

Delaware 2005

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State of Delaware 2005 Annual Action Plan

A Supplement to the
Five-Year Strategic Plan for
Housing and Community Development

Draft for public review and comment

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Executive Summary

The Delaware State Housing Authority (DSHA) receives approximately \$5.5 million annually in formula funding for four Community Planning and Development programs administered by the U.S. Department of Housing and Urban Development (HUD). The overall goal of community planning and development programs is to support the development of viable communities by providing decent housing and a suitable living environment for low- and moderate-income persons. One of the principle means toward this end is to extend and strengthen partnerships among all levels of government and private sector, including for-profit and nonprofit organizations.

The four formula programs governed by this Action Plan are:

- Community Development Block Grant (CDBG)
- Emergency Shelter Grants (ESG)
- HOME Investment Partnerships (HOME)
- Housing Opportunities for Persons with Aids (HOPWA)

In order to maintain eligibility for these formula programs, Delaware submits an Action Plan illustrating how the resources will be utilized throughout the state. This document serves as an update to Delaware's 2003 Five-Year Strategic Plan for Housing and Community Development. The Five-Year Plan presents a broader description of the jurisdiction and basic information about the state, along with needs assessment and recommendations for housing affordability. The Action Plan reflects on the upcoming 2005 program year, along with specific activities designed to further the actions and strategies outlined in Delaware's Five-Year Plan.

This Action Plan is for the 12-month period beginning July 1, 2005. The plan serves four major functions:

- It is the State of Delaware's application for funds available through the four HUD formula grant programs mentioned above that are administered by DSHA;
- It is the annual planning document, built through public input and participation, for CDBG, HOME, ESG, HOPWA and other related programs;
- It lays out the funding resources expected, the method of distribution and the actions the state will follow in administering the HUD programs; and
- It provides accountability to citizens for the use of the funds and allows HUD to measure program performance.

Housing and Community Development Strategies

The following general strategies derive from the 2003 strategic planning and public participation process and are regarded as being the most effective for addressing Delaware's most pressing housing and community development needs. These strategies serve DSHA as targets for each year's Action Plan and activities. Not all strategies apply to all areas of the state as local

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conditions and residents determine how best to address the housing and community development needs of each community.

Each successive Action Plan strives to reflect and adhere to these strategies in its resource allocation and program planning.

Housing Strategies

- To address the first-time homebuyer demand and assist Delaware families to purchase their first home;
- To assist in the provision of affordable rental units including new construction, rehabilitation and rental assistance for families, the elderly, people with special needs and the homeless;
- Increase and improve the types of housing and services for the homeless;
- Assist families to move from assisted to unassisted housing;
- Preserve existing affordable rental housing;
- Promote independent housing options for Delaware's special needs population; and
- Support the activities of the Homeless Planning Council in its capacity as the statewide Continuum of Care coordinating entity.

Non-Housing Community Development Strategies

- Improve community infrastructure and services in areas that particularly serve the needs of low- and moderate-income households;
- Increase economic opportunities for low- and moderate- income Delawareans by assisting in business expansion;
- Strengthen the ability of local communities to prevent and eliminate conditions of slum and blight;
- Lead the effort to improve the effectiveness of the affordable housing delivery system in Delaware; and
- Assist in enhancing and strengthening local government capacity and that of other community groups to develop creative and innovative ways to identify, address and manage community development projects and maximize the use of resources in and outside the community.

Combined Housing and Community Development Strategies

- Encourage planning efforts on the part of local governments which address housing and community development needs;
- Provide technical assistance to local governments with housing and community development;
- Increase collaboration between funding entities, regulatory agencies, developers and advocacy groups;
- Continue to expand Fair Housing education efforts and actions to address the impediments to Fair Housing in Delaware;

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- Continue to encourage local government assistance in housing and community development projects; and
- Continue to coordinate housing and community development activities with programs and services addressing poverty.

The annual Action Plan provides details to citizens, public agencies and other interested parties on the amount of assistance Delaware expects to receive, the range of activities that may be undertaken and the general program activities that may be planned in addressing the priority needs.

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Table of Contents

Executive Summary.....	1
Table of Contents.....	4
Summary of Consolidated Plan Amendments for FY 2005.....	5
Housing Needs Assessment.....	6
Resources.....	8
Leveraging and Matching Requirements.....	9
Activities.....	11
Geographic Distribution.....	16
Homeless and Other Special Needs.....	16
Other Actions.....	18
Program Specific Requirements	
Community Development Block Grant Program.....	28
HOME Investments Program.....	61
Emergency Shelter Grants Program.....	69
Housing Opportunities for Persons with Aids Program.....	70
Monitoring.....	71
Appendix A – Certifications and SF 424	
Appendix B – Citizen Participation Plan	

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Summary of Consolidated Plan Amendments for FY2005

In this third year of DSHA's Five-Year Consolidated Plan, changes have been made to the administration of the CDBG Programs. In addition, the Citizen Participation Plan (CPP) has been revised to comply with 24 CFR 91.105. Program changes are as follows:

CDBG

DSHA changed the Bonus Point Section, added last year, which gave an incentive for large impact on the larger target areas. Very few target areas had long enough waiting lists of twelve or twenty-five units to qualify for these bonus points last year. These areas were all located in Sussex County, with the exception of Smyrna, located in Kent County. This year, target areas applying for assistance to at least 80 percent of their units needing assistance will receive five bonus points, and target areas applying for assistance to at least 90 percent of their units needing assistance will receive ten bonus points. With this change, DSHA can give an incentive to large impacts on any target areas funded, regardless of how big the target area.

The Program Guidelines and Application Package have been changed from last year's program to address the needs of communities in a more holistic manner. Applicants will be required to more thoroughly assess the needs of a community and address the eligible activities as completely as possible in a single application. This means that fewer target areas will be funded again, but more funding will go into each target area. The Program Guidelines have been changed as follows:

- The application review panel's rating system in the Program Guidelines has been changed slightly to give more weight to applications thoroughly addressing area needs. Section V.B.1.d., titled "Target Area Bonus Points", now gives more weight to those applications addressing the highest percentage of area needs.
- Target area approval now requires more-detailed information when applicants use surveys to determine the low- to moderate-income benefit of an activity. Information on where to find census data, and guidance on making service area determinations, has also been added this year to Section I.E. of the Program Guidelines.
- Demolition liens can now be waived when new low/moderate income housing is constructed on the site of a demolition lien, as described in Section III.A.3.b. and e. of the Program Guidelines. This new policy should act as an incentive to affordable housing construction.

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Housing Needs Assessment

Based on the findings from the 2003 Housing Needs Assessment it is seen that Delaware's population consists of smaller households and an aging population. Overall the population is financially stable with the majority of households classified a middle- and upper-income. The population continues to be concentrated largely in New Castle County. Single-family housing is the preferred housing type although manufactured housing is a major component of the housing stock. The rate of homeownership continues to increase and is above the rate nationwide. While housing costs have increased, incomes have increased at a higher rate. Through consideration of the trends and projections the following was observed:

- The population will continue to rise, although the rate of increase will decrease from previous years. By county, the greatest increase in population will be in Sussex County, which will result largely from the migration of new households. The southern part of New Castle County will also experience substantial growth.
- The number of new households will increase at a greater rate than persons. Continued formation of households in excess of increased persons will support continued demand for housing.
- The greatest increase in households will be among those with annual incomes above \$75,000. Households with annual income from \$15,000 to \$24,999 and from \$25,000 to \$49,999 will also increase, particularly in Kent and Sussex Counties. A portion of the households with annual income below \$50,000 will need housing assistance by DSHA and other housing providers.
- By age the greatest increase will be among households between age 45 to 54 followed by households age 35 to 44. Households age 25 to 34 will mean fewer of the traditional first-time homebuyers will be in the market. The population of persons age 65 and over is also projected to increase. Sussex County's elderly population will increase the greatest. The elderly population will need housing assistance that supports them with aging in place including housing rehabilitation, adaptive modifications, home-based services, age restricted housing both subsidized and market, and assisted living at a variety of prices.

Economic Trends and Projections

- Unemployment in Delaware has consistently been low and the number of persons employed has increased due to increased labor force participation by women and minorities. The economy has diversified and the state is well positioned for economic growth in most of its major industry divisions. Continued economic growth and a varied economy will enable households to find jobs that support housing.
- Jobs in manufacturing continue to decrease and many of the well-paying jobs in Delaware require advanced education. The situation will not change, and the gap between high-paying and low-paying jobs will widen. The state's workforce is highly educated supporting its ability to secure well-paying jobs. Persons without an

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education and technical skills will, however, remain in low wage jobs that do not offer opportunities for advancement. They will be vulnerable to chronic housing problems.

