



**TAB V: UNDERWRITING GUIDELINES**

HCCSD has adopted the following affordable housing underwriting guidelines to ensure prudent review of housing proposals and achieve compliance with applicable Federal, State, and local laws, regulations and policy objectives.

HCCSD provides a variety of funds (including HOME and CDBG funds) for the creation and retention of safe, affordable housing for low- and very low-income households. Decisions regarding which type of funding to utilize for a specific project will be made by the Department and may impose different regulatory requirements on fund recipients. Requirements shall include, but are not limited to subsidy layering analysis, compliance period, rental limits (if applicable), unit distribution/development, and minimum standards. HCCSD’s policy for Minimum Property Standards should also be consulted by the applicant prior to seeking county funding.

**5.1 Types of Developments and Forms of Financial Assistance:**

The following section provides the types of projects and forms of HOME and CDBG subsidy available to applicants of HCCSD funding. The following table summarizes the types of developments, corresponding forms of subsidy, and eligible activities:

<b>Type of Development/Program</b>	<b>Form of Subsidy Available</b>	<b>Eligible Activities</b>
<b>Rental Housing</b> <ul style="list-style-type: none"> <li>• Rental Development Using CDBG</li> <li>• Rental Development Using HOME</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-development Loan (CHDOs only)</li> <li>• Loan</li> <li>• Deferred Loan</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisition of Land</li> <li>• Acquisition of Existing Housing</li> <li>• Rehabilitation</li> <li>• New Construction</li> </ul>
<b>Owner Occupied Housing</b> <ul style="list-style-type: none"> <li>• Owner Occupied Single Family Development Using CDBG</li> <li>• Owner Occupied Single Family Using HOME</li> </ul>	<ul style="list-style-type: none"> <li>• Pre-development Loan (CHDOs only)</li> <li>• Loan</li> <li>• Deferred Loan</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisition of Land</li> <li>• New Construction (For CDBG, CBDOs only)</li> </ul>
<b>Special Needs Housing</b> <ul style="list-style-type: none"> <li>• Permanent Supportive Housing (including SRO)</li> <li>• Transitional/Respite Housing</li> <li>• Group Housing</li> </ul>	<ul style="list-style-type: none"> <li>• Grant</li> <li>• Deferred Loan</li> </ul>	<ul style="list-style-type: none"> <li>• Acquisition of Land</li> <li>• Rehabilitation</li> <li>• Conversion</li> <li>• New Construction</li> </ul>



## Form of Subsidy

HCCSD determines the form of assistance to be provided to affordable housing projects. Eligible forms of subsidy include:

- **Grants:** Grants are provided with no requirement or expectation of repayment. They are most commonly used for projects serving special needs populations. The property or some other assets are required as collateral for security during the applicable affordability period. Non-profit developer organizations, CHDO/CBDO, and government entities providing special needs housing are eligible for grant subsidies.
- **Loans** (forgivable or repayable)-are not fully amortized. Instead, some or even all of the principal and interest payments are deferred to some point in the future. If forgivable, the forgiveness might be structured to occur at one point in time such as at the end of the affordability period (may apply to both HOME and CDBG funds) or forgiven incrementally (available under CDBG funding only) over time. If repayable, repayment might be required at the sale or transfer of the property or at the end of a fixed period of time. Deferred payment loans require the property or some other form of collateral to be used as security for repayment. They may be used to help rental projects by allowing deferral of loan payments for the first few years until the project becomes stable. Rental projects are considered stable three years after the completion of construction. These loans can accrue interest or be non-interest bearing.
  - **Interest Bearing Loans** or advances-are amortizing loans. Repayment is expected on a regular basis. Usually monthly, so that over a fixed period of time, all of the principal and interest is repaid. Such loans may have interest rates at or below the prevailing market rate. The property or some other assets are required as collateral. The term of the loan may vary.
  - **Non-Interest Bearing Loans**-The principal amount of such loans are paid back on a regular basis over time, but no interest is charged. The property or some other assets are used as collateral. The term of the loan may vary.

