

## 2020 HOME/CHDO Rental Development

---

December 5, 2019

The 2020 HOME Rental Development funding applications is now available to qualified applicants. Approximately \$2 Million in HOME funding is available for new construction, acquisition and/or rehabilitation of affordable rental housing.

**THE INFORMATION IN THIS DOCUMENT MAY BE SUBJECT TO CHANGE OR REVISION.**

**TO OBTAIN AN APPLICATION, PLEASE VISIT OUR WEBSITE OR CONTACT TYRA HANSEN VIA EMAIL:**

[THansen@kshousingcorp.org](mailto:THansen@kshousingcorp.org)

<https://kshousingcorp.org/public-notice/>

**COMPLETED APPLICATIONS MUST BE DELIVERED TO BARRY MCMURPHY, RENTAL HOUSING MANAGER, NO LATER THAN 4:30 PM ON FRIDAY, FEBRUARY 7, 2020. ONE ORIGINAL APPLICATION FORM IS REQUIRED IN HARD COPY, WITH AN ELECTRONIC COPY OF THE APPLICATION TO [bmcmurphy@kshousingcorp.org](mailto:bmcmurphy@kshousingcorp.org). ATTACHMENTS SHOULD BE PROVIDED IN ELECTRONIC FORMAT..**

**Please note:** It is critical that applicants understand the requirements and restrictions of HUD's HOME Investment Partnership (HOME) Program at 24 CFR Part 92. The HOME Final Rule and other guidance can be found on the HUD Exchange website: <https://www.hudexchange.info/>. KHRC will attempt to answer any questions and provide resources to help you understand the programs. We cannot, however, assume responsibility for any lack of knowledge or diligence on the part of the applicant.

**Eligible Activities:** HOME Rental Development funds can be used to acquire and/or rehabilitate existing housing or to construct new housing (including acquisition of land for that purpose), for use as affordable rental housing. Rental housing assisted with HOME funds is subject to affordability restrictions for up to 20 years.

**Eligible Applicants:**

*Community Housing Development Organizations (CHDOs)*, certified or eligible to be certified by Kansas Housing Resources Corporation as meeting threshold requirements at 24 CFR 92.2, and having the organizational capacity to carry out the activities proposed in this application.

**Note:** All applicants and principal participants ( developers, managing member of general partner of the owner, etc. ) must be registered in the System for Award Management ([www.sam.gov](http://www.sam.gov)) and provide a DUNS number to determine whether any parties are debarred from receiving federal funds.

**Limit of Assistance:** The maximum HOME request is \$500,000. The applicant must demonstrate the need for the HOME funds to make the project viable and/or to make the project more affordable to low income households.

An award of funds, if offered, may be at an amount different from that requested in the application, if KHRC's evaluation determines that a smaller or greater amount is needed to make the project viable, and based on total available funds. In the case of projects which will combine HTF and HOME funds, KHRC will determine the actual mix of funding offered.

**CHDO Set-Aside:** A minimum of 15% of KHRC's annual HOME allocation is the statutory 'CHDO Set-Aside' and can be awarded *only* to Community Housing Development Organizations that are certified by KHRC to meet the CHDO capacity requirements in the role of Owner, Developer or Sponsor (24 CFR 92.300). KHRC anticipates awarding 30-35% of its allocation to rental developments, with a priority to projects that are eligible for CHDO Set-Aside funds.

**HOME Non-Set-Aside:** KHRC may consider applications for LIHTC/HOME projects in which an organization is otherwise qualified as a CHDO but lacks capacity to manage the proposed activity. In such cases, the CHDO will partner with a more experienced developer. A development funded in this way must be clearly structured to help the CHDO build its capacity for future activities. The CHDO will not be eligible to receive a *CHDO Operating Grant*.

**HOME in LIHTC Partnerships:** To qualify for 'CHDO Set-Aside' funds for a project owned in partnership (i.e., LIHTC projects), the CHDO, as Sponsor, must be the *sole general partner* or *sole managing member* of an LP or LLC; and cannot be removed from the partnership except for cause. The CHDO must have effective control of the development process.

