

## **HOME Homeownership Production Application Template Guidance**

### **Compliance Information Tab**

The applicant may need to adjust the percentages reflected under the “Underwriting Standards” section to match the agencies underwriting policies. The current percentages and/or amounts reflected correspond to the City of Aurora Standards for Homebuyer Programs last approved in Spring 2019, specifically, the Choose Aurora Program.

### **Application Tab – Section E – Conditions Present at the Proposed Development Site (may also impact Tab 2 Units, Development Costs & Sales and Tab 3 Construction Costs)**

#### **Site Information**

The applicant must provide detailed information regarding the proposed site for the project, including any environmental concerns that may be present. This information will assist the City complete the Environmental Review Record (ERR), as required under 24 CFR Part 58. Please note; a Phase I Environmental Assessment is required for all new construction projects on vacant land and the results of that review must be provided to the City for review and included with the City’s completed ERR.

If a residential structure was built prior to January 1, 1978, an assumption that the structure contains lead-based paint) is made. Remediation of lead-based paint may be required and the cost should be included in the construction budget. Please note, ACM (asbestos containing materials) testing and remediation applies to both residential buildings that have 5 or more dwelling units. Please contact City staff to discuss specifics of the project if you are unclear as to whether or not testing and remediation will be required.

All newly constructed residential structures must be tested for Radon. All existing residential structures that meet the definition of substantial rehabilitation must be tested for Radon. If the Radon level of concentration is above 4 picocuries per liter of air (pCi/L), mitigation is required. If the Radon level of concentration is between 2-4 pCi/L, mitigation should be considered. Include the cost for testing and mitigation in the construction budget. Please note, new construction projects will test for Radon after construction is completed. Depending on the results, remediation may be required. Please account for this potential cost in the construction budget.

The Predevelopment Costs under Tab 2 includes sections for Asbestos, Radon, and Lead-Based Paint testing, and Environmental Assessment. If the project is new construction on vacant land, please include the costs associated with the Phase I Environmental Assessment.

The Construction Budget under Tab 3 includes an Environmental Clearance category under #2 (Existing Conditions). If the project will require environmental clearance of any sort, including but not limited to, leaking underground storage tanks, lead-based paint mitigation, ACM mitigation, or radon mitigation, please include the anticipated costs in this section.

### **Application Tab – Sections G & I**

#### **Developer Capacity Assessment**

The applicant must demonstrate technical and managerial experience, knowledge, and skills to successfully complete the proposed development project. Both prior experience and current capacity are taken into consideration. The applicant must address the following:

- Corporate and organizational experience of the development entity

- Experience of the staff assigned to the project and overall quality of the development team
- Individual staff have previous experience with their assigned role in the proposed project

For homebuyer projects, the development team must demonstrate its capacity to market and sell the units. This may involve adding a realty professional to the team, or evidence that in-house staff have the ability to oversee advertising, showing units, and processing potential buyers. If applying as a CHDO, the CHDO must demonstrate they have paid staff with experience relevant to the proposed project and CHDO role.

The applicant's past performance in completing projects in a timely manner and in accordance with all requirements and acceptable business practices is considered. The status of the applicant's other outstanding projects is also considered. Results of on-going required HOME project monitoring is reviewed and factored into past performance. If the applicant already has other HOME projects underway that require significant additional work to complete, funding for additional new projects may not be approved. City staff will review current outstanding projects and consider the following:

- Timeliness of HUD required documentation submittals
- Completeness of HUD required documentation and request for payment documentation submittals
- Responsiveness of the Developer
- Project completion timeline

Matching funds or additional leverage that a developer provides for the project are considered.

### **Application Tab - Section K – Required Application Attachments Additional Information**

**1. Project Area Map** – Attach a clear locational map.

**2. Proof of Site Control** – Attach documents that prove site control. Examples included: a Deed, a purchase agreement, an option, or a closing statement. Before any funding for a project can be approved, the applicant must have control of the site on which the proposed project will be implemented. Further, all set-asides or commitments of funds remain contingent on retaining this site control. A loss of site control is cause for termination of a set-aside or commitment.