## 5.2 Loan Terms

When assistance is provided in the form of a loan, the following terms shall apply:

### A) Loan Limits

- Loans are limited to a maximum of \$2,000,000 per project and shall comply with the applicable per unit maximum dictated by the Federal regulations.

### B) Application And Origination Fees:

- Half a percent (.5%) (50 bps) of the Loan Commitment, payable with the application. This amount is refundable in the event the application does not meet initial "Threshold" review by Planning and Development. Fees must be paid by cashier's check and must be attached to the application. Fee will be applied toward the origination fee due at closing if awarded funding. Non-profit developers proposing a Permanent Supportive Housing project are exempt from the origination fee and will be refunded the application fee if they qualify for a grant subsidy.



- An origination fee of one percent (1.00%) (100 bps) of the Loan Commitment, is payable at closing in the form of a cashier's check to Harris County Community Services Department.

**C) Other Fees:**

- Borrower may pay all costs incurred by Harris County in connection with the loan including, but not limited to, legal and document review/inspections. Such fees shall not exceed one percent of the total project cost.

**D) Term:**

- Permanent loan maturity will coincide with the term of senior debt, to a maximum of 30 years (a period of time will be allowed for acquisition and construction activities prior to start of permanent loan phase).
- Specific loan terms will be reviewed and determined on a project by project basis.

**E) Repayment:**

- Payments may not be required during the acquisition and construction phase.
- Permanent phase loans shall be reviewed and determined on a project by project basis.
- Partial repayments may be required during conversion to permanent financing and/or times when developer fees are distributed. Payment Terms/Interest Rate- 2.00% (200 bps) per annum repayable bi-annually (without tying to positive cash flow); after 20 years, balloon payment of remaining principal. If property is refinanced and/or sold then full repayment is due on the same date of sale regardless of sufficient proceeds from sale.
- Affordability Covenants (LURAs)- All projects are subject to affordability restrictions which limit resident incomes and rents paid based on levels of Average Median Income (AMI) established annually by the U.S. Department of Housing and Urban Development (HUD).
- Security/Collateral-Second Lien Deed of Trust on land and improvements constructed thereon is required.
- Subordination to Senior Debt-The County's loan may be subordinated to another lender's mortgage lien if subordination is required as a condition of that lender's loan approval; however, the County's LURA shall be superior to all financial liens. Senior debt must be provided on a fully amortizing basis without a balloon payment for at least 20 years.

**F) Loan to Value/Loan to Cost Limits:**

- Should not exceed 80%.



**G) Debt Service Coverage Ratio:**

- To follow State of Texas Tax Credit Program, generally not less than 1.15 and not more than 1.35. All projects not within the stated parameters may be re-considered or reviewed on a case-by-case basis.

**H) Recourse:** Loan terms will include provisions for deficiency judgments in the event of debtor default, foreclosure by senior creditor or in the event the County chooses to foreclose. Borrower and personal guarantees may be required.

**I) Timing of Disbursements and Allowable Use of Funds-** HCCSD funding will be disbursed first. All costs necessary for site acquisition, construction, energy conservation, landscaping, and/or rehabilitation attributable to the affordable units of the project are allowable. Costs associated with commercial space, child care, or social service space in mixed-use projects may be included in the total development cost budget, but may not be paid with HCCSD funds. Additionally construction materials and items deemed luxury items by the county's Minimum Property Standards may be included in total development costs but may not be paid with HCCSD funds.

**J) Funding Conditions-Predevelopment Phase:** Pre-development loans may be provided to "qualified" Community Housing Development Organizations (CHDOs) only.

**K) Funding Conditions- Acquisition Phase:** Loans for site acquisition will not be funded unless all pre-conditions of the construction phase funding have also been achieved. Acquisition loans must record in first lien position.

