

3. HOME and ADDI Narratives and Proposed Projects



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3.1 What Does This Section Contain?

The *2005 Action Plan* provides specialized information about the Municipality's HOME funds.

What Does This Mean to Me?

This section answers the following questions:

- What is the Federal Investment Criteria?
- What types of projects can HOME fund?
- What are the HOME funding sources for the 2005 Program Year?
- What projects are proposed by the Municipality to be HOME funded?

3.2 Introduction

The Municipality of Anchorage is a Participating Jurisdiction (PJ) for HUD's HOME Investment Partnerships (HOME) program. As such, the Municipality receives HOME entitlement funds annually that it may use to promote affordable housing for low-income households. HOME is a flexible program which allows the local jurisdiction to design affordable housing activities that best meet its needs. Eligible activities include homebuyer and homeowner rehabilitation activities, rental housing gap financing, tenant based rental assistance, and operating subsidies for certified Community Housing Development Organizations (CHDOs).

3.3 Federal Investment Criteria

Federal regulations require the Community Development Division to apply the following criteria to HOME funds:

- Recipients must be at or below 80 percent of area median income adjusted for household size.
- Up to 10 percent of the grant can be spent on administration and planning. This does not include 10% of recaptured funds.
- At least 15 percent must be set aside annually for eligible Community Housing Development Organizations (CHDOs).
- Up to 5 percent may be used for operating expenses for CHDOs that own, develop or sponsor HOME-assisted housing.

What is a Community Housing Development Organization (CHDO)? A CHDO (pronounced cho'do) is a private nonprofit, community-based service organization whose primary purpose is to provide and develop decent, affordable housing for the community it serves. CHDOs certified by the Community Development Division must meet certain HOME Program requirements and are therefore eligible for the HOME CHDO set-aside funding. The Community Development Division of the Municipality of Anchorage is charged with certifying CHDOs within the Municipality of Anchorage. The HOME Program definition of a CHDO is found at 24 CFR Part 92.2.

3.4 Eligible Uses of HOME Funds

A variety of affordable housing activities are eligible under the HOME program:

1. Administration and Planning.
2. Housing acquisition.
3. New housing construction.
4. Housing rehabilitation.
 - Demolition and clearance.
 - Utility connections.
 - Site improvements.
5. Tenant relocation.
6. Tenant Based Rental Assistance.
7. Operating Expense Assistance for Community Housing Development Organizations (CHDOs).
8. Pre-development Loans for Community Housing Development Organizations.
9. Affirmative marketing and minority outreach.

3.5 Eligible Uses of CHDO Funds

A subset of HOME funds is set-aside for CHDOs. An only activity where the CHDO owns, sponsors or develops affordable housing is eligible for funding by the CHDO set-aside. Such activities include:

1. Acquisition and/or rehabilitation of rental housing.
2. New construction of rental housing.
3. Acquisition and/or rehabilitation/new construction of properties to be sold by the CHDO to eligible homebuyers.
4. Direct financial assistance to purchasers of HOME-assisted housing, but only if such housing is sponsored or developed by a CHDO with HOME funds.

3.6 Affordability Periods

The HOME Program sets affordability periods for projects entailing the new construction or acquisition of housing with or without rehabilitation that require the HOME-assisted housing to meet the affordability requirements of 24CFR92.254 for not less than the applicable period specified in Table 3-1, beginning after project completion. These periods are based on the amount of HOME funds provided for the property.

Table 3-1. HOME Minimum Affordability Periods

| HOME Funds Provided | Affordability Period |
|----------------------------|-----------------------------|
| Less than \$15,000 | 5 Years |
| \$15,000- \$40,000 | 10 Years |
| More than \$40,000 | 15 Years |

3.7 Resale/Recapture Guidelines

If a homeownership project ceases to comply with the affordability requirements during the affordability periods described above, the Municipality shall implement the following guidelines for recapturing all or a portion of the HOME funds used, recapturing the property itself, or requiring the property be sold to a low-income household.