- Median income in Delaware has increased. Since the state's population is getting older and approaching its peak earning years, household incomes will continue to rise. The shift of jobs out of manufacturing into the service sector could, however, act as a drag on median income. The changing demographic and economic characters will impact the ability of the households to house themselves.
- Another effect of jobs shifting from manufacturing to services is that the benefits are not as generous. Reduced benefits, particularly health insurance, reduce disposable income that is available for housing, putting households at a greater risk of experiencing a housing problem.
- The proportion of the state's population that is employed has been rising. From 2000 to 2020, as the baby boomers retire, the employment rate will fall placing pressure on firms to attract in-migrants or net in-commuters to fill jobs. A large net-commuter population may affect the nonprofit sector's ability to raise funds to support local activities including housing and support services.
- The number of women in higher paying occupations is growing in the state supporting increase household formation by single women and increasing the rate of homeownership among female-headed households.
- Households in the lowest 20 percent of the income distribution in Delaware have not experienced substantial income gains. The continued rise in housing prices and rents represents a serious challenge for the lowest income individuals.

Land Use Trends, Patterns, Goals and Policies

- As population has increased and the housing stock has increased at a greater rate, Delaware has lost agricultural land and forests and gained developed uses. Increasingly the trend has been toward growth outside of towns in the unincorporated areas.
- Because of increasing sprawl, the decline of the cities and towns, and the loss of agricultural land, land use is a major public policy issue in Delaware. Strategies for State Policies and Spending, which forms the basis for Livable Delaware, advocates that state funding should promote quality and efficiency, not sprawl and that state policies should foster order and resource protection, not degradation.
- The state's housing policies and strategies are identified in the Strategies for State Policies and Spending. In communities and urban centers the state will promote a mixture of housing types and prices, and protection and enhancement of existing housing and choice. Investments in housing in combination with community revitalization and public services will be used to restore and improve existing neighborhoods, promote viable downtowns and reuse of older residential, industrial and commercial zones. In developing areas, state investments in housing in combination with community redevelopment, and other services will enhance smaller communities, and support moderate levels of primarily residential growth supplemented with essential neighborhood services. In developing areas a broader

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mix of housing types and rehabilitation efforts to ensure safe and habitable housing will be encouraged. In rural areas the state will manage its resources to limit continued development in support of agriculture, agribusiness and similar economic activities that are land- or water-dependent, to protect water supplies, to preserve critical habitat to support a diversity of species and to preserve the existing housing stock.

Form Application

See Appendix A for SF-424 for ESG, HOME, CDBG and HOPWA.

Resources

Anticipated Resources

The Consolidated Plan establishes the priorities, proposed activities and methods of allocating funds under four federally funded programs – CDBG, HOME, ESG and HOPWA. Housing and community development resources from these four programs total \$5,516,843 million in federal formula funding to the State of Delaware. This represents a decline of \$158,000, or 2.8% when compared to FY 2004 funding levels for the four programs.

Housing and community development programs have increasingly stressed the importance of leveraging and combining funding from a variety of sources. DSHA's consolidated planning process reports on a number of state and federal programs involved in housing and community development. The consolidated planning process does not govern many of the programs identified in the table that follows. Anticipated funding levels for FY 2005 (July 1, 2005 through June 30, 2006) reflects the projected amounts authorized by Delaware's Legislature for State FY 2006. Federal funding figures are based on the best information available at the time of release of the Action Plan.

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Combined State and Federal Resource Summary

Activity	Type of Assistance	Program	Anticipated Funding		Strategy Addressed
			State	Federal	
Homeownership	Mortgage Assistance	Single Family Mortgage Revenue Bond (SFMRB) Program	\$60,000,000		Homeownership Assistance.
	Down Payment and Settlement Cost Assistance, and Other Forms of Assistance	Second Mortgage Assistance Loan (SMAL) Program	\$601,661		
		American Dream Down Payment Initiative (ADDI) <ul style="list-style-type: none"> Public Housing Homeownership Program 		\$59,601	
		Delaware Housing Partnership (DHP) Program	\$445,790		
		Housing Development Fund (HDF) <ul style="list-style-type: none"> Live Near Your Work (LNYW) Program 	\$100,000		
		<ul style="list-style-type: none"> Resident Homeownership Program (RHP) 	\$500,000	\$100,560	
	<ul style="list-style-type: none"> Housing Rehab Loan Program 	\$1,076,715			
Housing Counseling	HDF <ul style="list-style-type: none"> Rural Housing Development Initiative through NCALL 	\$70,000			
Rental	Create, Rehab and Preserve Rental Housing, and Leverage Multifamily Developments	Low Income Housing Tax Credit (LIHTC) Program		\$2,482,277	Assist in the creation of affordable rental units.
		HOME		\$2,500,000	
		HDF	\$8,500,000		
Community Development	Rehab Owner Occupied Homes	HOME		\$200,000	Rehabilitation of existing housing stock.
		CDBG		\$2,178,100	
		<ul style="list-style-type: none"> Acquisition Rehab Program 	\$750,000		Homeownership Assistance.
	Infrastructure Assistance	CDBG		\$0	Assist in community infrastructure activities.
	Assistance to Homeless Shelters	Emergency Shelter Grants (ESG) Program		\$95,913	Assist the homeless.
	Rental Assistance to People Living with Aids	Housing Opportunities for Persons With Aids (HOPWA)		\$162,000	Affordable rental units
	Grants to Housing Producing Nonprofits	Housing Capacity Building Program (HCBP)	Unknown		Improve effectiveness of the affordable housing delivery system.
	Emergency Home Repair	HDF <ul style="list-style-type: none"> Grant to First State Resource and Conservation Development Council 	\$400,000		Rehabilitation of existing housing stock.
	Security Deposit for Rental Housing	HDF <ul style="list-style-type: none"> Grant to West End Neighborhood House 	\$150,000		Assist in the creation of affordable rental units.
	Special Projects	<ul style="list-style-type: none"> Serve Populations with Special Needs 	\$500,000		Assist with the underserved populations.
<ul style="list-style-type: none"> Emergency fund 		\$150,000		Assist in the creation of affordable rental units.	
Total			\$73,244,166	\$7,778,451	

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Leveraging

CDBG

Neighborhood infrastructure improvements may be leveraged through any combination of the following:

- Local – bonds, in-kind, municipality’s general fund and local water and sewer fund;
- State – Delaware Department of Transportation, Department of Natural Resources and Environmental Control State Revolving Fund and municipal street aid fund; and
- Federal – RECD, EPA, Army Corp. and USDA.

The uses of CDBG funds for owner-occupied rehabilitation may leverage additional rehabilitation funding from nonprofit, private and public sources; however, this is usually not the case.

HOME

DSHA typically provides HOME funds to multi-family rental developments. During the previous fiscal year, DSHA financed four HOME multi-family developments with total costs of \$24,926,137.

The permanent financing breakdown of the HOME financed developments indicates HOME funds provided only 18% of the financing while 82% of total development costs were provided by other sources as follows: Low Income Housing Tax Credits - 42%; General Partner Capital Contribution - 9%; permanent financing from private sources – 19%; permanent financing from State sources – 6%; permanent financing from federal sources – 4% and transferred reserves 2%. While each development has different financing needs, DSHA expects to leverage each HOME dollar 2 to 1 with other funding sources.

ESG: Leveraging of other funds is not required under the ESG Program

HOPWA: Leveraging of other funds is not required under the HOPWA Program.

Matching Requirements of Federal Funds

CDBG

HUD requires a one for one match on CDBG funds use for state administration in excess of \$100,000. DSHA will spend the maximum allowable of \$143,986 in state administration for FY2005, and will match the \$143,986 in HUD CDBG funds with an additional \$43,986 in DSHA funds. We do not anticipate receiving any state program income, or using any program income for administration, therefore it will not have to be matched.

The FY2005 Delaware CDBG program guidelines require subgrantees to match their CDBG administration funds one-for-one with local administration funds. Kent and Sussex Counties will

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match their administration allocations of \$143,800 and \$146,000, respectively, with at least those amounts, in local funds.

The FY2005 Delaware CDBG program guidelines also require subgrantees to match their CDBG infrastructure project funds with minimum match amounts that vary with the amount of CDBG funds requested. However, no infrastructure projects have been recommended for funding for FY2005.

HOME

To the extent that contributions from other resources to a development assisted with HOME funds do not meet matching requirements, DSHA will provide the remainder of the required match from nonfederal sources. Contributions that have or will be counted as satisfying a matching requirement of another Federal program may not be used to satisfy the matching requirement for the HOME program.

As required, DSHA will make match contributions to housing that qualifies as affordable housing under the HOME program. Except where the match requirement has been reduced, DSHA will provide match funds totaling not less than 25% of the HOME funds drawn from the State of Delaware's HOME Investment Trust Fund Treasury account for the appropriate period. Funds drawn for administration and CHDO operating expenses are not required to be matched.