**CHDO Operating Funds:** CHDO Operating grants are available to organizations that receive an award of CHDO Set-Aside funding. CHDO Operating Grants will be a maximum of \$25,000.

**Leveraging:** KHRC encourages leveraging of HOME with other funds. Except as described in the paragraph below, applications will receive priority if HOME funds are used as gap financing, rather than the primary source of funds.

Applications for projects where HOME is the primary source of funds will be considered for a) projects in small communities where larger projects are not marketable, b) targeted projects with preferences and/or services for homeless households or other special needs populations, c) small, innovative projects where it can be clearly demonstrated that a smaller scale is critical to the project or d) small projects that will help a CHDO build capacity.

Applications will rank higher if other non-HOME resources are leveraged.

**Application Format:** Applications must be complete and submitted in hard copy on the current form with all supporting documents. An electronic copy of the application must be submitted to [bcmurphy@kshousingcorp.org](mailto:bcmurphy@kshousingcorp.org). Applicants are encouraged, but not required, to submit supporting documents and attachments electronically rather than in hard copy.

**Multiple Applications:** Developers may submit more than one application each cycle. The scoring criteria are discussed in the Application Guidelines.

**Relocation:** Property being acquired for development is subject to the Uniform Relocation Act and related statutes. If property will be acquired through purchase or donation, you must provide the appropriate notices to the current property owners and to any occupants. Existing tenants or occupants must be notified of the intention to redevelop the property, and of their potential eligibility for relocation assistance *prior to submission of the application* (documentation of this is required). Action is

required by the applicant as soon as a decision is made to seek federal funds for the project. Applicants should contact KHRC or HUD for additional guidance. **Failure to provide required notices to owners or tenants prior to the application date, or to otherwise comply with the URA and related statutes will disqualify the project from eligibility for HOME funds, including any uncorrectable compliance failure after the project has begun.**

**HOME Statute:** The requirements at **24 CFR Part 92 (HOME)** must be followed for all projects. **It is the applicant's responsibility to understand and comply with HOME program requirements, and with related statutes and requirements. KHRC staff are available for questions and to discuss the requirements, but KHRC is not liable for lack of diligence on the part of the applicant.**

**Environmental Review:** HUD requirements for Environmental Review (ER) at **24 CFR Part 58** must be followed for all **HOME** projects. Upon submission of the application, no "choice limiting action" may be taken until the review process is completed and you have received written notice from KHRC that the Environmental Review process is complete and approved. *Choice limiting actions* include, but are not limited to acquisition, construction, disturbance of the site (including demolition) or entering into any contract related to those activities. **Failure to comply with statutory Environmental Review requirements, including undertaking any *choice limiting action* prior to the AUGF from HUD will cause the project to become ineligible to receive the funds.**

The applicant should obtain as much information as possible related to potential environmental concerns, using HUD's Environmental Assessment checklist as a guide. Doing so will ensure that you are thinking about this critical part of the process early on and help you and us to identify issues to be addressed. Be aware that if there are environmental concerns that cannot be reasonably mitigated, the project may not be eligible for federal funds. Examples could include part of the property being in a floodplain or wetland, close to an airport runway, close to a hazardous facility, in a location with excessive noise from highways, railways, etc.,

If you have questions or need additional information, please contact Barry McMurphy at (785) 217-2024 or by email at [bmcmurphy@kshousingcorp.org](mailto:bmcmurphy@kshousingcorp.org)

## HOME Rental Development 2020 Application Guidelines

### Application Process

Request for Application Open  
December 5, 2020

### Submittal Requirements

One complete original application must be received by the Kansas Housing Resources Corporation before **4:30 p.m. on Friday, February 7, 2020**. An acknowledgment will be provided upon request. Applications submitted via mail or other delivery system should be sent using that company's return receipt process, as this will be your notice that the application has been received. Please note below that a copy of the application form in electronic format is also required.

Submit the completed application form *only* in hard copy to:

Tyra Hansen  
Kansas Housing Resources Corporation 611  
Kansas Avenue, Suite 300  
Topeka, Kansas 66603-3803

Submit an electronic copy of the *application and attachments* to [bmcmurphy@kshousingcorp.org](mailto:bmcmurphy@kshousingcorp.org).