3.7.1 Resale

In projects where HOME funds are used for acquisition and/or rehabilitation and no loan subsidy is given, a Resale provision will be utilized in the form of a second mortgage using a Promissory Note and Deed of Trust (DOT), or written directly into the DOT. The minimum terms of affordability are defined by regulation and guide the terms of the second-mortgage loans. The housing must remain the principal residence of the family for the duration of the period of affordability. A detailed description of default and actions under default reside in the Deed of Trust.

In the event the “Borrower” intends to sell the property during the affordability period, the housing must be available exclusively to families qualifying as low-income as stipulated in the applicable program’s policies and the new owner must use the property as their principal residence as defined in the Deed of Trust.

The resale price shall provide the original HOME-assisted homeowner a fair return on investment to include the homeowner’s investment and any capital improvements. The price shall also remain affordable to a reasonable range of low-income homebuyers. These resale-price assurances are delineated and guaranteed as provisions in the Deed of Trust as applicable.

3.7.2 Recapture

When down payment assistance or other loan assistance is provided, coupled or not with a developer subsidy or purchase price reduction, the Deed of Trust and Promissory Note will document restrictions needed to comply with HUD 24 CFR 92.254 (a)(5)(ii). The Deed default

provisions may include (but are not limited to) payment schedules, superior encumbrances, occupancy requirements, use of property, materially false information and/or material, and compliance with federal regulations and program policies.

The housing must continue to be the Borrower's principal residence throughout the applicable affordability period. Loan balances at the time of a default according to the Deed of Trust and Note shall be recaptured, including amortized loans and loans with other types of payment requirements.

In the event of recapture, the amount recaptured will be determined by either the "Loan Balance Recapture" method, or the "Shared Net Proceeds" method. The Action Plan must specify which of these methods will be used by each HOME-funded program, see program descriptions for this specification. The "Loan Balance Recapture" method requires the borrower to repay the balance of the loan at the time of default or property sale (unless net proceeds of the sale are insufficient to pay the entire loan balance). Typically, a portion of these loans are forgiven over the affordability period (see program descriptions for details). The "Shared Net Proceeds" method determines the amount to be recaptured by the HOME program according to the formula stated in 24 CFR 92.245(a)(5)(ii)(A)(3), or homeowners may be allowed to recover their investment first, depending on the parameters of the program. In no case, in either method used, shall the amount recaptured exceed the net proceeds of a sale, whether the sale be due to foreclosure or a voluntary sale for fair market price. The net proceeds are the sales price minus superior loan repayment (other than HOME funds) and any closing costs.

When HOME funds are used to assist homebuyers acquiring single-family housing containing one or more units, the recapture provisions apply as above to both the unit used as the homebuyer's primary residence and the assisted rental units. For the rental units, the affordability requirements of 24 CFR 92.252 will apply, except that the Municipality may terminate the affordability period upon the recapture of the HOME funds.

3.8 Match

The HOME Program regulations require a 25% match to HOME funds drawn down from the treasury on eligible projects (not administrative or operating expense assistance funds). The Municipality carries on its books over \$2 million in restricted match-credit from affordable housing bonds proceeds. However, housing bond proceeds may only be used for up to 25% of a PJ's annual match-obligation. During 2005, additional match is expected to come from a variety of sources:

- Rental Rehabilitation Loan Recoveries. One rental rehabilitation loan remains outstanding. Should these funds be recovered, they will be utilized in the AnCHOR program and count towards HOME match.
- The Affordable Homeownership Program administered by Habitat for Humanity Alaska will continue to provide HOME match in the form of volunteer labor and materials for the construction of new homes for low-income households.