Matching contributions required under the HOME program may be made as a cash contribution from nonfederal sources or may be made as the grant equivalent of a below market interest rate loan from the State of Delaware Housing Development Fund (HDF) to housing that qualifies as affordable under the HOME program. The present discounted cash value of the difference in the interest rate for the HDF loans versus the appropriate market rate for type of development will be counted as match.

Match contributions made in a federal fiscal year exceeding the match liability for that year will be carried over and applied to future fiscal years' match liability.

ESG: The State of Delaware formula allocation is below \$100,000 and is exempt from the matching requirement.

HOPWA: Matching funds are not required under HOPWA regulations, either for administration or recipients.

Activities

Priority 1 – Homeownership - To assist Delaware families purchase a home or make repairs and/or improvements to their homes.

ADDI – The American Dream Downpayment Initiative will be implemented as part of existing HOME Programs administered by DSHA. ADDI funds may be used as a deferred second

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mortgage loan to low-income first-time homebuyers for acquisition of single family housing not to exceed the greater of \$10,000 or 6% of the purchase price. Participants in DSHA's Scattered Site Public Housing Homeownership Program (PHHP) shall receive priority for all HOME Program second mortgage loans.

Single Family Mortgage Revenue Bonds (SFMRB) – DSHA anticipates issuing approximately \$60,000,000 in bonds to assist first-time homebuyers in Delaware. This mortgage financing is offered at below-market interest rates to low- and moderate-income families through approved lenders, banks and financial institutions. DSHA also offers a four percent grant towards closing cost and downpayment assistance. The grant is based off of a loan amount and is at a slightly higher interest rate than the regular program loans. This program is offered statewide and DSHA anticipates assisting over 400 families.

Delaware Housing Partnership (DHP) – DHP offers up to \$10,000 in downpayment and closing cost assistance in a deferred 6% simple interest rate second mortgage to low- to moderate-income families for new home construction. The partnership is funded through a variety of sources including the State of Delaware, New Castle County, financial institutions, foundations and businesses. This program is offered statewide and DSHA anticipates assisting approximately 50 families.

Second Mortgage Assistance Loan (SMAL) Program – The SMAL Program offers deferred 6% interest rate loans of up to \$5,000 for downpayment and closing cost assistance to qualified low-income first-time homebuyers. The program is funded by DSHA's Housing Development Fund (HDF) and taxable bonds, which are purchased by local banks and financial institutions. This program is offered statewide and DSHA anticipates assisting 60 families.

Public Housing Homeownership Program (PHHP) – Public Housing site residents and families on DSHA's Waiting Lists are provided the opportunity to purchase their own home. This program was originally funded by the HDF and HUD and is now totally funded by HUD. Select participants must demonstrate that they have been responsible members of their communities for at least two years and have no serious lease violations. Participants must be gainfully employed, actively seeking employment, or be enrolled in a job training program. This program is offered in Kent County only. Given that this program is dependent on an adequate supply of affordable housing and mortgage ready residents, DSHA is unable to forecast assistance for FY 2005.

Live Near Your Work (LNYW) – The LNYW program will continue to expand throughout the State of Delaware. LNYW is a partnership between state, local communities and local employers to encourage homeownership near an employee's place of employment. Downpayment and closing cost assistance is provided to families in the form of a grant and is matched by participating employers and local communities. Currently, DSHA has 10 employers and 5 jurisdictions participating in this homeownership program. DSHA anticipates assisting 20 families.

Resident Homeownership Program (RHP) – This program enables low- to moderate-income families residing in DSHA public housing sites or receiving Section 8 Housing Choice Voucher

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assistance to use their monthly Housing Assistance Payment (HAP) to help pay their mortgage. Program participants may also receive financing assistance to buy down the cost of a house in order to make the house affordable. DSHA has partnered with the National Council on Agricultural Life and Labor Research, Inc. (NCALL) and First State Community Action Agency (FSCAA) to provide pre- and post-homeownership counseling services to RHP participants. This program is offered to DSHA residents only and DSHA anticipates assisting ten to fifteen families.

HDF – The HDF will assist approximately 30-35 families realize the dream of homeownership. Grants will be given to NCALL to empower families to purchase their first home. In addition, the HDF anticipates assisting 270 families with emergency home repair through FSCAA.

CDBG – Rehabilitation under the CDBG Program focuses on major systems such as roofs, electrical wiring, heating, plumbing, foundations and structural members, wells and septic systems. In addition, the program repairs or replaces siding, doors and windows. DSHA expects the CDBG rehabilitation activities to upgrade 203 owner occupied housing units in Kent and Sussex Counties.

HOME – The HOME Program will undertake the rehabilitation of owner-occupied units. This program will operate in Kent and Sussex Counties and DSHA anticipates assisting approximate 14 units.

Housing Rehabilitation Loan Program (HRLP) – The HRLP provides 3% interest rate home improvement loan for a fifteen-year term to low- and moderate-income homeowners. The financial assistance is used to moderately rehabilitate existing properties to comply with the State Housing Code or to make a property handicapped accessible. The program is offered statewide and DSHA anticipates assisting 50 households.

Neighborhood Revitalization Fund (NRF) Program – Homeowners within selected communities who meet eligibility requirements may be eligible for up to a \$35,000 grant to assist with State Housing Code repairs and/or handicapped accessibility. This program is offered statewide and DSHA anticipates assisting 15-20 households.

Priority 2 – To provide or assist in the creation of affordable rental units including new construction, rehabilitation and rental assistance for families, the elderly, people with special needs and the homeless.

HOPWA - The FY05 HOPWA grant will be used for payment of project- or tenant-based rental assistance, including shared housing, rent, mortgage, and/or utility payments to prevent homelessness of the tenant or mortgagor. Funds may also be used for supportive services that include, but are not limited to, health, mental health, assessment, nutritional services, intensive care when required and assistance in gaining access to benefits and services. This program is operated in Kent and Sussex Counties and DSHA anticipates assisting 40 families.

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ESG – Under the prevention category, DSHA may provide fund to grantees to assist individuals and families in retaining their current housing through payment of back rent, mortgage and utility payments. In addition, first month's rent and security deposits may be paid to aid individuals and families in their transition from homelessness to permanent housing. This program is operating in Kent and Sussex Counties.

HDF, LIHTC & HOME Programs –

The LIHTC program provides a direct federal income tax credit to qualified owners and investors, who build, acquire or rehabilitate rental-housing units to rent to working low- to moderate-income Delawareans. DSHA will continue to administer grant and tax credit programs targeted for construction or rehabilitation to quality rental housing for the very low-, low- and moderate-income households. Based on the rental housing needs, DSHA anticipates assisting in the construction and/or rehabilitation of 400 affordable rental units in Delaware. However, the actual breakdown in each category is undetermined as it depends on the developer's application to DSHA funds.

Preservation

DSHA is also the contract administrator for 4,480 development-based Section 8 Housing units. In FY 2005, DSHA will continue the efforts to preserve affordable rental units through renewal of HAP contracts.

Priority Three – Assistance for the homeless

DSHA will continue to support the activities of the Homeless Planning Council in its capacity as the statewide Continuum of Care coordinating entity. DSHA will work with various agencies throughout the state that provide permanent housing, transitional housing and supportive services to homeless households. The Continuum of Care grants will provide funding for one, two and three-year periods for activities throughout the State of Delaware.

ESG – The ESG Program is used to assist in the operating expenses of emergency shelters, improve the quality of emergency shelters, make additional shelters available and provide prevention programs and essential social services to homeless individuals and families.

HOPWA – The HOPWA Program is designed to provide eligible applicants with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with AIDS or related diseases and their families. DSHA is anticipating that Delaware HIV Consortium will use the anticipated funds for payment of project- or tenant-based rental assistance, including shared housing, rent, mortgage, and/or utility payments to prevent homelessness of the tenant or mortgagor. Funds may also be used for supportive services that include, but are not limited to, health, mental health, assessment, nutritional services, intensive care when required and assistance in gaining access to benefits and services. DSHA anticipates assisting 40 households in FY 2005.

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Priority Four – Resident Services – Assist families to move from assisted to unassisted housing.

DSHA is the Public Housing Authority for Kent and Sussex Counties with the exception of the City of Dover. DSHA owns and operates 518 units of Public Housing located throughout both counties and administers 902 Section 8 Housing Choice Vouchers subsidizing rent in private-sector housing. In addition to the Public Housing and Section 8 Vouchers, DSHA owns and manages 209 units of Section 8 New Construction project-based housing.

During FY 2005, DSHA will continue to assist families to move from assisted to unassisted housing. DSHA was granted a one-year extension from HUD for the Moving to Work (MTW) Program. MTW requires residents to work or be in school to receive housing subsidy. Additionally, there is a five-year limit to how long a family can receive assistance. The MTW goal is to establish positive work and budget habits over the time in the program, which will serve the family as they transition to un-subsidized housing. DSHA believes that MTW plays an important role in breaking the cycle of poverty by providing case management services and resources that help families succeed.