**L) Funding Conditions- Construction Phase:** Prior to, or concurrently with, Construction Phase funding, the borrower must provide evidence that all other necessary construction funding sources have been committed and closed, that binding commitments are in place for all sources of permanent financing, that building permits have been approved and are ready to issue, and that a bonded general contract has been executed and is based on the final approved plans and specifications.

**M) Transfer-** Loans and loan commitments are not assignable or transferable without prior written approval of the HCCSD.

**N) Construction Start Approval:** Housing and site construction may begin only with express written approval of HCCSD (a preconstruction conference must be held among the HCCSD, developer, and contractor; and HCCSD must issue a Notice to Proceed).

**5.3 Loan Underwriting and Review Committee**

In order to facilitate and document the recommendations and decisions to fund a loan, or deferred loan, CSD will utilize the following instruments and committee:



- A) **Finance Underwriting Team:** The Office of Financial Services, using the guidelines within this document, will perform underwriting services for all applications and will provide The Affordable Housing Project Loan Review Committee with funding recommendations. Recommendations will include whether or not the applicant's requested subsidy amount is reasonable or will present the recommended funding amount and subsidy type, as well as the recommended repayment terms and rates. Recommendations will be based on utilization of typical industry standard underwriting techniques and in-house policy guidelines used by similar funding agencies e.g. (TDHCA, HUD).
- B) **Affordable Housing Project Loan Review Committee:** This committee will consist of a meeting Facilitator from Planning and Development, one representative from Grants Management – Affordable Housing, one representative from Finance (the recommending member) and one representative from Economic Development. Meetings for this committee will be held on an as needed basis, and results will be documented by the facilitator. Recommendations may be accepted in full, or the committee may elect to make to the recommendation so long as such recommendation does not cause the project to become ineligible or financially unfeasible.

#### **5.4 Subsidy Layering Analysis**

HUD establishes limits on the amount of HOME funds that may be invested in affordable housing on a per-unit basis for specific areas. Before committing funds to a project that combines the use of any other sources of financing including charitable, local, state, federal assistance, HCCSD must evaluate the project in accordance with guidelines that it has adopted, to ensure that the county does not invest any more HOME funds than necessary to provide affordable housing. The applicant of HCCSD HOME funds will certify in their application whether or not additional assistance will be provided to the project, and if so, what type and amount of assistance.

**Fee Guidelines (Developer fee, etc.)** – The maximum amount of developer fees claimed must be multiplied by the appropriate applicable percentage depending whether it is attributable to acquisition or rehabilitation basis. All fees to related parties to the owner or developer for work determined by CSD to be typically completed by the developer will be considered part of the Developer fee claimed. Generally developer fees are limited to 15% for developments greater than 50 units and 20% for developments less than 50 units. Generally, developer fees will be disbursed periodically on a scheduled/outlined basis (e.g. developer fees will follow a percentage of completion basis or other triggering events and will comply with all requirements promulgated or regulated by the source of funding's terms and conditions). CSD will not advance developer fees.

Identity of Interest refers to situations where the owner, developer, or project sponsor control or own the services to be provided in a project, including but not limited to the general contractor, subcontractor, property manager or other service provider. A declaration of



subcontractors or suppliers for which there is an identity of interest through joint ownership with the owner or developer must be declared in the application for funding submitted to the HCCSD, and disclosed at completion of the project. Failure to declare Identify of Interest situations may deem a project ineligible. A cost certification shall also be required when such transactions are proposed to ensure that services are provided at a reasonable market cost. HCCSD reserves the right to adjust developer profit and/or the amount of funds provided to a project when an Identify of Interest situation exists.

### **5.5 Minimum and Maximum Per Unit Subsidy**

In accordance with HOME regulation, the total amount of HOME funds that HCCSD may invest on a per-unit basis in affordable housing may not exceed the per-unit dollar limitation established under Section 221 (d)(3)(ii) of the National Housing Act that apply to the area in which the housing is located. HCCSD has the right to set more restrictive limits. HCCSD has adopted the HOME Maximum per Unit Subsidy requirement for CDBG assisted projects as well. To increase the number of affordable units in any one project, HCCSD has also set a local maximum per-unit subsidy for rental projects of \$40,000 per unit for HOME and CDBG rental housing projects. HUD places a minimum per-unit subsidy at \$1,000 per unit for HOME funded projects.