- The Homeowner Rehabilitation Program, administered by Na Qenq'a Community Development Financing, Inc. (a non-profit subsidiary of Cook Inlet Housing Authority), will provide a cash match of 25 percent of all HOME funds utilized.
- The Housing Acquisition and Rehabilitation Program (HARP) will provide a 25% match of HOME funds expended on a per-project basis. Furthermore, when the CHDO proceeds of the HARP projects have been reinvested into new HARP projects, the funds will have lost their federal status. The reinvestment in HARP projects of the proceeds of CHDO proceeds will also constitute match.
- Housing Production funds, offered in conjunction with Alaska Housing Finance Corporation in the Fall of 2005, are expected to generate HOME match during 2005. Match goals through this program are 100% for all entitlement HOME dollars, and 25% match for all CHDO HOME dollars.
- The AnCHOR Program contains two match sources. First, AnCHOR loans that are combined with AHFC's interest-rate reduction programs will be matched with affordable housing bond proceeds. Second, for the first time, the Alaska Mental Health Trust Authority (AMHTA) has pledged \$50,000 to augment AnCHOR loans to mental health trust beneficiaries. This program is expected to be implemented during the Fall of 2005. Additional funds may be available during the 2006 state fiscal year, beginning in July of 2005.
- Additional sources may be identified through the course of the year. All sources will be reported in the 2005 Annual Performance Report.

3.9 Affirmative Marketing

HOME Program regulations at 24 CFR 92.351 require participating jurisdictions in HOME to adopt affirmative marketing procedures and requirements for all HOME-assisted housing containing five or more units. CDD will extend this requirement to all rental units assisted with HOME funds, not just those with five or more units. These participants will be required, at a minimum to do the following:

- The Equal Housing Opportunity logo or slogan will be used with correspondence, notices and advertising related to HOME-assisted housing development.
- Owners will be required to use affirmative fair housing marketing practices in soliciting renters or buyers, determining their eligibility, and conducting all transactions.
- Owners will be required to demonstrate good-faith effort to solicit those eligible persons who are not likely to apply for housing assistance. These good faith efforts may include, but are not limited to, special outreach to community organizations, places of worship, employment centers, fair housing groups, counseling and social service agencies, medical service centers, homeless shelters, and the use of minority-specific media.
- Owners of HOME-assisted housing must maintain a file containing all marketing efforts and records of all applicants and tenants selected during the period of affordability. Records to assess the results of these actions must be available for inspection by the State of Alaska.

CDD will assess affirmative marketing efforts of rental housing owners during regular project audits. Good-faith outreach efforts will also be considered in evaluating the marketing efforts and results. Corrective action will be required when project audits indicate marketing efforts are insufficient.

In addition to policies specific to HOME-funded rental projects, CDD strives to broadly disseminate information to the public regarding fair housing laws, and has its own guidelines for equal opportunity to participate in all its programs. In coordination with the Municipality's Equal Rights Commission, CDD will inform the public, owners, and potential tenants about Federal fair housing laws. For lenders and organizations participating in HOME, CDBG, ADDI and/or ESG programs, records must be retained on the household size, family type, income, and ethnicity of all families assisted. These participants will also have to comply with all fair housing laws and use the Equal Housing Opportunity Logo in all newspaper advertisements.

During the Municipality's annual Consolidated Annual Performance and Evaluation Report, CDD will analyze data on households served and other relevant information to identify if changes should be made in order to reduce barriers to fair housing and affirmatively market housing.

Minority and Women-Owned Businesses

The Community Development Division's policy is to afford minorities, women, and small businesses equal opportunity in all procurement and contracting programs. The Municipality of Anchorage has a Disadvantaged Business Enterprise (DBE) and Women-Owned Business Enterprise (WBE) program which meets the requirements of the local law, AMC 7.60, and the federal Department of Transportation regulations (49 CFR 23). This is managed by the D/WBE Officer in the Office of Equal Opportunity (OEO).

3.10 HOME and ADDI Resources

Approximately \$1.11 million in Federal funds from the HOME program is anticipated to be available in FY2005 to provide decent housing, establish and maintain a suitable living environment, and expand economic opportunities, especially for low- and moderate-income persons. During 2004, the Community Development Division performed an in-depth reconciliation of the HOME funds, and identified 330,850 in program income that had not been appropriated as of the draft plan (September, 2004). These funds are listed below as "Previously Unappropriated". In addition, the Community Development Division anticipates the receipt of \$135,150 in recaptured funds from the HOME Investment Partnerships Program through the 2005 calendar year. The Community Development Division will also receive \$51,079 in FY2005 ADDI funds.