Priority Five – Continue to improve the effectiveness of the affordable housing delivery system in Delaware

DSHA will continue to use its leadership position to address system inefficiencies with respect to coordination in the areas of nonprofit housing development, provision of homeless assistance, provision of housing assistance and program consolidation. DSHA is taking the lead role in creating a combined Public Housing and Section 8 Housing Choice Voucher Waiting List for all of the Public Housing Authorities in the State of Delaware.

This Action Plan is developed in accordance with “Livable Delaware”, Delaware’s proactive strategy to curb sprawl and redirect growth to areas of the state that can best support it through investments in infrastructure and planning. The provision of quality, safe, affordable housing is essential to the success of the strategy.

The state’s goal is to encourage the integration of racial and ethnic minorities through its economic and housing priorities. The key element in the state’s strategy is to provide greater choices for all Delawareans with respect to employment and housing.

DSHA will continue to encourage housing professionals statewide to coordinate resources in order to deliver quality affordable housing and related services to low- and moderate-income Delawareans.

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Geographic Distribution

DSHA administers the CDBG, HOPWA, and ESG Programs throughout Kent and Sussex Counties, Delaware. An equal distribution between the counties is anticipated.

HOME Program

DSHA anticipates an equal distribution of HOME Program funds between the three counties in Delaware. The actual commitment of HOME funds will be dependent upon an evaluation of the quality of and timing in which applications are received. ADDI funds may be used in Kent and Sussex Counties; however, New Castle County will receive its own ADDI allocation.

Geographic Distribution of CHDO Set Aside Funds

It is anticipated that funds reserved for the use of CHDOs will be equally distributed between Kent and Sussex counties. However, the actual disbursement of CHDO funds will be based upon an evaluation of the quality of the applications and the timing in which requests for funds are received.

LIHTC

Housing Tax Credits, which are awarded to the state on a per capital basis, will be distributed statewide based upon identifiable need taking into consideration geographic distribution. Due to the concern that some market areas may be reaching the saturation point for development of new rental units, funds will be disbursed based upon specific need by community.

Homeless and Other Special Needs Activities

Continuum of Care

The Delaware Continuum of Care Plan is a strategy to organize and deliver services to meet the needs of the people who are homeless, or near homeless, as they move to stable housing and maximum self-sufficiency. Since, 1994, HUD has been encouraging communities to address the problems of homelessness in a coordinated, comprehensive and strategic fashion. This approach is designed to help communities develop the capacity to envision, organize and plan comprehensive and long-term solutions to address the problem of homelessness in their respective locales. The Continuum of Care contains several critical components including homeless prevention services, emergency shelter, transitional housing and permanent affordable housing, some of which remains linked to supportive services.

The Homeless Planning Council (HPC) is the lead entity in the development of Continuum of Care for Delaware's homeless. The HPC manages, oversees and coordinates a year-round planning process. This Action Plan continues to acknowledge the importance of local homeless planning, linked to the state's overall homeless strategy. The Council has received recognition

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as an effective, independent organization that conducts a variety of collaborative endeavors to address homelessness throughout Delaware. The HPC Board, which meets at least six times a year, oversees the work of its on-going and ad hoc committees as follows:

- HMIS Governance Committee – Responsible for implementing and expanding the HPC’s HMIS project and developing policies and procedures to structure and guide the statewide implementation of the HMIS. Oversees HMIS staff to insure data integrity and works with those needing data for planning and decision making to make certain that HMIS data entry protocols will meet their needs.
- Ending Chronic Homelessness Planning Committee – Responsible for the development and implementation of Delaware’s Plan to End Chronic Homelessness (PEHC).

The Continuum of Care planning process includes representatives of a broad cross-section of people interested in reducing homelessness. This includes service providers, government agencies, developers, corporate entities, financial institutions and citizens, including homeless and formerly homeless individuals.

In keeping with the commitment to developing a strategy for ending chronic homelessness in 10 years, the HPC has worked during the past year to realign their prioritization process for the HUD Targeted Housing and Homeless Assistance Projects. The HPC has adopted several policies that make applications for funding consistent with nationally recognized evidence-based best practices and HUD’s priorities, as well as the needs identified through the Point-in-time study and information provided by people working with the homeless throughout the State. First, priorities emphasize permanent supportive housing and programs that serve predominantly chronically homeless persons, by rating applications that meet these criteria higher than applications for other services or target populations. Second, the HPC is developing CoCare-wide strategies to ensure that persons served in HUD funded projects are systematically linked to mainstream resources and supportive services. Finally, they are renewing efforts to ensure that eligible housing activities are the primary activities funded through the Continuum of Care application process.

In addition, Governor Ruth Ann Minner established an Interagency Council on Homelessness (ICH) by executive order 65. This Interagency Council will develop collaborative strategies to address the more efficiently and effectively address the needs of homeless people in Delaware. The Delaware ICH will work with the HPC to further develop the plan to eliminate chronic homelessness in Delaware. The plan to eliminate chronic homelessness was drafted in the spring of 2004.

The plan to eliminate chronic homelessness in Delaware, took shape around five major components:

- Commitment to Change
- Collection of Accurate and Timely Data
- Prevention of Homelessness

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- Addition of Permanent Housing Stock
- Keeping People Housed with Appropriate and Adequate Wraparound Services

The plan spells out specific strategies, action steps, persons responsible and timelines to address each major component. There are three implementation phases to the plan:

- Planning and Preparation – includes establishing governance, gathering and analyzing information, developing recommendations and fundraising.
- Transition – involves phasing out old system and replacing with the new system.
- Implementation – involves full conversion to “housing first” and other best-practices models with appropriate supports.

Other Actions

Other Housing and Community Development Actions

Livable Delaware

The purpose of the Strategies for State Policy and Spending is to coordinate land use decision-making with the provision of infrastructure and services in a manner that make best use of Delaware’s natural and fiscal resources. Livable Delaware was designed to enhance efforts to implement this strategy. It is a positive, proactive strategy that seeks to curb sprawl and direct growth to areas where the state, counties and local governments are most prepared for it in terms of infrastructure investment and thoughtful planning.

The State of Delaware makes significant investments influenced by where and how growth occurs. Delaware provides most services and infrastructure throughout the state. This would include, but is not limited to, social services, roads and transit, school funding and police. By providing these services and infrastructure efficiently, not haphazardly, Delaware is able to strengthen land use planning efforts at the state and local levels.

Livable Delaware promotes compact development, which in addition to decreasing infrastructure costs; it produces a more diverse range of transportation options and a more economical extension of services and utilities. Further, the location near existing developed areas and higher densities enable natural qualities and agriculture areas to be preserved and protected.

DSHA's Director, Sandy Johnson, chairs the Livable Delaware subcommittee on affordable housing. The mission of the Affordable Housing Subcommittee is to identify and pro-actively work to develop diverse housing opportunities, including homeownership and rental, within Livable Delaware to ensure that all persons at all life stages and incomes reside in dignified living conditions. This subcommittee has been meeting regularly since January 2002 to develop tools to meet Delaware’s Affordable housing demands.

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Community Land Trusts

Community Land Trust (CLT) is a grassroots democratically controlled nonprofit organization that owns real estate in order to make land and housing available to residents who cannot otherwise afford them. CLTs are a viable tool wherever land is high in demand, but low in supply, and wherever fewer and fewer working people can afford to live in the communities where they work. DSHA requested and received Technical Assistance from HUD from the Institute of Community Economics (ICE) in shaping a CLT in Delaware. This initiative will ensure the affordability of housing in areas that are experiencing rapid price increases such as the coastal resort area of Sussex County.

Deed of Restriction

The deed of restriction is a clause in a deed limiting the resale of the property. In exchange for public assistance to buy a house, the low to moderate-income homebuyer agrees to limit the sale price at which the house will be sold in the future. In addition to the resale price restriction, the deed defines the eligibility of the next buyer. This will ensure the home will remain affordable in perpetuity. This initiative is still under development.

Universal Housing Design

This initiative will encourage the use of Universal Design in DSHA tax credit sites and help increase the awareness of its benefits. Universal Design is the design of products and environments to be used by all people, to the greatest extent possible, without the need for adaptation or specialized design.

Manufactured Housing

Manufactured housing is an affordable housing option for low-income households. Unfortunately, it is not permitted in the majority of Delaware's jurisdictions. As a result, many low- and moderate-income households live in rural areas, often isolated from services, markets, education, and employment – when transportation is a problem.

DSHA will encourage manufacturers to produce energy efficient and aesthetically pleasing homes to blend into Delaware's architectural landscape. This initiative may prompt local governments into allowing manufactured homes into town limits. In addition, DSHA is presently embarked in defining its role in the federal mandate that requires state supervision of the installation of manufactured housing.

