

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

**2008-2010 APPLICATION PACKAGE**

**GENERAL PROGRAM INFORMATION**



**SUBMISSION DEADLINE: MONDAY, JUNE 16, 2008**

**DIVISION OF HOUSING AND COMMUNITY DEVELOPMENT  
BUREAU OF COMMUNITY FINANCE**

**APRIL 2008**

# GENERAL PROGRAM INFORMATION

## TABLE OF CONTENTS

Purpose .....	1
Definitions.....	1
A. HOME Funds Available .....	4
B. HOME Eligible Applicants.....	5
C. HOME Eligible Activities .....	6
D. Other HOME Program Requirements .....	7
E. Rental Rehabilitation General Information.....	11
Housing Cost Reduction Initiative	
A. HCRI Funds Available .....	13
B. HCRI Eligible Applicants.....	13
C. HCRI Eligible Activities .....	14
Award Process .....	17

## GENERAL PROGRAM INFORMATION

### **PURPOSE**

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

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

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

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

### **DEFINITIONS:**

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

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

**American Dream Downpayment Initiative (ADDI):** ADDI is a new component of the HOME program designed to make downpayment assistance available for low-income families who are first-time homebuyers of single-family housing (first-time homebuyer for ADDI is an individual or his/her spouse who have not owned a home during the three-year period prior to the purchase of a home with ADDI funding). It is designed to operate within the existing HOME program. ADDI funds are included in the HOME funding allocation.

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

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

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

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

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

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

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

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

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

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

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

New Construction: The creation of new dwelling units on an undeveloped site.

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

Program Income/CHDO Proceeds: Gross income received by the grantee directly generated from the use of HOME funds or matching contributions.

Project-Related Soft Costs: These are costs directly related to carrying out a specific HOME activity. These costs may be charged as project/activity costs. They include: appraisals, construction inspections and oversight, homebuyer counseling, preparation of work specifications, risk assessments, relocation services. The total of project-related soft costs may not exceed 10% of the activity cost, with the exception of relocation services.

Reconstruction: This refers to rebuilding a structure on the same lot where housing is standing at the time of activity commitment. HOME funds may be used to build a new foundation or repair an existing

foundation, replace a substandard house with a new house. The activity is classified as rehabilitation for set-up.

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

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

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

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

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

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

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

### A. FUNDS AVAILABLE

DHCD is making available approximately \$11,161,000 in HOME program funding for the HOME Single-Family and Rental Rehab Program. The funds will be released to successful applicants in two phases:

- ◆ The initial funding will be available upon completion of all contract documents.
- ◆ The second phase funding will be available in fall 2009 conditioned upon substantial progress in phase one and HOME fund availability.

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

- ◆ homebuyer assistance,
- ◆ owner-occupied rehabilitation,
- ◆ rental rehabilitation.

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

Applicants applying for single-family housing funds must apply for funding to assist a minimum of 20 units over the 2-year performance period. Rental rehabilitation is limited to existing buildings with no more than 12 total units and 11 HOME-assisted units per activity.

The HOME Program rule requires a match of 25 percent of activity funding. Funds must be from non-federal sources and be a permanent contribution to the HOME activity.

The State of Wisconsin HOME funds are allocated among 7 geographic areas:

- Region 1: Funding Allocation: \$2,046,000  
Counties: Grant, Green, Iowa, Kenosha, Lafayette, Racine, Richland, Walworth;
- Region 2: Funding Allocation: \$1,674,000  
Counties: Adams, Columbia, Crawford, Dodge, Juneau, LaCrosse, Monroe, Sauk, Vernon;
- Region 3: Funding Allocation: \$1,518,000  
Counties: Barron, Buffalo, Chippewa, Dunn, Eau Claire, Jackson, Pepin, Pierce, Polk, St. Croix, Trempealeau;
- Region 4: Funding Allocation: \$1,228,000  
Counties: Ashland, Bayfield, Burnett, Clark, Douglas, Iron, Price, Rusk, Sawyer, Taylor, Washburn;
- Region 5: Funding Allocation: \$1,627,000  
Counties: Brown, Florence, Forest, Langlade, Marinette, Menominee, Oconto, Oneida, Shawano, Vilas;
- Region 6: Funding Allocation: \$1,627,000  
Counties: Lincoln, Marathon, Marquette, Outagamie, Portage, Waupaca, Waushara, Wood;
- Region 7: Funding Allocation: \$1,432,000  
Counties: Calumet, Door, Fond du Lac, Green Lake, Kewaunee, Manitowoc, Sheboygan, Winnebago.