### **5.6 Match and Leveraging Requirements**

Affordable Housing projects funded by HCCSD have match or leveraging requirements depending on the type of funding sought by the applicant. For projects funded by HOME, the match requirement is an amount equal to no less than 25 percent of the total HOME funds drawn down for project costs. The match is a permanent contribution to affordable housing. Match must be eligible under HOME Program guidelines. For CDBG funded projects, the leveraging requirement set by HCCSD is a minimum ten (10) percent of the total CDBG funds drawn down for project costs. Match and leveraged funds must be disclosed up front in the application for assistance and must be supported with letters of confirmation of fund availability.

### **5.7 Rental and Sales Requirements**

The following section discusses the objectives and requirements of rental and owner-occupied housing funded by CDBG and HOME.

#### **A. Rental Development Using CDBG**

The *primary* objective of the CDBG program is the development of viable urban communities through the provision of decent housing, a suitable living environment, and economic opportunity principally for low-income persons. HCCSD has established the following policy with regard to the use of CDBG funds in the development of affordable rental housing.

##### **Minimum Unit Set Aside**

For eligible rental housing development projects using CDBG Program funds to acquire, construct or rehabilitate rental housing, the following minimum standards must be met:



- All multifamily rental rehabilitation projects and new construction of elderly multifamily are required to provide a minimum of 51 percent of the total project units as assisted units. Of the total assisted units, 100 percent must serve households at or below 80 percent of Median Family Income (MFI).
- Projects including the new construction of non-elderly multifamily rental housing may provide a minimum of 20 percent of the total project units as assisted units so long as the proportion of assisted units is greater than the proportion of CDBG funding to the total cost of project development. Of the total assisted units, 100 percent must serve households at or below 80 percent of Median Family Income (MFI).
- The property owner or its representative must verify the income of each tenant occupying a CDBG assisted unit. The method used will be the *Section 8 Part 5* income verification.

Rental Limits

- CDBG-assisted Single Room Occupancy (SRO) unit rents shall be no higher than 75 percent of the Fair Market Rent (FMR) for an efficiency unit as established by HUD.
- The maximum rents for CDBG-assisted rental developments shall be established by using the most current HOME Program rent schedule. The HCCSD Director shall reserve the right to adjust rent schedules on a project-by-project basis to best serve the low-income residents of Harris County and/or ensure project feasibility.

**2010 HOME Rents Schedule**

Percentage of income	Efficiency	1 bedroom	2 bedroom	3 bedroom	4 bedroom	5 bedroom
50% or below	\$570	\$610	\$732	\$846	\$945	\$1139
80% or below	\$659	\$735	\$892	\$1066	\$1170	\$1272

Source: US Department of Housing and Urban Development, May 2010

- Rent schedules include the cost of utilities in the rent amount. All projects shall use utility allowances published by the Harris County Housing Authority unless located in another jurisdiction and then that jurisdiction’s allowances will be used.
- For properties with both assisted and non-assisted units, the program administrator must select “fixed” or “floating” units at the time of project commitment. When CDBG-assisted units are “fixed”, the specific units that are CDBG-assisted are designated and never change. When CDBG-assisted units are “floating”, the units that are designated as CDBG-assisted may change over time as long as the total number of CDBG-assisted units in the project remains constant.

Unit Distribution



- For new construction of multi-family rental units, builders, design professionals, and developers must comply with the Americans with Disabilities Act, Federal Fair Housing Act, and Section 504 of the Rehabilitation Act of 1973, particularly in the construction of accessible units and common use areas.
- CDBG-assisted affordable units must meet or exceed the Minimum Acceptable Standards for Residential Acquisition, Construction and Rehabilitation, as well as, state and local code requirements.
- CDBG-assisted units must be comparable and distributed throughout every unit type.