Table 3-2. HOME Program Funding Sources

| Source | Amount |
|---|------------------|
| HOME FY2005 | 1,075,967 |
| HOME Recaptured Funds-Previously Unappropriated | 330,850 |
| HOME Recaptured Funds – Anticipated | 135,150 |
| ADDI FY2005 | 51,079 |
| AMHTA Match | 50,000 |
| Total HOME | 1,643,046 |

HUD’s HOME Investment Partnerships Program requires a 25 percent match from non-Federal sources. A more detailed description of all federal, state, local and private funding sources to be used as match is provided on page 3-3-5.

3.11 Proposed HOME Project Funding Summary

Table 3-3. Proposed HOME Program Projects

| HOME/ADDI Projects | Estimated Prior Year Funds Available in 2005 | New 2005 Funds | Total Funding Estimated for 2005 |
|--|--|------------------|----------------------------------|
| 1. Administration, Planning, and Grant Management | 25,000 | 107,597 | 132,597 |
| 2. AnCHOR | - | 523,019 | 523,019 |
| <i>HOME Funds</i> | - | 421,940 | 421,940 |
| <i>ADDI Funds</i> | - | 51,079 | 51,079 |
| <i>AMHTA Funds</i> | - | 50,000 | 50,000 |
| 3. Homeowner Rehabilitation Program | 450,000 | 200,000 | 650,000 |
| 4. GOAL - Housing Development (04 NOFA) | 857,404 | 758,632 | 1,616,036 |
| <i>Entitlement Fund</i> | 725,355 | 597,237 | 1,322,592 |
| <i>CHDO Funds</i> | 132,049 | 161,395 | 293,444 |
| 5. Housing Acquisition and Rehab Program (HARP) | 200,000 | - | 200,000 |
| 6. CHDO Homeownership Demonstration Project | 300,000 | - | 300,000 |
| 7. CHDO Operating Expense Assistance | 55,955 | 53,798 | 109,753 |
| TOTAL: | 1,888,359 | 1,643,046 | 3,531,405 |

3.12 Proposed HOME Project Descriptions

3.12.1 Administration, Planning, Technical Assistance and Grant Management

Up to 10 percent of all new HOME funds in a given year, as allowed by HUD regulation, including program income, may be used to provide planning, technical assistance and grant management to carry out HOME and ADDI, to develop the Consolidated Plan, Action Plans, and

other selected activities. HOME funds in this category will be used by the Community Development Division for these purposes.

| | |
|---------------------------|------------|
| HOME funds (Prior years): | 25,000 |
| HOME funds (PY2005): | 107,597 |
| HOME funds Total Balance: | \$ 132,597 |

3.12.2 Anchorage Communities Home Ownership Resource (AnCHOR)

The AnCHOR Program is a user-friendly resource designed to assist low- and moderate-income Anchorage families purchase homes, and “anchor” neighborhoods by supporting homeownership. The program is available Citywide.

AnCHOR offers funds for down payment and closing costs, up to \$30,000, to families with household incomes at or below 80 percent of the area median who wish to purchase a single-family home within the Municipality of Anchorage. Assistance is in the form of a second mortgage loan on top of the maximum affordable first mortgage the borrower can obtain. The second mortgage is secured by a note and deed of trust. For the first ten years of the loan, five percent (5%) of the loan will be forgiven annually if the homeowner continues to make the property his or her principal residence. The remaining 50 percent of the loan will not be forgiven (with an exception for mental health trust beneficiaries, see next paragraph). For example, a loan of \$30,000 will be forgiven 5% a year for a total potential forgiveness of \$15,000. There are no periodic payments on the loan, however, if the borrower sells or moves out of the home at any time, the unforgiven balance becomes due and payable to the Municipality’s HOME Program under the “Loan Balance Recapture” method, described in section 3.7.2.

In 2005, a new partnership with the Alaska Mental Health Trust Authority (AMHTA) will allow for up to \$10,000 to mental health trust beneficiaries to be provided as a completely forgivable loan, forgivable at 10% a year. In other words, if a mental health beneficiary receives a \$30,000 AnCHOR loan, \$10,000 will be forgiven 10% a year, and the remaining \$20,000 will be forgiven 5% a year. Total potential forgiveness for this loan would be \$20,000. This benefit will be available as AMHTA funds are available.