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

## **B. ELIGIBLE APPLICANTS**

### **1. ELIGIBLE ORGANIZATIONS**

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

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

State HOME funds may not be provided to the following entities:

- ◆ HOME Participating Jurisdictions:
  - Cities of Eau Claire, Green Bay, LaCrosse, Madison, Milwaukee, and Racine;
  - Counties of Dane, Milwaukee, and Rock;
  - The Jefferson, Ozaukee, Washington, Waukesha County Consortium;
  - Any entity planning to develop projects or provide assistance in any HOME entitlement area.

An applicant/lead agency may submit only one 2008 HOME Program application per competition. An agency may collaborate on more than one application.

Wisconsin Department of Commerce does not make funding awards to individual households.

### **2. PRIOR RECIPIENT ELIGIBILITY**

To be eligible for the 2008-2010 HOME Program competition, an applicant with prior HOME Homebuyer (HBR), HOME Rehabilitation and Accessibility (HRA), HOME Single-Family (HSF) and/or HOME Homebuyer and Rehabilitation (HHR) awards must show evidence of project progress and/or completion. This evidence includes but is not limited to (as applicable):

- ◆ Applicants having HSF contracts from 2005 and earlier must have submitted all HSF closeout documents to the DHCD as required (final reports, project completion reports, etc.).
- ◆ Applicants having HHR contracts and amendments must have:
  - committed all Phase 1 program funds;
  - accomplished at least 75% of the goals contracted (units) for the quarter ending June 30, 2008.
  - ***Recipients who received Phase 1 funding only must have accomplished 75% of contract goals for the quarter ending June 30, 2008.***

Grantees having identified violations of the HOME Final Rule and/or related audit or monitoring findings from any Division of Housing and Community Development housing contracts must have them resolved to the Division's satisfaction prior to June 1, 2008.

## **C. ELIGIBLE ACTIVITIES**

### **1. HOMEBUYER:**

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

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

Eligible activities include:

a. Acquisition: There are two approaches to acquisition:

Eligible homebuyers can be helped to purchase affordable homes by providing down payment or closing cost assistance, or by reducing the monthly carrying costs of a loan from a private lender. Reducing the monthly carrying costs by providing gap financing reduces the size of the monthly payment by reducing the principal amount that the buyer must borrow.

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

Agencies may utilize HOME funding to purchase land as long as construction of single-family housing will be completed within the timeframe of the contract.

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

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

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

c. New Construction: The grantee may develop single-family housing itself or may work directly with developers to construct this housing. In areas where there is an insufficient supply of appropriate affordable housing the grantee may want to provide subsidies to stimulate construction of new housing. If the grantee provides a developer a subsidy, the developer can then offer the home at a lower sales price that presents a lower burden to low-income homebuyers. The development subsidy is generally a grant to the developer. If no additional down payment assistance is provided directly to the homebuyer a deed restriction will be required assuring the property remains affordable housing for the required affordability period.

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

### **2. OWNER-OCCUPIED REHABILITATION ACTIVITIES:**

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

- a. **Rehabilitation:** This includes the alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds. Rehabilitation may include adding rooms outside the existing walls of a structure if done to alleviate overcrowding.
  - i. **Refinancing:** HOME funds may be used to refinance existing debt on single-family, owner-occupied properties in connection with rehabilitation. The refinancing must be necessary to reduce the owner's overall housing costs and make the housing more affordable. Refinancing for the purpose of taking out equity is not permitted. Refinancing to prevent foreclosure is not an eligible HOME activity.
- b. **Reconstruction:** This refers to rebuilding a structure on the same lot where housing is standing at the time of project commitment.

**3. RENTAL REHABILITATION:**

HOME funds may be used to assist in the repair of existing rental housing, as follows:

- a. **Rehabilitation:** This includes the alteration, improvement or modification of an existing structure to correct health and safety violations, meet local building codes, and/or pass Housing Quality Standards.
- b. **Ineligible activities:** Acquisition, conversion of vacant space, gut rehab and new construction.
- c. **Maximum subsidy:** \$24,999 per unit (average of all assisted units for an activity)  
**Maximum activity size:** 12 unit building; 11 HOME-assisted units.

If a landlord or private owner is requesting HOME money, the grantee must deed restrict the property, the property shall be rented to households at or below 60% CMI for the duration of the affordability period, at the time assistance is provided. For properties with 5 or more units, 20% of the assisted units must be rented to households ≤ 50% CMI.

If the grantee or non-profit agency owns the property, there must be an internal agency agreement which explains that the property must be rented to LMI households for the duration of the affordability period.