Green Building

This initiative ensures that state investments promote buildings that are environmentally responsible, affordable, and healthy places to live. DSHA has incorporated incentives for energy efficient design into our qualified allocation plan for Low Income Housing Tax Credits. DSHA plans to partner with the State's Energy Office to build a demonstration home that incorporates

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Green Building technology and energy efficient design into affordable housing for low- and moderate-income families.

Brownfields

DSHA will consider the use of the Housing Development Fund for affordable housing proposals for Brownfields that have been ruled environmentally safe. Brownfield redevelopment is an essential component of Livable Delaware, as both seek to return abandoned and underutilized sites to their fullest potential as community and economic assets.

Acquisition Rehab Program

DSHA is developing a financing incentive tool to support the revitalization efforts of Delaware's municipalities and create affordable homeownership opportunities. Using \$1 million from the Housing Development Fund, DSHA will establish a revolving loan fund for access by community-based organizations to help write down the cost of acquiring, renovating, and reselling substandard housing units for purchase by first-time homebuyers.

Housing Capacity Building Program (HCBP)

The HCBP was established in November 1993, as a joint initiative of the Delaware State Housing Authority (DSHA), the University of Delaware's Center for Community Research and Service, and the Delaware Community Foundation (DCF). In 1997, the Delaware Community Investment Corporation (DCIC) joined as a partner. The DCF no longer serves on the Steering Committee, but has remained actively involved in the program and continues to serve as the program's fiscal agent. Each of the partners coordinates their efforts to build the capacity of nonprofit housing organizations.

The mission of the HCBP is to foster a stronger affordable housing delivery system in Delaware. This is necessary because Delaware, even with its relatively healthy economy, continues to have a serious shortage of decent quality housing that is affordable to citizens with lower incomes. To enhance the housing delivery system, the HCBP focuses its energies and resources on strengthening the organizational capacity of nonprofit and other housing organizations to build, maintain and manage affordable housing, and to provide services which enhance the ability of low-income people to find and sustain themselves in decent affordable housing. To accomplish this mission, the HCBP provides direct financial assistance through grants and training scholarships, as well as providing training, technical assistance, information, and awareness.

The HCBP's major goals for the next year are:

- To provide targeted funding and technical assistance to encourage the development of models to preserve and develop high quality and affordable manufactured housing communities;
- To provide training scholarships for nonprofit staff to increase their skills and productivity;

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- To provide at least \$90,000 in capacity building grants to nonprofit housing organizations;
- To expand the Homeless Management Information System (HMIS), in partnership with the Homeless Planning Council (HPC).

Fair Housing

In 2003, the Delaware State Housing Authority (DSHA) contracted with the University of Delaware to do an Analysis of Impediments to Fair Housing Choice Study. Using this study as a basis for their efforts, The Fair Housing Task Force Committee has been expanded and has become actively involved in addressing the issues identified in the *2003 Delaware Analysis of Impediments to Fair Housing Choice study*.

The Task Force is comprised of a number of organizations taking action to further fair housing practices. Organizations are involved in activities that include providing education, outreach and enforcement in Delaware. Organizations involved include, but are not limited to, DSHA, Delaware Division of Human Relations (DHR), Housing Opportunities of Northern Delaware (HOND), Delaware Community Reinvestment Action Council (DCRAC), Delaware Housing Coalition, Community Legal Aid Society, Inc. (CLASI) and HUD. These organizations are supplemented by housing authorities, nonprofit organizations, Community Action agencies and service providers that work in their local communities, as well as statewide to promote fair housing awareness. The Fair Housing Task Force Committee, comprised of an array of Delaware organizations committed to fair housing issues, acts as a formal statewide advocacy network, in addition to implementing the State of Delaware Fair Housing Plan.

The following are the fair housing impediments recognized in the AI and the proposed actions for FY 2005 to overcome them.

- *Lack of Education and Outreach* – DSHA will continue to work with the Fair Housing Task Force Committee to research and develop a coordinated outreach media campaign. Training will continue to be provided throughout the state to lenders, real estate agents, housing managers and the general public. Outreach programs are being developed for residents of public housing and assisted housing units throughout Delaware, especially in under-served communities.
- *Insufficient Rental and Sales Complaint Data* – HOND, CLASI and DHR will continue to focus on the match-paired testing to measure the scope of housing discrimination. The task force committee is developing a statewide report for fair housing complaints and resolutions for quarterly and annual distribution.
- *Insufficient Penalty Enforcement of Fair Housing Laws* – CLASI is actively developing and implementing a strategy to recruit lawyers to litigate fair housing discrimination claims on a pro bono basis. DSHA will continue to promote stricter enforcement and higher penalties for those violating Fair Housing Laws.
- *Lending Discrimination* – Match-paired testing is underway and will continue into FY 2005. DSHA will continue to promote with our lenders strict adherence to Fair Housing Laws.

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- *Discrimination Against Persons with Disabilities* – DSHA will continue to participate on the disabilities housing subcommittee and provide leadership in the development of a data consortium, which will work towards quantifying the need for affordable housing. DSHA is developing a multi-family database that can be used to assist organizations in planning for housing for people with disabilities by identifying areas where such housing is lacking. DSHA will continue to participate in the Universal Design Committee to research and promote universal design in single-family and multi-family construction and rehabilitation.
- *Centralization and Clustering of African Americans and Hispanics in Public and Assisted Housing Development and by Geography* – State Wide Associations of Tenants (SWAT) and CLASI are developing Fair Housing training for all DSHA public housing developments. DSHA will continue to award points for LIHTC developments whose site is not located in a close proximity to other low-income housing and is economically diverse.
- *Insufficient Number of Available Single-Family and Multi-Family Housing Units* – DSHA will continue to participate in the PLUS review, which provides for state agency review of major land use change proposals prior to submission to local governments.
- *Voluntary Compliance within the Real Estate Industry* – The Fair Housing Task Force will continue to offer training to those in the Real Estate Industry throughout FY 2005.
- *Insurance Issues* – DSHA will be working with the Office of Insurance Commissioner to conduct an audit to determine if predominantly minority communities are being offered and sold products comparable to their suburban counterparts.
- *NIMBYism* – DSHA will continue to encourage developers and local jurisdictions to build mixed-income housing communities. DSHA will continue to promote mixed-income communities, via a variety of housing types and densities, through the PLUS review process mentioned above.

Addressing obstacles in meeting underserved needs

DSHA recognizes the need to identify groups who are underserved and pursue strategies that would serve their needs. The Low Income Housing Tax Credit QAP for FY2005 applications continues to award points to developers that provide permanent housing for persons with special needs. Special needs populations are identified as:

- Persons with HIV/AIDS Related Illnesses;
- Homeless;
- Mentally Ill;
- Persons with Physical Disabilities;
- Mentally Challenged/Developmentally-Disabled Persons; and
- Migrant and Seasonal Farm Workers.

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Continued focus will be placed on the expansion of Finanzas, an employer-based bilingual literacy and financial literacy program for Latino immigrants working in the poultry industry.

The Director of DSHA sits on the Governor's Commission on Community Based Alternatives For Individuals with Disabilities. The Commission is comprised of several subcommittees including housing. DSHA serves as staff to the Housing Subcommittee providing planning and technical assistance to support the subcommittee's objectives. DSHA is working to develop a multi-family database of subsidized rental units that list accessibility features germane to people with disabilities. Furthermore, DSHA is coordinating with other members of the subcommittee to identify successful homeownership programs for people with disabilities that could be tailored to Delaware's disabled population.

In 2003, Delaware received an Offender Re-entry grant from the Department of Justice. DSHA has been a partner since the application was submitted and a representative serves on the Steering Committee. Housing has emerged as one of the most critical issues for those leaving Delaware prisons. A DSHA representative on the committee is chairing a subcommittee on housing offenders who would otherwise be homeless and likely to re-offend.

DSHA will continue its mission to promote and provide affordable housing opportunities and support infrastructure that reduces the net cost of housing development and rehabilitation.

DSHA is developing a statewide multi-family database, which will provide information about units that are made affordable through public assistance. DSHA expects to have this database available on the Internet in the future, so that citizens needing affordable rental housing can easily identify and contact housing developments, which have units that meet their needs.

Removing barriers to affordable housing

The Preliminary Land Use Service (PLUS), outlined in Chapter 92 of Title 29 of the Delaware Code, provides for state agency review of major land use change proposals prior to submission to local governments. The review is completed by all applicable state agencies at the start of the land development process, adding value and knowledge to the process without taking over the authority of local governments to make land use decisions. DSHA participates in this process and as a result, has been able to provide technical assistance to local communities completing comprehensive plans, and developers seeking to develop mixed-income communities.