#### Compliance Periods

The compliance period or affordability period represents the minimum length of time (beginning upon project completion) a recipient of federal assistance for a rental housing project must be in compliance with programmatic as well as Harris County established rules and regulations regarding maximum rent limits, tenant income, and other applicable requirements. When the recipient fails to comply with the program regulations during the designated compliance period, the action triggers repayment of the direct federal subsidy to the County.

- The compliance period of CDBG-assisted rental developments shall be a minimum of 5 years and will be based on the amount of federal funds provided. The compliance period begins following the date of completion as entered into IDIS.
- Tenants occupying CDBG-assisted units must be recertified annually from the start of assistance or their last recertification date and recertification should begin 60 to 90 days prior to that time. Recertification shall be completed in accordance with HOME Program rental housing recertification requirements.
- Records must be kept by property owner or its representative to show that all program regulations have been met. Record retention will be determined in the Harris County sub-recipient contract. The property owner or their representative will submit all required annual reports to Harris County on a timely basis. Annual monitoring and inspections by HCCSD will be conducted for each CDBG-assisted unit.

#### **B. Rental Development Using HOME**

In rental housing development projects, HOME funds typically serve as “gap financing” – funds provided when the contributions of private lenders and other funding resources are not sufficient to cover the cost of developing and operating the project. HCCSD is often called upon to determine the appropriate amount of HOME funds required to “fill the gap” in order to make the project feasible, while ensuring the project is not over-subsidized and that HOME funds are used only for HOME eligible expenses.

HOME funds may be used to acquire land or existing rental housing and/or rehabilitate or construct affordable rental housing. Unlike other federal grant programs, HOME distinguishes between the units in a project that have been assisted with HOME funds and those that have



not. "HOME-assisted units" is a term that refers to the units within a HOME project for which rent and occupancy restrictions apply. The number of units designated as HOME-assisted affects the maximum HOME subsidies that may be provided to a project.

#### Minimum Unit Set Aside

For eligible rental housing development projects using HOME funds to acquire, construct or rehabilitate rental housing, the following minimum standards must be met:

- The minimum number of assisted units will be determined based on the amount of subsidy provided per assisted unit. Per current HCCSD policy, one unit must be allocated for each \$40,000, excluding the allocation for Public Infrastructure Department services, in subsidy provided. Of total assisted units, 100 percent must serve households at or below 80 percent of Median Family Income (MFI).
- The program funds rule requires that at least 90 percent of HOME-assisted units must be reserved for residents whose income does not exceed 60 percent of the area median income.
- For rental properties of which five or more units will be HOME-assisted, at least 20 percent of the units must be reserved for families who meet the threshold as very-low income (at or below 50 percent median income). The balance of rental units must assist tenants with incomes that do not exceed 80 percent of the area median income.
- The property owner or its representative must verify the income of each tenant occupying a HOME-assisted unit. The method used will be the *Section 8 Part 5* income verification.

#### Rental Limits

- The maximum rents for HOME-assisted rental developments shall be established by using the most current HOME Program rent schedule.
- Every HOME-assisted rental unit is subject to rent limits designed to help make rents affordable to low-income households. These maximum rents are referred to as "HOME rents." HUD publishes the rent schedule each year based on changes in area income levels or market conditions. There are two HOME rents used in the HOME program:

##### High HOME Rents are the lesser of:

- The Section 8 Fair Market Rents (FMRs) for existing housing; OR
- Thirty (30) percent of the adjusted income of a family whose income equals 65 percent of median income.

Low HOME Rents – For properties with five or more HOME-assisted units, at least 20 percent of HOME-assisted units must have rents which are no greater than:

- Thirty (30) percent of the tenant's monthly adjusted income; OR
- Thirty (30) percent of the annual income of a family whose income equals 50 percent of the median income.