### Standard Application Forms

Applications must be submitted on standard forms. A complete set of required attachments must be submitted, preferably electronically. *Please email or otherwise provide an electronic copy of the application in Word, Excel or pdf to [bmcmurphy@kshousingcorp.org](mailto:bmcmurphy@kshousingcorp.org)*. If you are also submitting an application for Low Income Housing Tax Credits or intend to use other federal or non-federal funding sources, the information in the HOME application must be consistent with those applications.

**Although some information may be duplicated in a concurrent LIHTC application, the HOME application must be complete in itself.**

Verify your budget assumptions before submitting the application. KHRC will not be responsible for any errors or cost increases that may be discovered after the application is received. If an application is approved, KHRC assumes that the applicant has verified costs and expense projections and cannot guarantee additional funds will be available if those assumptions prove incorrect.

KHRC will charge an annual monitoring fee on HOME or HTF rental projects. The monitoring fee is \$40 per HOME assisted unit per year and may be increased periodically to cover monitoring costs (not to exceed 5% annually). The project's operating budget must reflect this cost.

### Project Selection

A formal system will be used to evaluate, select and fund applications for loans. The selection criteria are designed to facilitate an objective assessment of the housing needs of the area and the applicant's ability to provide an effective and timely response.

### Threshold Requirements

For HOME applications, the applicant must be a CHDO in good standing in the State of Kansas, certified

by KHRC, with the capacity to complete the proposed development and to ensure compliance with the requirements of the HOME Final Rule at 24 CFR Part 92 for the duration of the affordability period. If the project is to be owned in partnership and is requesting 'CHDO Set-Aside' funds, the CHDO must be the Sole General Partner or Sole Managing Member of that entity and cannot be removed except for cause.

The applicant and principal participants must be registered in the System for Award Management at [www.sam.gov](http://www.sam.gov), and provide a DUNS number.

The application must be received by KHRC prior to the deadline. The application must be complete and signed by the person authorized to do such business on behalf of the applicant entity. All required attachments must be included. Items submitted after the deadline may, at the sole discretion of KHRC, be rejected.

The proposed development must be for a qualified rental development that meets the requirements of the HOME and/or HTF program as contained in those regulations.

The proposed development must be consistent with the housing priorities identified in the Kansas Consolidated Plan and current Action Plan.

An assessment of the local market must support the need for the proposed new housing with the income, rent and other targeting specified in the application. A formal market study is required for projects using Low Income Housing Tax Credits.

An underwriting review must determine that HOME funds are necessary for the long-term viability of the property.

The development is ready to proceed as documented by evidence of site control zoning, and utility availability

Commitment letters for all sources of financing;

Evidence of compliance with the notification provisions of the Uniform Relocation Act and related laws.

The selection criteria and point system that are used in ranking applications are outlined below. In some instances, an application may receive priority over another application with a higher points score, based on listed non-point criteria.

**NOTE:** For the purpose of comparison, data from the U.S. Census Bureau's 'American FactFinder' website will be used for determination of housing vacancies and costs, poverty rates, etc. Small, rural communities with limited data may require review at the county level.

**2020 HOME Rental Development Selection Criteria Maximum – 370 Points**

<b><u>Project Location and Housing Needs (up to 100 points)</u></b>	<b><u>Maximum Points</u></b>
1. The property location will help create or support a mixed income community or neighborhood (e.g., inclusion of market rate units, infill or rehab in existing mixed-income neighborhoods or areas of higher economic opportunity).	15 points
2. Project location is in a community (or rural county) with aging housing stock (greater than 75% of housing stock built prior to 1980).	10 points
3. A development is located in a city or county with more than 20% of all people living below the poverty line.	20 points
4. A property is located in a community with a total housing vacancy rate less than 10%. (2010 U.S. Census) *	10 points
5. A property is located in a community with more than 30% of households paying over 35% of household income for rent plus utilities (Gross Rent as Percentage of Household Income, 2010 U.S. Census) *	20 points
6. A property is <i>not</i> located in a HOME Participating Jurisdiction (Topeka, Lawrence, Wichita, Johnson County, KCK/Wyandotte).	10 points
7. Site locations will be further evaluated for community support, neighborhood consistency, site usability, accessibility and marketability.	Up to 15 pts.