DSHA actively participates in a working group to help Sussex County craft a Moderately Priced Housing Program. The program is being developed to provide affordable homeownership opportunities for teachers, police officers, nurses and other middle-class households. DSHA is assisting with the research because the goals of the proposed program complement initiatives that DSHA considers priorities in housing such as preserving long-term affordability; expediting review; and dispersing affordable housing.

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DSHA is a member of the working group to develop this annual conference that focuses on the issues facing Sussex County. Through this venue, DSHA has been able to educate a wide audience on affordable housing issues.

In an effort to eliminate barriers, DSHA will continue to participate in the Fair Housing Task Force Committee to carry out a comprehensive program for fair housing education and outreach to landlords, tenants, public planners and the general public at the local level throughout the state. Continued emphasis will be placed on action steps outlined in the State of Delaware Fair Housing Action Plan to eliminate the impediments to fair housing in Delaware.

Evaluating and reducing lead-based paint

The CDBG Program Guidelines will continue to reference HUD's lead-based paint regulations and require all applicants to demonstrate how the rehabilitation work will be conducted in accordance with these regulations. DSHA will also require any activity funded by the Housing Development Fund (HDF) or HOME Program, especially acquisition/rehab activities, to conduct an Environmental Site Assessment Phase I.

DSHA will continue to cooperate with the Division of Public Health to facilitate lead-safe work practice training to contractors. Any new rehabilitation contractors will be directed to the Delaware Division of Public Health, which pays for their training in lead-safe work practices.

All covered projects and activities under HOPWA, Public Housing and Section 8 Housing Choice Voucher Programs will be administered to the applicable lead based paint regulations. All programs will be monitored for compliance with current regulations. DSHA will monitor training and technical assistance needs relating to lead-based paint, and in conjunction with the Division of Public Health address those needs.

Reducing the number of poverty level families

Affordable housing represents an effective wage subsidy for local employers and an immediate salary increase for wage earners, thus creating income that can be applied to other living expenses. DSHA will continue to provide a variety of affordable housing options for Delawareans in order to help them stretch their household budgets.

DSHA's MTW Program requires residents to work or be in school in order to receive housing subsidy. Additionally, there is a 5-year limit to how long the family can receive subsidy. The goal is to establish positive work and budget habits over the time in the program, which will serve the family as they transition to un-subsidized housing. We believe that MTW plays an important role in breaking the cycle of poverty by providing case management services and resources that help families succeed.

DSHA has been an active participant on the Homeless Planning Council (HPC) and has provided the HPC operations grants for the past three years. The HPC coordinated the Delaware Continuum of Care application, manages the Delaware Homeless Management Information

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System (HMIS) and works to coordinate services and programs throughout the state to better meet the needs of homeless people and families.

DSHA is actively researching and considering the New Market Tax Credit (NMTC) Program. This program was designed to make investment capital available to businesses in qualifying low-income communities, to create jobs and spur additional economic development. Delaware was recently notified that we have been selected by the National Governors Association, as one of six states to receive intense technical assistance to develop innovative housing and economic development partnerships. DSHA's director and a staff person from our Division of Planning and Community Development will sit on the team being provided the technical assistance.

Beyond these efforts, poverty is a matter of cultivating adequate living wage jobs, ensuring health coverage, etc. These social and political decisions are beyond the scope of DSHA.

Developing institutional structure

Each year, housing and community development programs occur through DSHA, as well as through its partnerships with various state agencies, housing authorities, nonprofits and community development corporations. DSHA will continue efforts to foster collaboration between public and assisted housing providers and private and governmental health, mental health and service agencies.

Enhancing coordination among public, private housing and social service agencies

DSHA will continue its work in FY 2005 with a wide array of other state agencies and housing providers and advocates. These would include, but are not limited to, the following:

- Interagency Council on Homelessness
- Homeless Planning Council
- Fair Housing Task Force Committee
- Mental Health and Substance Abuse Council
- Department of Natural Resource and Environmental Control
- Council of State Community Development Agencies (COSDA)
- Department of Health and Social Services
- Department of Services for Children, Youth and their Families
- Delaware Economic Development Office
- Department of Labor
- Department of Transportation
- Department of Veterans Affairs
- Habitat for Humanity
- Strong Communities
- State Historical Preservation Office
- State Planning Office
- Division of Human Relations
- Housing Opportunities of Northern Delaware

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- Delaware Community Reinvestment Action Council
- Delaware Manufactured Homeowners Association

Foster public housing improvements and resident initiatives

As stated earlier, DSHA is the public housing authority for the State of Delaware and operates in Kent and Sussex Counties, Delaware. DSHA administers 518 units of public housing and 209 Section 8 New Construction. In addition, DSHA administers 902 Section 8 Housing Choice Vouchers. The Housing Choice Vouchers enables low-income Delawareans to lease privately owned rental units from participating landlords.

The Management Division of DSHA also provides contract administration oversight for 4477 project based Section 8 units throughout the state. These units are located in privately owned developments that receive HUD subsidy. DSHA's role is limited to contract compliance and payments.

Moving to Work

On March 25, 2005, HUD approved a one-year extension to DSHA's Moving to Work (MTW) Demonstration Agreement. The Demonstration is now extended until June 30, 2006. DSHA will continue efforts to obtain approval for permanent MTW status.

The goals and objectives under the DSHA MTW Program are outlined as follows:

- To reduce costs and achieve greater cost effectiveness by administrative reforms to the Public Housing and Section 8 Housing Choice Voucher Programs;
- To give incentives to families who are employed or seeking employment and self sufficiency; and,
- To improve housing options for our residents by offering or coordinating the following resources:
 - Homeownership counseling and assistance
 - Budget counseling
 - Fair market housing counseling
 - Assistance obtaining a Low Income Housing Tax Credit Unit
 - MTW savings account as income increases
 - Counseling to repair credit problems
 - Financial literacy education
 - Individual Development Accounts (IDA) for approved participants
 - Resident Homeownership Program

Since MTW implementation in August 1999, 286 families have successfully completed the MTW Program. One hundred and two have purchase homes and 184 have either begun paying the full rent at their current unit or moved to another unit and paid the full rent. Though some of those families would undoubtedly have been successful without MTW, DSHA feels that the

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majority became successful by taking advantage of the counseling and social services made available through the program, as well as the savings they accumulated while in the program.

The sixth-year Plan will concentrate on the following items:

- All original MTW-eligible PH residents and Section 8 participants will have completed five full years of MTW and will finish the MTW program.
- DSHA continues to work with the Department of Labor and the Delaware Economic Development Office to share information on new industry and business coming to Delaware, job trends and current job information. As needed, meetings will be scheduled for all parties as well as MTW participants.
- DSHA continues to work with a local tenant advocacy group and efforts have been renewed to assist individual communities with forming Resident Councils. Funding to offer appropriate stipends to Resident Council Officers and for approved site activities has been included in the Public Housing budget.
- DSHA will continue to require all MTW participants to complete financial literacy training. This 8 - 10 hour training is provided in conjunction with the annual completion of the Resident Action Plan (RAP).
- DSHA will continue recruiting MTW participants for the Individual Development Account (IDA) Program.
- DSHA is working to continue providing services that were formerly funded under the Public Housing Drug Elimination Program (PHDEP). Funds from the Capital Fund Program will be used to provide limited security services during FY2005. DSHA continues to advocate for a change in legislation to return the PHDEP to HUD's budget.
- DSHA is working to continue providing services that were previously funded from the MTW Technical Assistance Grant. Salaries for van drivers, computer education and scholarships were funded from this source. Funds to continue the salaries for the van program have been included in the MTW budget. DSHA continues to work to identify potential sources for funding scholarships and computer education as well as long term funding for the van program. The agency is committed to locating funding resources to continue providing this critical service of the MTW Program.

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Program-Specific Requirements

Community Development Block Grant

I. General

A. Scope and Applicability

These Program Guidelines describe the Delaware Community Development Block Grant (CDBG) Program for Kent and Sussex Counties in Delaware. Funds for this program, when appropriated by the U.S. Congress, are provided in a block grant to the State by the U.S. Department of Housing and Urban Development (HUD) pursuant to Section 106 of the Housing and Community Development Act of 1974, as amended by the Housing and Community Development Act of 1992, and in accordance with HUD rules, regulations and program memoranda.

B. Administration

The Delaware State Housing Authority (DSHA) administers the Delaware CDBG Program. The purpose of DSHA is to provide affordable, decent, safe, and sanitary housing to low- and moderate-income persons.

C. Program Design and National Objectives

The Delaware 2005 CDBG Program has been designed so as:

1. to give maximum feasible priority to activities which will benefit low- and moderate-income families; and
2. to aid in the prevention of slums and/or blight; and
3. to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and where other financial resources are not available to meet such needs;

Each CDBG activity must be an eligible activity, and it must meet one of the above three national objectives.