In units receiving Federal or State project-based rental assistance in which the very low-income family pays not more than 30 percent of the family’s adjusted income, the maximum rent allowable may be determined by the Federal or State program

**2010 HOME Rents Schedule**

	<b>Efficiency</b>	<b>1 bedroom</b>	<b>2 bedroom</b>	<b>3 bedroom</b>	<b>4 bedroom</b>	<b>5 bedroom</b>
<b>Low HOME rents</b>	\$570	\$610	\$732	\$846	\$945	\$1042
<b>High HOME rents</b>	\$659	\$735	\$892	\$1066	\$1170	\$1272

*Source: US Department of Housing and Urban Development, May 2010*

- Rent schedules include the cost of utilities in the rent amount. All projects shall use utility allowances published by the Harris County Housing Authority unless located in another jurisdiction and then that jurisdiction’s allowances will be used.
- For properties with both assisted and non-assisted units, the program administrator must select “fixed” or “floating” units at the time of project commitment. When HOME-assisted units are “fixed”, the specific units that are HOME-assisted are designated and never change. When HOME-assisted units are “floating”, the units that are designated as HOME-assisted may change over time as long as the total number of HOME-assisted units in the project remains constant.

Unit Distribution

- For new construction of multi-family rental units, builders, design professionals, and developers must comply with the Americans with Disabilities Act, Fair Housing Amendments Act, and Section 504 of the 1973 Rehabilitation Act regulations, particularly in the construction of accessible units and common use areas.
- HOME-assisted affordable units must meet or exceed the Minimum Acceptable Standards for Residential Acquisition, Construction and Rehabilitation, as well as local code requirements.
- HOME-assisted units must be comparable and distributed throughout every unit type.

Compliance Periods

The compliance period or affordability period represents the minimum length of time (beginning upon project completion) a recipient of federal assistance for a rental housing project must be in compliance with programmatic and County established rules and regulations regarding maximum rent limits, tenant income, and other applicable requirements. The period is based on the amount of federal funds provided per federally-assisted unit. When the recipient fails to comply with the program regulations during the



designated compliance period, the action triggers repayment of the direct federal subsidy to the County.

The HOME Program requires a minimum compliance period for all rental projects receiving HOME funds, depending on the average amount of HOME funds invested in each unit and the type of activities performed using HOME funds. The chart below shows how the activity and per-unit subsidy determine the HOME required compliance period.

**Compliance Period by Activity and HOME Subsidy for HOME Rental Projects**

Activity	HOME Subsidy	Unit Must Remain Affordable for at Least
Rehabilitation or acquisition of existing housing	Less than \$15,000/unit	5 years
	\$15,000-\$40,000/unit	10 years
	Greater than \$40,000	15 years
Rehabilitation with refinancing	Any amount	15 years
New construction or acquisition of new housing	Any amount	20 years

- The compliance period will begin following the date of completion as entered into HUD’s grant monitoring computer system, the Integrated Disbursement and Information System or IDIS.
- Tenants occupying HOME-assisted units must be recertified annually at least one year from the start of assistance or their last recertification date and should begin 60 to 90 days prior to that time. Recertification shall be completed in accordance with HOME Program rental housing recertification requirements.
- Records must be kept by property owner or its representative to show that all program regulations have been met. Record retention will be determined in the Harris County sub-recipient contract. The property owner or their representative will submit all required annual reports to Harris County on a timely basis. Annual monitoring and inspections by HCCSD will be conducted for each HOME-assisted unit.

**C. Owner-occupied Single Family Development Using CDBG**

CDBG funds can be used for the development of affordable single family homes, by certified Community Based Development Organizations (CBDO) as a part of neighborhood revitalization, community economic development, or energy conservation project. Under this option, the CBDO can acquire existing units, renovate and sell to an eligible homebuyer below market price. CBDOs can also purchase large tracts of land and use the land to develop an entire neighborhood or subdivision.



HCCSD has established the following policy with regard to the use of CDBG funds in the development of affordable single family housing.