**Development Characteristics (up to 100 points)**

**Maximum Points**

- |  |                 |
|--|-----------------|
| 1. Development leverages other funding sources to reduce the amount of HOME funds required. Points prorated for HOME funds as percentage of total HOME-eligible costs.<br>5 points if HOME is 31-40%<br>10 points if HOME is 21-30%<br>15 points if HOME is 11-20%<br>20 points if HOME is 10% or less | Up to 20 points |
| 2. Development exceeds minimum (IECC 2009) requirements for energy conservation. Project will have all units certified to Energy Star 3.0, IECC 2012, LEED or equivalent standards for energy, water and resource conservation.  | 10 points       |
| 3. Project location within ½ mile of essential services, public transportation, and medical and social services.   | 15 points       |
| 4. Project provides safe rooms or storm shelters (FEMA P-320), either in individual units or a community shelter. 5 points for basement or reinforced shelter areas that do not meet FEMA design specifications.   | 10 points       |
| 5. All non-market units in the project have gross rents (rent + UA) that are at least 10% below FMR.   | 10 points       |
| 6. Property will have project based rental assistance contract (points pro-rated if not all units are assisted).   | 15 points       |
| 7. Project exceeds the required number of Section 504 accessible units. 5 points per additional unit.  | 20 points       |

**Applicant/Sponsor Characteristics (up to 60 Points)**

**Maximum Points**

- 1. Applicant has completed one or more recent affordable housing development in Kansas with comparable size and complexity (past 4 years). 20 points
- 2. Applicant CHDO has successfully developed rental housing projects with multiple funding sources (LIHTC, AHP, HOME/HTF, RD, etc.). 20 points
- 3. At the time of application, applicant has uncompleted developments funded with KHRC resources (LIHTC, HOME, MIH or HTC) that were awarded 2 years or more prior to the current application date. (-20 Points)
- 4. Applicant CHDO owns and manages a portfolio of affordable rental housing units. 5 points for up to 10 units. 10 points for 11-30 units. 15 points for 31-50 units. 20 points for more than 50 units. Up to 20 points

**Tenant Population Characteristics (up to 110 points)**

**Maximum Points**

- 1. Development is targeted to seniors and/or disabled. 15 points
- 2. Development is designed to serve the lowest income tenants by providing: Up to 35 points

% of Units	Median Income					P O I N T S
	50%	45%	40%	35%	30%	
10-12	2	3	5	6	7	
13-14	4	6	10	12	14	
15-16	6	9	15	18	21	
17-18	8	12	20	24	28	
19-20	10	15	25	30	35	

- 3. Any family development that serves households with children in a community (or rural county) with >20% of families with children being below the poverty line. (2010 U.S Census).\* 20 points

4. Development provides permanent or transitional housing unit(s) for homeless families or individuals, victims of domestic abuse, or persons individuals discharging from an institution. 5 points for each unit, up to 20 points. (Approved program structure required). Up to 20 points

5. Development creates permanent supportive housing that helps integrate persons with disabilities into a broader community (addressing accessibility, safety, transportation, availability of services, etc.). 10-25% of total units have a preference for households with a disabled member and an MOU or other evidence of commitment for supportive services. 20 points

#### **Non-Point Criteria**

Applications will be further evaluated for the following criteria. Applications may be accepted in part or rejected solely on the following criteria:

- Proposals in local HOME Participating Jurisdictions (Topeka, Wichita, Lawrence, Johnson County and Wyandotte County) will be evaluated for local support and participation.
- Sufficient development team experience relative to the proposed development: The CHDO must have staff with housing development experience sufficient to oversee the development process.
- Substantial involvement of women or minorities in the development team including MBE/WBE entities as architects, contractors or other significant outside participants.
- Other developer considerations that could adversely affect development viability.
- The reasonableness of total development cost as based on final cost data.
- Commitment of other sources of funding.
- Input from local government.
- Comments, support or objections from neighborhood groups and organizations.
- Substantial changes of market, financing or other conditions
- Site considerations based on the suitability of its intended use and occupancy, including but not limited to uncorrectable environmental conditions, neighborhood economics, proximity to other resources, and excessive site development requirements.
- Considerations related to equitable distribution of HOME funds across the state.
- An evaluation of the 'track record' of the CHDO and its partners with regard to such things as timely project completion, compliance with Federal and State requirements, accurate assessment of market conditions and financial projections, etc.
- Repeated or unresolved issues related to HOME. HTF or LIHTC compliance monitoring.
- Innovative project design