**3. Plans, Specifications, Drawings, Renderings** – please attach

#### **4. Market Study/Needs Assessment**

- For projects where tenants are already HOME-eligible and rents are already within program limits, a simplified market assessment may be more appropriate. Please contact City staff prior to application submittal if you believe your project falls into this category.
- The applicant must provide an assessment, at minimum, of the current market demand in the neighborhood in which the project will be located, per the Home Rule at 24 CFR 92.250(b)(2). This market assessment must provide current market data and address two key issues: pricing and absorption. The market assessment must document the demand for the type and number of all housing units being developed, not just the HOME assisted units.
- At a minimum, the market assessment for the project must:
  - Evaluate general demographic, economic, and housing conditions in the community.

- Delineate the market area by identifying the geographic area from which the majority of a project's tenants or buyers are likely to come.
  - Quantify the pool of eligible tenants or buyers in terms of household size, age, income, tenure (homeowner or tenant), and other relevant factors.
  - Analyze the competition by evaluating other housing opportunities with an emphasis on other affordable rental developments or sales opportunities in the market area, including those financed through either the HOME program or other federal programs.
  - Assess the market for the planned units and determine if there is sufficient demand to sell the HOME-assisted housing within nine months of construction completion (24 CFR 92.254(a)(3)) or rent the HOME-assisted housing within 18 months of project completion (24 CFR 92.252)
  - Evaluate the effective demand and the capture rate, usually expressed as a percentage of the project's units divided by the applicant pool.
  - Estimate the absorption period. How many units can be successfully leased or sold each month? How long will it take to achieve initial occupancy/sale of the HOME units and stabilize occupancy for the project as a whole?
- Assessments for projects serving special needs can often be completed using primary data from service providers whose existing client base will form the primary pool of potential tenants.

**5. Appraisal Supporting Acquisition Price** – if applicable, please attach.

**6. Evidence of Pre-Sale(s)** – please attach proof of any pre-sale(s), including contracts or agreements.

**7. Developer Staff Resumes/References** – attach copies of all developer staff resumes and references. This will help address developer capacity.

**8. Detailed Relocation Plan** – Please note, the City of Aurora shall recommend and approve for funding projects which will minimize, to the greatest extent feasible, the direct permanent involuntary displacement of tenant households, businesses, farms, and non-profit organizations. The City of Aurora requires subgrantees and developers to provide relocation assistance to all tenant households, businesses, farms and non-profit organizations permanently displaced by the acquisition of real property as required and in compliance with HUD's regulations implementing the Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (Uniform Act). The City of Aurora strongly encourages you to not cause **any** displacement. If relocation is a component of the proposed project, a detailed relocation plan must be attached.

**9. Detailed Construction Cost Estimate** - please attach.

**10. Quotes or other Agreement substantiating key professional costs** – please attach.

**11. Basis for estimating other soft costs including capital reserves** – Provide a detailed explanation for how other soft costs were estimated, including how capital reserves were estimated.

**12. Lead, ACM, and/or Radon Test Results** – If applicable, attach all Lead, Asbestos-Containing Materials (ACM), and Radon test results.