A borrower’s total household income may not exceed HUD’s established low-income limits, according to family size (80 percent of the median Anchorage income). These income limits are adjusted on an annual basis. The maximum amount of assistance will be \$30,000, of which only \$10,000, or six percent (6%) of the purchase price whichever is greater, may be funded from ADDI funds. The minimum amount of combined HOME and ADDI assistance for each loan is \$1,000.

Anchorage Neighborhood Housing Services (ANHS) will administer the program. ANHS will take several steps to ensure the suitability of families receiving AnCHOR assistance. Pre-purchase homebuyer counseling is required for all AnCHOR loan recipients. Homebuyers must

also commit to post-purchase counseling, available through ANHS. To market the program, ANHS will create and annually evaluate its affirmative marketing plan, which will include providing brochures on the program to Alaska Housing Finance Corporation (AHFC) for distribution to public housing and Section 8 applicants and/or residents, as well as targeted outreach to residents of mobile home parks that are expected to close in the near future, among other activities. In addition, ANHS, the Municipality of Anchorage and AHFC have coordinated the AnCHOR program with AHFC's Housing Choice Voucher Homeownership Program. This program assists Housing Choice Voucher ("Section 8") recipients purchase homes, using their voucher to assist in mortgage payments rather than for rental payments, and reduces overall debt payments through use of the AnCHOR program.

Two special types of loans have been included in the HOME program this year. AnCHOR loans will be available for down payment and closing costs for households participating in the Affordable Homeownership program administered by Habitat for Humanity. The Municipality is also partnering with AHFC in the Housing Choice Voucher Homeownership Program. This program will provide AnCHOR loans to disabled individuals utilizing Section 8 assistance in becoming homeowners.

| | |
|----------------------------|------------|
| HOME funds (Prior years): | 0 |
| HOME funds (FY2005): | 421,940 |
| ADDI funds (FY2005): | 51,079 |
| AMHT funds | 50,000 |
| HOME funds Total* Balance: | \$ 523,019 |

The 2005 Action Plan also allows for up to \$45,503 in AnCHOR Project Delivery Costs payable from the CDBG program (8.7% of program costs).

3.12.3 Homeowner Rehabilitation Program – Citywide

The Homeowner Rehabilitation Program, launched in October of 2003, will continue to provide low interest loans to families with household incomes at or below 80 percent of the area median. The maximum loan amount will be \$35,000, secured by a note and deed of trust. For the first ten years of the loan, five percent (5%) of the loan will be forgiven annually if the homeowner continues to make the property his or her principal residence. The remaining 50 percent of the loan will not be forgiven. There are no periodic payments on the loan, however, if the borrower sells or moves out of the home at any time, the unforgiven balance becomes due and payable to the Municipality's HOME Program under the "Loan Balance Recapture" method, described in section 3.7.2. Na Qenq'a Community Development Financing, Inc., a non-profit subsidiary of Cook Inlet Housing Authority, will administer this program.

| | |
|---------------------------|------------|
| HOME funds (Prior years): | 450,000 |
| HOME funds (FY2005): | 200,000 |
| HOME funds Total Balance: | \$ 650,000 |

The 2005 Action Plan also allows for up to five percent of all Homeowner Rehabilitation funded project costs to be payable from the CDBG program.

3.12.4 Housing Development/Greater Opportunities of Affordable Living (GOAL)

In the Fall of 2004, the Municipality of Anchorage will partner with Alaska Housing Finance Corporation (AHFC) to distribute funds for rental or homeownership housing development. The Municipality’s HOME funds in this category include both Community Housing Development Organization set-aside funds, and general HOME entitlement funds. AHFC holds a housing production competition in the Fall of every year called the Greater Opportunities for Affordable Living (GOAL) program. The Municipality’s HOME funds in this category will be distributed through the GOAL program, along with AHFC’s Special Needs Housing Grant (SNHG) and Senior Citizen Housing Development Fund (SCHDF) grant funding, Low Income Housing Tax Credits (LIHTCs), and AHFC financing. GOAL program rating criteria and requirements are described in detail in AHFC’s GOAL Qualified Allocation Plan, Application Instructions and Policies and Procedures, available on AHFC’s website: <http://www.ahfc.state.ak.us>. In addition to these criteria, Anchorage HOME program applicants will be required to match HOME non-CHDO set-aside dollars with qualified HOME match on a dollar for dollar basis, only 25 percent of which may be satisfied through bond financing. CHDO set-aside funds must be match by 25 cents on the dollar. Additional match will be encouraged through bonus points. SNHG and SCHDF are both eligible sources of HOME match. Details of what constitutes HOME match may be found in the GOAL Policies and Procedures or in HUD Notice CPD 97-03.