**Underwriting and Subsidy Layering**

KHRC will review applications by considering the financing sources, development costs, and operating pro forma to ensure that only the amount of HTF or HOME funds necessary for development feasibility and long-term viability is allocated.

In its review, KHRC will assess the comparability and reasonableness of the development cost budget and the proposed property operating pro forma. Proposed debt service will be reviewed to determine if it can be supported by the proposed income. Development costs will be compared to industry cost standards, average costs of competing developments, property amenities, the number and kind of units, property quality and other information which may be necessary for development evaluation. Developers are not penalized for providing extra amenities or quality construction. KHRC may request substantiation of development costs.

The HOME funds allocated to a development will be determined by subtracting the loans, grants and equity from the proposal’s total development cost. Determination of the HOME allocation is not to be construed as a representation or warranty as to the feasibility or viability of the development or its ongoing capacity for success.

**Fee Guidelines**

Fee Percentages	50 + Units	25 – 49 Units	1 – 24 Units
Developer:	10%	15%	15%
Contractor:			
Profit	6%	7%	8%
Overhead	2%	2%	2%
General Req.	6%	6%	8%
Architect:			
Design	3%	4%	5%
Supervision	1%	1.5%	2%

Developer fees and consultant fees are a percentage of eligible costs. Contractor fees and architect fees are a percentage of new construction or rehabilitation costs. A declaration of subcontractors or suppliers for which there is an identity of interest through joint ownership with the developer must be declared at the application stage and disclosed at completion. As a result, developer profit and the amount of HOME funds could be adjusted.

Identity of interest refers to situations where the same entities or persons control or own the services provided by one or more of the above performers. Architect design fees may be reduced further when the same design has been used in previous developments. Contractors are required to sell materials at reasonable market cost when they own or control the supply company.

### **Environmental Review**

All developments utilizing HOME funds are required to assess the environmental effects of that activity in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and HUD's regulations at 24 CFR part 58

Once the application for funding is submitted to the KHRC, owner/developers **may not** take any choice-limiting actions, including acquisition, demolition, moving of structures, rehabilitation, conversion, leasing, repairing or construction, or contract for or commit or spend Federal or non-Federal funds for any of those activities, until the environmental review process has been completed and the use of funds has been authorized by HUD or KHRC. These actions could have an adverse environmental impact or limit the choice of reasonable alternatives, thus disqualifying the entire development. The only activities that may occur are those that are exempt from the requirements, including completion of the Environmental Review itself, purchase of a real estate option and payment of relocation expenses (if required). KHRC should be consulted before any activity takes place to ensure that it is an eligible exempt activity.

### **Relocation**

If the project involves acquisition of land or acquisition or demolition of occupied buildings, there are certain requirements in Federal law regarding notification of owner, tenants or occupants of their rights under the law. The applicable statutes are the Uniform Relocation Act, Section 104(d) of the Housing and Community Development Act, and related statutes and regulations. Notification must be provided to owners and occupants, in the correct form, on or before the time of submission of the application for HOME funds.

### **Energy Efficiency**

New construction developments must meet, at a minimum, the requirements of the 2009 International Energy Conservation Code (IECC). Developers are strongly encouraged to exceed these minimum requirements. Prior to the start of construction, the plans of each new development must be reviewed and approved by a certified home energy rater to verify that the planned construction as per design and specification will meet or exceed that standard, as well as the energy efficiency section of KHRC's Architectural Standards and any state or local requirements.