**D. OTHER HOME PROGRAM REQUIREMENTS**

**1. AFFORDABILITY PERIODS:**

To ensure that HOME investments yield affordable housing over the long-term, HOME rules impose occupancy requirements on homebuyer and rental activities. The affordability period relates to the length of time during which a HOME-assisted unit must remain available for a low-income buyer or renter.

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

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

Grantees have two options for controlling the resale of the homebuyer property during the affordability period--the recapture option and the resale option. The recapture option is a mechanism to recapture all or a portion of the direct HOME subsidy to the buyer if s/he decides to sell the house *within the affordability period* at whatever price the market will bear. The resale

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

- b. **Rental Programs:** HOME-assisted rental units carry rent, occupancy, and lease restrictions for varying lengths of time, depending upon the average amount of HOME funds invested per unit. Privately-owned rental property must be deed restricted for the duration of the affordability period.

The minimum affordability period for rehabilitation of existing rental housing is based on the same average per-unit subsidy limits that are shown above.

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

## 2. ELIGIBLE PROPERTY TYPES:

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

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

For rental activities, eligible properties must contain ≤ 12 units total and must be existing rental property.

## 3. MAXIMUM PROPERTY VALUE:

The value of any homebuyer/homeowner-occupied unit may not exceed 95 percent of the median purchase price for that type of single-family housing for the area, as published by HUD. For acquisition only property (property not requiring rehab), the appraised value of the unit may not exceed 95 percent of the area median purchase price for that type of housing. For acquisition and rehabilitation the value of the property after rehabilitation may not exceed 95 percent of the area median purchase price for that type of housing. The after-rehabilitation value estimate should be completed prior to investment of HOME funds. Purchase price/value limits are found in the Attachments section of the application.

## 4. PROPERTY STANDARDS:

All HOME-assisted properties must meet certain standards:

- a. Acquisition only: If no rehabilitation or construction is planned, the housing unit(s) must meet all local housing quality standards and local codes, as well as passing a Housing Quality Standards (HQS) inspection.
- b. Rehabilitation and new construction: Housing that is being constructed or rehabilitated with HOME funds must meet all applicable State and/or local codes, rehabilitation standards and ordinances, and zoning ordinances. New construction must also meet the Model Energy Code. The Wisconsin Uniform Dwelling Code (UDC) includes the Model Energy Code so units constructed with State-

approved plans meet this requirement. DHCD encourages Energy Star® improvements and installations and other energy efficient improvements in housing.

- c. Manufactured housing: If HOME funds are used to install manufactured housing units, the units must comply with applicable state and local laws or codes. New units should be constructed according to Wisconsin code requirements. Units rehabbed with HOME funds must meet all applicable state and local codes, rehab standards and ordinances.

## 5. SUBSIDY LIMITS:

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

## 6. ADMINISTRATIVE/OPERATIONAL COSTS:

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

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

## 7. HOMEBUYER EDUCATION (Homebuyer activities only)

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

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

- ◆ Personal and financial advantages of homeownership; rent vs. buy;
- ◆ Basic terms of the real estate transaction, explanation of disclosures. E.g., Good Faith Estimate of Closing Costs, Truth-In-Lending Disclosure, HUD 1 Settlement Statement; Selecting a real estate broker, lender, attorney;
- ◆ Fair Housing Laws as they relate to borrower's rights to disclosure in a lending transaction;
- ◆ The purchase process; i.e., writing an offer, counter offers, inspection requirements, contingencies, closing documents;
- ◆ Insurance needs; e.g., homeowner's insurance, flood insurance, life insurance; Budget for future home maintenance;
- ◆ Review of payment affordability including PITI and how it may change annually; e.g., due to increased real estate taxes;
- ◆ Calculation of cash needed to purchase: application fees, inspection fees, insurance, cash to close costs, reserves;
- ◆ Explanation of private mortgage insurance.

## 8. MATCH AND LEVERAGE REQUIREMENTS

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

- ◆ Cash contributions including donations made by individuals (except for owners, developers, or prospective owners/developers of HOME activities) private entities, the grantee or other public entities for the express purpose of providing affordable housing, including:
  - State appropriations or general revenue (HCRI/HODAP funds),
  - Local general revenue,
  - Housing trust funds,
  - Foundation grants and private donations,
  - Housing finance agency (WHEDA) reserves that are not federal funds;
  - Program income from Housing Development Action Grant (HODAG) or Urban Development Action Grant (UDAG) after grant closeout,
  - Below-market interest rate loans from private lending institutions,
  - Grants and forgivable deferred payment loans from non-federal funds made by the grantee to the homebuyer,
  - Amortizing loans from non-federal funds made by the grantee to the homebuyer and the loan amount is repaid to the local HOME account rather than the grantee's general account.
  