The Municipality of Anchorage is required to set aside fifteen percent of its annual allocation for Anchorage-certified Community Housing Development Organizations (CHDOs) for housing development activities. Funds identified for the 2004 GOAL competition include FY2005 funds, as well as prior year funds, as identified in the table below.

| | Entitlement | CHDO | Total |
|---------------------------|--------------|---------|-----------|
| HOME funds (Prior years): | 725,355 | 132,049 | 857,404 |
| HOME funds (FY2005) | 597,237 | 161,395 | 758,632 |
| HOME funds Total Balance: | \$ 1,322,592 | 293,444 | 1,616,036 |

3.12.5 Housing Acquisition and Rehab Program (HARP) (CHDO)

The program allows for acquisition and new construction/rehabilitation of housing. Completed units will be sold to low- and moderate-income homebuyers with limited downpayment assistance provided. Downpayment assistance terms will mirror the terms used in the AnCHOR program. The program also includes acquisition of land for the construction of new housing units that will be sold to low- and moderate-income homebuyers. Acquisitions may be located community wide. HARP requires consideration be given to universal design and disability access. This is also encouraged in all programs funded through the Community Development Division. Prior year HARP funds were awarded through an RFP in 2003 to Anchorage Neighborhood Housing Services.

| | |
|---------------------------|------------|
| HOME funds (Prior years): | 200,000 |
| HOME funds (PY2005): | <u>0</u> |
| HOME funds Total Balance: | \$ 200,000 |

3.12.6 CHDO Homeownership Demonstration Project – Anchorage Housing Initiatives

Anchorage Housing Initiatives will continue with the CHDO demonstration project which produces accessible housing for purchase by low- and moderate-income households with at least one member who has a disability, and includes limited downpayment assistance. Borrowers are subject to recapture under the “Shared Net Proceeds” method, described in section 3.7.2, should they sell or default on loan terms. One unit was completed and sold in 2003. A second unit was begun in 2004 and will be completed in 2005. Proceeds from the sale of the homes will be retained by AHI for the program, or for other eligible affordable housing activities.

| | |
|---------------------------|------------|
| HOME funds (Prior years): | 300,000 |
| HOME funds (PY2005): | <u>0</u> |
| HOME funds Total Balance: | \$ 300,000 |

3.12.7 CHDO Operating Expense Assistance

The HOME program allows local jurisdictions to provide up to five percent of its annual HOME allocation to Community Housing Development Organization engaged in HOME CHDO activities as operating expense assistance. The Municipality of Anchorage launched a CHDO operating expense assistance program for small CHDOs in 2004. The program provides assistance to small CHDOs in Anchorage. Assistance will be provided for a maximum of six years, beginning at a maximum of \$40,000/year for an anticipated three years, with decreasing amounts annually as funds allow. Organizations which make progress during this time may be considered for an additional three years of funding at the end of the three-year period.

To qualify and retain future annual funding assistance, CHDO’s will be required to present a plan (and update it annually) for achieving self-sufficiency. The plan must also show how it currently utilizes or will utilize HOME funds for development activities over a six-year period. Priority will be given to organizations with a realistic plan for HOME utilization and achieving self-sufficiency. Funds not distributed through this program may be reprogrammed for use in the GOAL program.

| | |
|---------------------------|---------------|
| HOME funds (Prior years): | 55,955 |
| HOME funds (FY2005): | <u>53,798</u> |
| HOME funds Total Balance: | \$ 109,753 |