EXCEPT THAT the aggregate use of Title I funds received by the state during the period of Federal Fiscal Years 2004, 2005 and 2006 shall principally benefit persons of low- and moderate-income in a manner that ensures that not less than 70 percent of such funds are used for activities that benefit low- and moderate-income persons. In order to comply with the 70 percent principal benefit requirement, it is further agreed that not less than 70 percent of the total FY05 CDBG Grant shall be

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utilized for activities that benefit low- and moderate-income persons as defined in Section I.D. of these Program Guidelines.

D. Low- and Moderate-Income Definition

Low- and moderate-income persons are those persons whose incomes do not exceed the income limits for lower-income families pursuant to Section 8 of the United States Housing Act of 1937 as amended, and provided to the State of Delaware by HUD in a table of income limits as set forth by dollar amount and family size. (These income limits are periodically revised by HUD and are made available by DSHA to all units of general local government and counties in Delaware eligible for this program. See Attachment "A" to these Program Guidelines for the most recent figures dated 1/28/04).

E. Documentation of Low- and Moderate-Income Benefit

1. Target areas

- a. Community-wide low- and moderate-income percentages are noted in Attachment B to the Program Guidelines. The list is derived from a census summary tape, revised as of 4/03. These community-wide low- and moderate-income percentages will normally be used only for infrastructure activities such as a town well.
- b. Infrastructure (public works) activities must utilize either the community-wide low- and moderate-income figures noted in Attachment B, a survey following the methodology contained in the 7/11/89 HUD memorandum, "Survey Methodology to Determine Low/Mod Status of CDBG Service Areas," or the available census data at the tract or block group level, to show that target area residents are 51 percent low/moderate income. The web site for Delaware's census block group information can be found at: <http://www.hud.gov/offices/cpd/systems/census/lowmod/de/index.cfm>. Census maps can be found at: <http://factfinder.census.gov>. Past surveys not utilizing the HUD methodology will not be accepted.
- c. Housing rehabilitation activities no longer have to document that the target area residents are 51 percent low/moderate-income. Instead, the target area will be defined on the basis of the number of substandard dwelling units contained within its boundaries. The total number of dwelling units shall also be enumerated. Documentation of these figures shall normally be accomplished through a windshield survey.

Where no discernible target areas exist within a community's corporate limits, the entire community may be identified as a rehab target area.

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The total number of dwelling units, and the number of substandard dwelling units shall be documented as for any other target area.

Individual household incomes must, however, be thoroughly documented to verify that they are low- to moderate-income before each housing unit is provided housing rehabilitation assistance.

d. Housing Code Enforcement/Demolition:

Unless housing code enforcement/demolition activities meet the national criteria for slum and blight, these activities require target area determinations utilizing the HUD Survey Methodology or census data documenting a 51 percent benefit to low/moderate-income persons.

e. DSHA Pre-Approval:

All target area survey instruments, descriptions of how surveys were conducted, survey results, maps clearly indicating service area boundaries, a rationale/justification for the service area determination, and a rationale for the method used to determine low- and moderate-income benefit (if census information is not used) must be approved by DSHA prior to the submission of an application. Census data must be used to the maximum extent feasible for determining the income of persons residing in service areas. Target areas must have at least five eligible units per target area. All target area information must be received in the DSHA office at 18 The Green, Dover, Delaware 19901, no later than 4:00 p.m. on January 14, 2005.

f. Service Area Determination guidance can be found at the Section titled “Determining the service area” on pages 3-9 to 3-11 of the “Guide to National Objectives & Eligible Activities for State CDBG Program,” available from DSHA.

II. General Information for Applicants

A. Eligible Applicants

Eligible applicants are units of general local government in Kent and Sussex Counties, the Kent County Levy Court and the Sussex County Council.

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B. Number and Type of Applications

Each unit of local government and each county government may make only one application for funds in each program year, with the exception of applications for emergency activities and infrastructure for new housing development. An application from the Kent and Sussex County Governments may include unincorporated portions of the county, as well as those incorporated areas whose governing bodies have specifically requested to be included in the county's application. Written evidence of that request must be included with the county's application. If a local government has requested to be included in a county application it may not make a separate application, except applications for emergency activities and infrastructure for new housing development submitted after the normal application deadline.

C. Activities Outside an Applicant's Boundaries

An applicant may apply for CDBG funds for eligible program activities, which are partially outside its boundaries if it can be demonstrated that these activities are appropriate to meet the applicant's needs and objectives. Such activities must be consistent with state and local law, and the county or municipality within which these activities will take place must agree to such activities.

D. Activities Within An Application

Within a single application or fiscal year, an applicant may seek funding for activities, which address more than one community development need, as long as the total does not exceed the maximum allocation of \$1,100,000. The CDBG funds requested, either by themselves or in combination with other funds, must be sufficient to complete the proposed activities. An allocation exceeding \$500,000 would have to be extremely competitive.

E. Eligible Activities

The 2005 program will provide funds to units of general local government and to counties not entitled to receive CDBG funds directly from HUD to undertake eligible approved activities, as listed in these Program Guidelines. The program is competitive in nature and it is anticipated that the demand for funds will far exceed the total amount available to the state. Therefore, eligible applicants selected for funding will be those communities and counties whose applications best address locally-determined needs of low- and moderate-income families as contained in the Delaware Consolidated Plan dated May, 2003, and which are also consistent with the 51 percent principal benefit requirement, and which meet one or more state priorities.

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Applicants should be aware that proposed activities, which do not meet a State priority will be deemed unresponsive and not considered by the review panel, unless sufficient fundable activities meeting a state priority are not received by DSHA.

III. State Priorities and Set Asides

The following are the state's priorities and set asides for FY05 CDBG funding:

A. Maintenance of Existing Housing

1. Rehabilitation of substandard residential properties occupied by low- and moderate-income households.

a. General

- 1) Applicants must submit a list of all residential properties to be rehabilitated, with each property identified as owner or renter occupied. However, local governments with current waiting lists containing at least twice the number of applicants than are proposed for assistance may simply submit a certification to that effect, without submitting the normal list of properties to be rehabilitated.
- 2) For the FY05 program year, if rehab applicants are exhausted in targeted areas before funds are exhausted in those areas, excess funds from those areas can be transferred to other target areas. If all eligible rehab applicants are exhausted in all target areas before funds are exhausted in those areas, then the excess funds from those areas can be transferred to scattered site rehabilitation.
- 3) All residential properties receiving CDBG assistance must be rehabilitated up to the standards of the Delaware State Housing Code. All CDBG applicants must include a clause in their rehabilitation contracts, which enables them to rescind the contract in the event it is determined during the course of construction that the proposed rehabilitation is not feasible due to unforeseen conditions not known at the time the contract was executed.
- 4) All applicants requesting CDBG rehabilitation assistance must have adopted and be enforcing a housing code equivalent to or more restrictive than the Delaware State Housing Code. (Municipalities may be under contract for the enforcement of the code by county government.) The CDBG Subgrantee must certify

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that the property is up to housing code standards when rehabilitation is completed.

- 5) A ten year lien must be placed against all properties rehabilitated with CDBG funds; a five year lien is required on properties owned and occupied by a person(s) aged 62 years or older; a five year lien is required on manufactured housing receiving \$7,500 or less in CDBG rehabilitation assistance; and no lien will be required to be placed on properties receiving only water/sewer hookups or meter installations costing \$2,500 or less for the physical work and associated permits.
 - 6) The applicant must have adopted a rehabilitation manual containing all forms and procedures to be used, including: procedures for coordinating with similar rehabilitation programs and an executed Programmatic Agreement (PA) with the National Advisory Council and State Historic Preservation Officer.
 - 7) Applicants may use up to 50% of their CDBG funds for community-wide rehabilitation. Counties proposing to use their community-wide funds in incorporated communities must obtain a resolution from that community authorizing such rehabilitation to be done.
 - 8) Applicants must use 51 percent of their CDBG funds in designated DSHA-approved target areas. Subject to DSHA approval, where no identifiable smaller target areas exist, the target area requirement may be waived for a particular community.
 - 9) Except in cases of emergency rehabilitation, applicants must certify that units to be rehabilitated will be insured for at least the amount and period of the rehab loan.
 - 10) Local officials shall determine the suitability of providing rehabilitation assistance to any given residential property.
- b. Lead-Based Paint: This Section applies to activities renovating or rehabilitating housing units constructed prior to January 1, 1978 receiving Federally-funded project-based assistance.

Grantees shall follow the lead-based paint regulations found at 24 CFR part 35B Lead-Based Paint Poisoning Prevention in Certain Residential Structures.

- 1) In cases where evaluation or hazard reduction or both are undertaken, the subgrantee shall provide a notice to occupants in accordance with Section 35.125.
- 2) Grantees must provide a lead hazard information pamphlet to all families receiving assistance living in pre-1978 housing, and

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obtain a signed acknowledgment from occupants that they have received the pamphlet.