- ◆ Foregone taxes, fees, and charges normally and customarily imposed or charged on all projects in the jurisdiction. For example, local property taxes, transfer taxes, state tax credits, permit fees, recordation fees and impact fees.
  
- ◆ Donated land or other real property contributed to a HOME activity. For example, a property owner sells property below its market value or a local bank sells a foreclosed property for an amount equal to back taxes owed. The value of the contribution is the appraised value of the donated land or other real property minus any debt burden, lien or other encumbrance; and minus any cost for acquisition.
  
- ◆ Infrastructure costs provided that the cost was not paid with federal resources and the grantee documents that the infrastructure is directly required for the activity. For example, streets, sidewalks, and streetlights located on or immediately adjacent to the activity site, and utility lines and connections serving the activity. Infrastructure that serves both HOME-assisted and non-assisted housing may be counted on a pro rata basis. The infrastructure investment must have been completed no earlier than 12 months before HOME funds were committed to a HOME-assisted activity.
  
- ◆ The value of donated site preparation and construction materials provided that the materials were not acquired with federal resources.
  
- ◆ The full value of donated site preparation and construction equipment. Documentation of this contribution must include a letter from the owner of the equipment acknowledging the donation of a certain number of hours of use and establishing the usual hourly or daily rate for rental of the equipment.
  
- ◆ The value of any donated or voluntary labor, including professional services. The current rate established for unskilled labor is \$10 per hour. The value of skilled labor or professional services is determined by the rate that the individual or entity performing the labor or service normally charges. Documentation of this contribution must include a letter from the individual or entity establishing the usual periodic rate or flat fee for the labor/services and stating the value of the labor/services provided.
  
- ◆ The value of sweat equity provided to the activity by the owner/buyer at the rate established by HUD for unskilled labor.
  
- ◆ The cost of supportive services provided to families residing in HOME-assisted units during the period of affordability. The supportive services must be necessary to facilitate independent living

or be required as part of a self-sufficiency program. Examples of eligible supportive services include: case management, mental health services, assistance with the tasks of daily living, substance abuse treatment and counseling, day care, and job training and counseling. The direct costs that may be counted are limited to salary costs directly attributable to the provision of the supportive services to residents of HOME units and the cost of materials directly related to the provision of these services. The actual cost of providing these services must be supported by invoices, time cards or similar documents. Overhead costs are not considered direct costs of the supportive services.

- ◆ Homebuyer counseling services provided to families that acquire properties with HOME funds. Ongoing counseling during the period of affordability as well as pre-purchase counseling is eligible. Only the value of services provided to families that complete the purchase with HOME assistance can be counted as match.
- ◆ Public benefits funding.

B. Sources of HOME leverage include:

- ◆ Homebuyer's funds for downpayment and closing costs.
- ◆ Lender first-mortgage financing.  
**Homebuyer programs must include lender first mortgage financing in other resources.**
- ◆ Other federal resources such as CDBG or SHOP.
- ◆ Department of Energy (DOE) Weatherization funds.

## **E. RENTAL REHABILITATION GENERAL INFORMATION**

The following provisions are unique to the rental rehabilitation program

### **1. INCOME ELIGIBILITY**

- a. Must rent to households at  $\leq 60\%$  CMI.
- b. If 5 or more HOME-assisted units, 20% must be rented to families  $\leq 50\%$  CMI.
- c. Mixed income properties are allowed (i.e. households above 60% CMI), but HOME assistance can be provided only to units rented to households with income  $\leq 60\%$  CMI.

### **2. ANNUAL RECERTIFICATION**

Owners of the rental property must recertify tenant income on an annual basis. Recertification is accomplished by obtaining a written statement from the family indicating family size and annual income. Income recertification must be verified with source documentation every 6 years.

### **3. INSPECTIONS**

HOME rental rehabilitation units must comply with HOME property standards. On-site inspections must be conducted during the period of affordability according to the total number of units in a project.

- ◆ 1-4 units = Inspection required every 3 years
- ◆ 5-11 units = Inspection required every 2 years

#### **4. ELIGIBLE PROPERTY TYPES**

- a. Existing properties up to 12 units; HOME assisting up to 11 units.
- b. Transitional or permanent housing.
- c. Group homes or SRO's (Single Room Occupancy).
- d. HOME rental rehabilitation activities may be one or more buildings on a single site, or multiple sites that are under common ownership, management and financing.

#### **5. INELIGIBLE PROPERTY TYPES**

- a. Properties previously financed with HOME during the affordability period.
- b. Public housing financed under the Housing Act of 1937.