Minimum Standards

- The maximum purchase price of an existing or newly constructed single family home must comply with 221(d)(3) limit.
- To minimize the risk to the homebuyer and the County, all owner-occupied single-family developments are required to utilize the HCCSD Downpayment Assistance Program and provide DAP assistance to each homebuyer in the development in order to restrict the affordability period to no less than five (5) years.

Unit development

CDBG-assisted single family home developments must meet or exceed the Minimum Acceptable Standards for Residential Acquisition, Construction and Rehabilitation, as well as, state and local code requirements.

Compliance Periods

The compliance period represents the minimum length of time (beginning upon project completion) a recipient of federal assistance for homeownership assistance must maintain and reside in the property as his/her primary residence. When the homebuyer sells or fails to reside in the property as his/her primary residence during the affordability period, the action triggers repayment of the direct federal subsidy to the County.

The compliance period of CDBG-assisted single family unit shall be established by using the HOME Program affordability requirements. The affordability period will begin following the date of completion as entered into IDIS.

**Compliance Periods\* for Homeownership Activities**

<b>CDBG benefit to homebuyer</b>	<b>Minimum period of compliance</b>
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

Downpayment Initiatives – To assist future homebuyers purchase homes acquired, renovated, and/or constructed with county CDBG funding, housing developers can work with the HCCSD Downpayment Assistance Program to provide qualified homebuyers with downpayment assistance to purchase a home. Developers interested in this program should present their request during the CDBG application phase.

**D. Owner-occupied Single Family Development Using HOME**



HOME funds may be used to finance new construction and/or the acquisition of land for the construction of homes for homebuyers, as well as programs that provide down-payment and closing cost assistance.

Minimum Standards

- The maximum purchase price of an existing or newly constructed single family home must comply with 221(d)(3).
- To minimize the risk to the homebuyer and the County, all single-family developments are required to utilize the HCCSD Downpayment Assistance Program and provide DAP assistance to each homebuyer in the development in order to restrict the affordability period to no less than five (5) years.

Unit development

HOME-assisted single family home developments must meet or exceed the Minimum Acceptable Standards for Residential Acquisition, Construction and Rehabilitation, as well, as state and local code requirements.

Compliance Periods

The compliance period or affordability period represents the minimum length of time (beginning upon project completion) a recipient of federal assistance for homeownership assistance must maintain and reside in the property as his/her primary residence. When the homebuyer sells or fails to reside in the property as his/her primary residence during the affordability period, the action triggers repayment of the direct federal subsidy to the County.

The affordability period will begin following the date of completion as entered into IDIS.

**Compliance Periods\* for Homeownership Activities**

<b>HOME benefit to homebuyer</b>	<b>Minimum period of affordability</b>
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

Downpayment Initiatives – To assist future homebuyers purchase homes acquired, renovated, and/or constructed with county HOME funding, housing developers can work with the HCCSD Downpayment Assistance Program to provide qualified homebuyers with downpayment assistance to purchase a home. Developers interested in this program should present their request during the CDBG application phase.

**E. Special Needs Housing**



Special Needs Housing is defined as: Properties that are 1) uniquely designed and/or financed to meet the housing and service needs of a target special needs population, and 2) provide supportive services for residents. It does not refer to traditional rental properties where less than 51% of the property shall provide housing for special needs residents in a mixed residency environment (such projects are eligible for funding under the Affordable Rental Housing component using either HOME or CDBG funding.)

Program Goal: To develop properties that serve residents with special needs by providing housing that is specifically linked to supportive services. Projects may be either new construction, acquisition with rehabilitation, rehabilitation, or conversion.

Eligibility: Qualifying properties:

- Must be located within Harris County, and may be located within the cities of Houston, Baytown or Pasadena if the population to be served is homeless populations.
- Must be specifically designed to serve the needs of special needs populations. (Examples include homeless and transitional housing and housing for the disabled. Housing for the elderly is not considered in this category unless extensive services will accompany the housing.)
- Must provide or link appropriate services to residents. (Funding sources and providers of services must be specifically identified in the application of funding to HCCSD).