**13. Affirmative Marketing Plan for Lease Up and Tenant Selection Plan** – Complete HUD Form 935.2A or 2B, Affirmative Fair Housing Marketing Plan (AFHMP) – Multifamily Housing or Single Family Housing. The applicant must describe in detail how the affordable housing project will be promoted and how the tenants or homebuyers will be selected. The promotion and selection policies the applicant will use for the project must specifically describe how the project will be affirmatively marketed to groups in the housing market area that are least likely to apply for the housing because of its location and other factors without special outreach efforts. The written tenant selection plan helps to ensure that tenants are selected for occupancy in accordance with HUD requirements and established management policies such as:

- Project eligibility requirements
- Income limits
- Procedures for accepting applications and selecting from the waiting list
- Occupancy standards
- Unit transfer policies, including selection of in-place residents versus applicants from the waiting list when vacancies occur
- Policies to comply with Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Act and other relevant civil rights laws and statutes
- Policy for opening and closing the waiting list for the property
- Eligibility of students

**14. Current Letters of Commitment for Project Financing/Funding** – The City of Aurora acknowledges that some of the documents listed below may not be available at the time of the application. However, all documents must be provided prior to City’s commitment of HOME funds from the City of Aurora.

- Firm commitment letters with all terms and conditions for all mortgages, grants, loans, and investment tax credits, if applicable. Documentation can include award letters, offer letters, or final term sheets. In the case of projects with LIHTC, the project must receive a reservation from the Illinois Housing Development Authority (IHDA).
- If the applicant is a Partnership or Limited Liability Corporation, a copy of the Partnership Agreement or Operating Agreement, which must indicate the cash contributions by the partners or members, is required.

**15. Organizational or Personal Financial Statement** - Attach current financial statements with current valuation. Developers may not have more debts than assets. Past developments should not be a drain on the developer. Developer must have cash and/or commitments available to pay project expenses incurred.

**16. Organization’s Annual Operating Budget or Audit (non-profits)** – please attach.

**17. Current Letters of Support** – please attach.

**18. Current Letters of Partnership** – please attach.

**19. Any information required by a specific Request for Proposals** – please attach.

**20. Completed & Executed Conflict of Interest Disclosure** – please attach.

**21. Board Resolution authorizing a position to submit the application** – This resolution should also authorize a position to, if funded, execute an Agreement and abide by its terms. Please authorize a position; do not name a specific individual.

**22. Operating Budget from Similar Project** – Attach a budget from a completed project similar to the proposed project.

**23. Agreements governing the various reserves to be capitalized at closing** – Said reserves cannot be drawn later as fees or distributions.

**24. LIHTC Project Requirements** – Attach documentation on the syndication costs (legal, accounting, tax opinion, etc.) from the entity that will syndicate and sell the offering.

**25. Underwriting Policies & Procedures** – Please attach a copy of the organizations policies and procedures for underwriting potential homebuyers.

## **Summary Sources & Uses Tab**

### **Cost Reasonableness**

The applicant must include in the proposed costs of the development only those costs that are necessary and reasonable in compliance with 2 CFR 200. Costs are considered necessary if they are required to implement the project in full compliance with all program standards. Per 2 CFR 200, a cost is reasonable if it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. A review of the following factors will determine cost reasonableness:

- Costs of comparable projects in the same geographical area
- Qualifications of the costs estimators for the various budget line items
- Comparable costs published by recognized industry cost index services

Cost estimate documentation that provides a detailed break-down of the full scope of work and itemized costs associated with the project is acceptable to show cost reasonableness. If there are discrepancies that reveal an increase in project costs when comparing the cost estimate to the actual bids that are received after bid solicitation, a cost analysis must be completed to account for the cost increase. A cost analysis reviews and evaluates each element of cost to determine reasonableness. The City makes final determinations regarding cost reasonableness but will work with the applicant in an effort to reach a consensus on the issue.

Bids received for the proposed project must match the cost estimate provided in the application. If the cost estimate provided is itemized, then the bids received must also be clearly itemized. This must be clear to the bidders within the solicitation to bid.

### **Property Standards**

All HOME-funded properties must meet certain minimum property standards at project completion. State and local codes, ordinances, and zoning requirements apply to any HOME-funded project regardless of whether the project involves acquisition, rehabilitation, or new construction. A link to the City of Aurora Property Standards Division is provided here: <https://www.aurora-il.org/1178/Property-Standards>