#### **6. PROPERTY STANDARDS**

Owners must maintain properties in accordance with property standards throughout the affordability period. This will require periodic property inspections.

Rental programs must comply with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Section 504, Executive Order 11063 and HUD regulations to promote greater choice of housing opportunities.

#### **7. ELIGIBLE COSTS**

HOME funds may be used for project specific costs including:

- a. Hard costs: Construction of materials and labor
- b. Soft costs: Credit reports, appraisals, architectural/engineering fees, including plans and specifications

#### **8. ALLOCATING COSTS**

For projects with both HOME-assisted units and non-HOME-assisted units:

- a. The HOME assisted units must be designated prior to beginning the project. The designation remains in effect for the duration of the affordability period.
- b. The total cost of the project must be established and the total HOME-eligible cost subtracted. The HOME-eligible costs will be allocated across the HOME-assisted units. The property owner must provide proof that the balance of funds is available.
- c. If units are not comparable, the actual costs must be determined and allocated unit-by unit.
- d. The costs associated with common areas of the building must be prorated.

## HOUSING COST REDUCTION INITIATIVE (HCRI)

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

### A. FUNDS AVAILABLE

DHCD is making available approximately \$2.8 million in HCRI program funding for homebuyer and/or foreclosure prevention activities. The funds will be available for a two year contract period. There will not be another funding round in 2009.

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

- ◆ Homebuyer
- ◆ Foreclosure Prevention

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

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

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

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

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

### B. ELIGIBLE APPLICANTS

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

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

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

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

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

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

## C. PRIOR RECIPIENT ELIGIBILITY

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

- ◆ Applicants having 2006-2008 HCRI-Homebuyer contracts must have accomplished at least 75% of the goals contracted (units) for the quarter ending June 30, 2008.

Grantees having identified violations of HODAP or HCRI administrative rules and/or related audit or monitoring findings must have them resolved to the Division's satisfaction prior to July 1, 2008.

## D. ELIGIBLE ACTIVITIES

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

### HOMEBUYER

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

### FORECLOSURE PREVENTION

1. **One-time** assistance on behalf of an LMI homeowner to cover mortgage principal and interest, property taxes and/or insurance (PITI).
  - a. Homeowner must receive foreclosure counseling including budget/credit counseling. Counseling must be provided by counselors that have been trained through NeighborWorks® America. For a listing of counselors visit [www.wisconsinforeclosure.com](http://www.wisconsinforeclosure.com) and click on "Counseling Agencies."
  - b. Homeowner must have the ability to pay forward;
  - c. Homeowner must have a work-out plan/loan modification in place prior to payment of HCRI assistance.

## **E. OTHER HCRI REQUIREMENTS**

### **1. LEVERAGE**

Sources include, but are not limited to:

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

HCRI capacity building requires a 1:1 cash match.

### **2. ADMINISTRATIVE/OPERATIONAL COSTS**

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

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

### **3. CAPACITY BUILDING**

Applicants may also request a maximum of \$5,000 in Capacity Building funds. These funds are available to enhance an agency's ability to provide assistance to homebuyers/owners and it requires a 1:1 match. See the Application Instructions for more details.

## **APPLICATION PACKAGE**

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

### **GRANT AWARD PROCESS:**

Submit one original and one copy of the application. All applications received by the June 16, 2008 application deadline will be:

- ◆ Reviewed for completeness.
- ◆ Sorted by region based on the Service Area information provided in the Application Narrative section.
- ◆ Included in the pool of organizations invited to attend a regional funding meeting. Regional meetings of eligible applicants will be held in August to decide the final allocation of funds. This will be a negotiation between the applicants in each region and the HOME program manager.
- ◆ DHCD reserves the right to adjust the award amount from the amount requested in the application based on the following criteria:
  - Activity and amount of existing revolving loan fund.
  - Capacity to complete the proposed activities.
  - Geographic coverage of activities.
  - Funding availability and other housing grants currently available in the service area.
  - Performance and progress in any and all other DHCD programs.
  - Financial audit results from any and all other DHCD programs.

The information requested in this application package must be submitted in order to be eligible for funding in 2008. All application materials must be post-marked or hand-delivered by **Monday, June 16, 2008**.

Please submit the application to:

Betty Kalscheur, Program Manager  
HOME Single-Family & Rental Rehab Housing Program  
Division of Housing and Community Development  
201 W. Washington Avenue, 5<sup>th</sup> Floor (53703)  
P. O. Box 7970  
Madison, Wisconsin 53707-7970  
(608) 267-6904