistant Secretary for the purpose of determining the effectiveness of Section 3 (HUD form 60002). Section 3 summary reports are required even if the recipient agency did not undertake any activities that triggered the requirements.

42. Where should the Section 3 summary report be submitted?

Section 3 Summary reports can be sent by mail to:

U.S. Department of Housing and Urban Development Office of Fair Housing and Equal Opportunity
451 Seventh Street, SW, Room 5232

Washington, DC 20410
Attn: Economic Opportunity Division
or
online at: www.hud.gov/offices/fheo/section3/section3.cfm

43. When should annual reports be submitted?

Depending on the source of funding, annual reports should be submitted at the time the recipient submits an annual performance report; 2) by January 10 of each year if no program annual performance report is required; or 3) within ten (10) days of project completion, whichever is earlier.

Grantees Awarded funding for NSP should submit Section 3 reports on form HUD 60002 at the same time they submit the CAPER report.

44. What amount should be reported on the Section 3 Annual Report?

Box #3 on the 60002 form should reflect the amount of HUD funds that were expended during the reporting period.

SECTION 3 COMPLAINTS

45. Who can file a complaint when the requirements of Section 3 are not met?

Any Section 3 resident or Section 3 business (or authorized representative) seeking employment, training or contracting opportunities generated by Section 3 covered assistance may file a complaint using *form HUD 958*.

46. Where are Section 3 complaints filed?

Effective November 2007, Section 3 complaints must be filed at the appropriate FHEO Regional Office in which the violation occurred. Please visit www.hud.gov/offices/fheo to obtain the address and telephone number for FHEO regional offices.

47. Is there a time limit for filing a Section 3 complaint?

Yes. Section 3 complaints must be filed no later than 180 days from the date of the action or omission upon which the complaint is based.

APPENDIX K - Evaluation of Proposals

HOME funds are awarded through a competitive proposal evaluation process. The evaluation considers all aspects of the proposal as described in the RFP and proposal application.

Proposals are reviewed by City staff who first review each application for threshold information [completeness of application] and then for content. City staff review each application, ranking them using the city's application evaluation worksheet. Should a question arise during its review, the City reserves the right to contact the applicant for clarification. The results of those evaluations are then presented to the Mayor's Review Committee that renders the final decision on awards.

While a well-written proposal is no guarantee of funding, this is a highly competitive process where the completeness, conciseness, and responsiveness to the criteria described in the RFP is of the utmost importance.

City staff are available to assist potential applicants in completing this year's proposal application for HOME funds. Please call (401) 728-0500, Ext. 430.

Please contact the City of Pawtucket's Department of Planning and Redevelopment at (401) 728-0500, Ext. 430, should you have any questions concerning this process or the application, itself.

All completed proposal applications are due without exception on WEDNESDAY, FEBRUARY 21, at 12 p.m. There are no exceptions to this deadline.

Evaluation Criteria

Maximum Points Possible	100 Points
Quality of Program Design	25 Points
Proposed Accomplishments	25 Points
Capacity and Experience	25 Points
Financial Administration	25 Points

EVALUTAION FACTORS

Quality of Program Design – 25 Points

Points: _____

Does the proposed program/project comply with the overall regulations, goals and objectives of the HOME program?

Does the application include a demonstration of unmet need?

Is the application proposal consistent with the needs and priorities of the City of Pawtucket’s 2020-2024 Consolidated Plan?

Overall program merit including coordination with existing services (non-duplication) and evidence of community support?

Proposed Accomplishments – 25 Points

Points: _____

Are the program activities and goals clearly defined?

Are there meaningful outcomes and outputs for the proposed program activities?

Does the proposed program/project take into consideration the collaboration of resources with other public and/or private development efforts to be more effective and efficient?

Capacity and Experience – 25 Points

Points: _____

Does the organization have the experience and staff qualifications to meet their intended program goals? Does the organization have the financial capacity and internal controls to ensure its compliance with standard fiscal practices and to ensure its ongoing sustainability?

Has the organization demonstrated past experience in implementing and compiling with federal regulations?

Has the organization demonstrated an ability to deliver their services?

Financial Administration – 25 Points

Points: _____

Does the organization have the qualified staff to oversee financial operations?

Has the organization expend previous funding in a timely manner, and have previous funding allocations been expended within the program year?

Does the organization have any outstanding financial concerns or findings?