### **Market Studies**

Market studies are required for developments using LIHTC, and strongly recommended for all developments. A market analyst, unaffiliated with the developer, the development or the city where the development is located, who has experience with multifamily rental housing, must

prepare the study. All income levels targeted in the application must be addressed in the study. The market study must include information in the following format:

- An Executive Summary of no more than one page that highlights the significant findings of the study, including the calculated capture rate and estimated absorption period. A table of contents must be provided with page references to the key topics outlined below.
- A description of the proposed development that identifies the targeted population, the number and size of both HOME and market rate units, the proposed rents and utility allowances, the amenities and other relevant information.
- A description of the proposed site, the surrounding land, and the neighborhood. Photographs of the site and neighborhood, and a map clearly identifying the location of the development and its distance to jobs, shopping centers, medical services, places of worship, schools, day care, libraries, senior centers, recreational facilities, and transportation linkages must be provided.
- Definition and location of the primary and secondary market areas must be reasonably drawn, delineated on a map, and justified by an adequate explanation that is supported by the demographics and economics of the area.
- Economic analysis of the market area. Emphasis should be placed on recent and projected job growth and development, level of wages and salaries being paid, the historical and current unemployment rate, and the commuting patterns of workers.
- Analysis of household numbers, sizes and types in the market area, including a breakout of family, elderly, and persons with disabilities households, along with owner occupied and renter occupied households.
- Specification of the number of income eligible households who can afford to pay the rent proposed by the development in question. Eligible households should be identified according to the income stratifications shown on the most recent KHRC income and rent qualification chart. An affordability factor of 30% should be used in all analysis.
- A description of rent levels, operating expenses, turnover rates and vacancy rates of comparable properties in the market area.
- Expected market absorption of the proposed development, including capture rate, lease up period, and the effect on other comparable properties in the market area.
- Communication with KHRC to discuss appropriate market areas, comparable properties, and competing properties in the development and construction stage is required. Inquiries should be directed to the Director of Rental Housing.
- A certification from the market analyst indicating the methodology, objectives and data sources for the study as well as the qualifications, assignments and accomplishments of the analyst.

## Matching Funds

### Eligible forms of match (24 CFR 92.220(a))

Matching contributions equal to 25% of the HOME allocation must be made from non-federal resources and may be in the form of one or more of the following:

- Cash contributions from non-federal sources as described at 24 CFR 92.220(a)(1).
- Forbearance of fees as described at 24 CFR 92.220(a)(2).
- Donated Real Property as described at 24 CFR 92.220(a)(3).
- The cost, of on-site and off-site infrastructure that the participating jurisdiction documents, not paid with federal resources, as described at 24 CFR 92.220(a)(4).
- Proceeds from multifamily and single family affordable housing project bond financing as described at 24 CFR (a)(5).
- The reasonable value of donated site preparation and construction materials, not acquired with federal funding as described at 24 CFR 92.220(a)(6).
- The reasonable rental value of the donated use of site preparation or construction equipment. (24 CFR 92.220(a)(7).
- The value of donated, voluntary labor or professional services as described t 24 CFR 92.220(a)(8).
- The value of sweat equity (see § 92.354(c)) provided to a homeownership project as described at 24 CFR 92.220(a)(9).
- The direct cost of supportive services provided to families residing in HOME-assisted units as described at 24 CFR 92.220(a)(10).
- The direct cost of home buyer counseling services provided to families that acquire properties with HOME funds as described at 24 CFR 92.220(a)(11).

### Ineligible forms of match (24 CFR 92.220(b))

The following are examples that do not meet the requirements of paragraph (a) of this section and do not count toward meeting a participating jurisdiction's matching contribution requirement:

- Contributions made with or derived from federal resources or funds, regardless of when the federal resources or funds were received or expended. CDBG funds (defined in 24 CFR 570.3) are federal funds for this purpose;
- The interest rate subsidy attributable to the federal tax exemption on financing or the value attributable to federal tax credits;
- Owner equity or investment in a project (including donation of land from a member entity); and
- Cash or other forms of contributions from applicants for or recipients of HOME assistance or contracts, or investors who now, are working on, or are proposing to apply for assistance for HOME-assisted project, with exceptions as described at 24 CFR 92.220(b)(4).