- 3) Lead-based paint inspection, risk assessments, testing, hazard reduction and abatement and treatment are eligible expenses.
- 4) Inspection/risk assessment/testing reports must be kept by the subgrantee for a period of three years.
- 5) The subgrantee must conduct paint testing or presume the presence of lead-based paint, in accordance with Section 35.930.
- 6) CDBG administration funds may be used for rehabilitation subgrantee lead-based paint certification training. No matching funds are required for administrative funds used for CDBG subgrantee lead-based paint certification training.

c. Rental Rehabilitation

- 1) A maximum of \$15,000 per unit may be provided for CDBG rental rehabilitation.
- 2) CDBG rental rehabilitation loans will be financed at 3 percent amortized over a period of 10 years and will not be deferred.

Exception: CDBG rental rehabilitation assistance used to provide up to 25 percent of the total cost of the work to be accomplished in conjunction with a Housing Rehabilitation Loan Program (HRLP) loan shall be in the form of a 0 percent deferred loan forgiven after 10 years.

- 3) Only 75 percent of the rehabilitation cost may be financed by CDBG funds. The remaining 25 percent must be financed through private funds.
- 4) The servicing of 3 percent CDBG rental rehabilitation loans shall be handled by DSHA through an agreement with a private servicing agent. The costs to DSHA of providing servicing will be reimbursed from principal and interest payments made by the owner to the Subgrantee. All principal and interest for rental rehabilitation loans shall be repaid on a regular monthly schedule after completion of the work.

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- 5) All rental units financed with CDBG funds must be occupied by low- and moderate-income persons at affordable rents throughout the duration of the loan agreement. Affordable rents are defined as Fair Market Rents (FMR) published periodically by the Federal HUD Section 8 Existing Program, and provided by DSHA to applicants for adoption as part of their rehabilitation program requirements. See Attachment D to these Program Guidelines for the most recent figures dated 2/28/05.
 - 6) All CDBG rental rehabilitation must utilize the forms and procedures contained in Delaware CDBG Rental Rehabilitation Procedures dated 10/21/92.
- d. The rehabilitation of manufactured housing shall utilize the same rehabilitation procedures as other housing, except that the following additional requirements apply:
- 1) There shall be a limit of \$10,000 per manufactured home rehabilitated on rental lots. There shall be a limit of \$15,000 per manufactured home rehabilitated where the owner owns both the manufactured home and the lot it is situated on.
 - 2) The CDBG Subgrantee must certify that the property will have at least 10 years of habitable life after rehabilitation is completed.
 - 3) Documentation that the manufactured home is in place and installed in accordance with local environmental, zoning and housing/building code requirements, must be obtained by the CDBG Subgrantee prior to starting work on the property.
 - 4) For manufactured housing where the owner owns both the manufactured home and the lot it is situated on, the unit must have a permanent foundation in order to be eligible for rehabilitation funds. If no permanent foundation exists, then the total rehabilitation contract specifications for a unit must include the installation of the foundation. For manufactured housing situated on rental lots, the permanent foundation requirement does not apply.
2. Housing code enforcement in areas of slum and blight (as defined in State regulations) or which benefit 51 percent low- and moderate-income persons.
- a. Applicants proposing housing code enforcement activities must certify that they will maintain during the period of the CDBG contract, in

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addition to their expenditures for carrying out any program assisted with CDBG funds, a level of expenditures for code enforcement activities at not less than their normal expenditures for such activities in the year prior to the execution of the CDBG Contract.

- b. Applicants requesting CDBG assistance for code enforcement must have adopted and be enforcing a housing code equivalent to the Delaware State Housing Code.
3. Demolition of substandard structures in areas of slum and blight (as defined in State regulations) or which benefit 51 percent low- and moderate-income persons. Applicants for demolition funds may use up to 50 percent of such funds for community-wide demolition.
 - a. All structures to be demolished must have been condemned by the applicant's code enforcement official. Applicants requesting CDBG assistance for demolition must have adopted and be enforcing a housing code equivalent to the Delaware State Housing Code.
 - b. Demolitions to be accomplished with the voluntary consent of the owner and at the discretion of the community, must be in the form of a permanent 0 percent deferred loan, that is not forgivable, unless new housing constructed on the property becomes exclusively: 1) owned and occupied as the principal residence(s) of low/moderate income household(s); or, 2) rented by low/moderate income household(s) for a period of at least ten years.
 - c. For non-voluntary demolitions, the governing body of the applicant must provide evidence that it has exhausted other available legal procedures to secure remedial action by the owner of the structure(s) involved, that demolition action is required, and that it has the legal authority to demolish the structure(s).
 - d. The applicant requesting CDBG assistance for non-voluntary demolitions must agree to place a tax lien on the property so that monies expended for razing, demolition, and removal of eligible structures or part(s) thereof, may be collected in the same manner as other real estate taxes. All such monies recovered shall be deemed to be program income.
 - e. Demolition liens, whether in the form of a 0 percent deferred loan, or a real estate tax lien, may be subordinated to a new mortgage on the property if the property is sold or transferred for the purpose of

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low/moderate-income housing. The lien will then continue in the original form until such time as the property is converted to a use other than for the purpose of low/moderate-income housing, at which time the lien will be required to be repaid; or, until such time as the property is actually used to house low/mod income household(s) as described in Section III.A.3.b., above, at which time the lien will be forgiven.

4. Construction or rehabilitation of emergency/transitional housing.
 - a. Applicant must provide evidence that the construction or rehabilitation will benefit at least 51 percent low- and moderate-income persons. This evidence must demonstrate that at least 51 percent of daily normal users of the facility are principally low- and moderate-income persons.
 - b. Applicant must certify that it will not charge any fees for accessing such assisted facilities so as to have the effect of precluding low- and moderate-income persons from obtaining said access.
 - c. All CDBG applicants must certify that they will comply with the labor standards as set forth in 24 CFR 570.603; HUD regulations at 24 CFR 607 and 609; and the Delaware CDBG Labor Standards Handbook.
 - d. No such activities will be funded unless additional funding has been secured for the provision of services which are complementary to the programmatic purpose of the activity.
 - e. The applicant must certify that it will obtain all necessary permits and will comply with all Federal, state and local standards and regulations that pertain to the type of activity requested such as building codes, insurance, and the state architectural accessibility standards prescribed by the State of Delaware Architectural Accessibility Board.
 - f. If the facilities to be assisted are publicly owned, the facilities must be nonresidential buildings which are not used for the general conduct of government such as "city halls, county administration buildings, state capitol or office buildings, or other facilities in which the legislative or general administrative affairs of government are conducted." (Section 102 (a)(21) of the Act); and which meet the requirements of 24 CFR 570.200 (5)(b).
 - g. If the facilities to be assisted are privately owned by a nonprofit organization, the organization must meet the requirements of 24 CFR 570.204 (c)(1), and be operated so as to be open for use by the general

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public during all normal hours of operation and otherwise meet the requirements of 24 CFR 570.200 (5)(b).

- h. The applicant must comply with all restrictions and limitations regarding the use of CDBG funds by nonprofit organizations which are church-related found at 24 CFR 570.200(j).
- 5. Relocation assistance as required under the Uniform Relocation Act, Delaware Code, and 24 CFR 570.
 - 6. Substantial Reconstruction of Housing.

CDBG funds may be used by a unit of general local government to reconstruct residential structures (i.e. rebuild the structure on the same site) having a low- and moderate-income owner occupant and consisting of one dwelling unit if either:

- a. The need for the reconstruction was not determinable until after rehabilitation on the structure had already commenced; or
- b. The housing that is being reconstructed is part of a neighborhood rehabilitation effort in which the unit of general local government is carrying out or proposes to carry out housing rehabilitation activities, and the housing to be reconstructed would otherwise be a part of the housing rehabilitation in that neighborhood; and the unit of general government determines:
 - 1) That the housing to be reconstructed is unsuitable for rehabilitation based upon severe structural deficiencies and an estimated cost of rehabilitation of \$25,000 or more; and
 - 2) The estimated cost of reconstruction is at least 20 percent less than the estimated cost of purchasing comparable newly constructed housing (including land) located in that neighborhood or in a comparable neighborhood of the unit of general local government; and
 - 3) The estimated cost of the reconstruction is less than the fair market value of the reconstructed housing and land based on an appraisal obtained before reconstruction.
- c. The unit of general local government shall document the basis for each of the determinations noted above.

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7. Provision of housing-related services in conjunction with activities noted above. Such housing-related services could include: training in housekeeping, fair housing and home ownership counseling, and other housing-related services not provided by other social service agencies, but that support the programmatic purpose of the activities noted above.
8. Set aside: 40-70 percent of CDBG funds available for allocation to activities, excluding administrative costs. The final percentage of CDBG funds allocated for the Existing Housing set aside will be dependent upon the quality and type of applications received in FY05.

B. Infrastructure for Low- and Moderate-Income Persons

The following activities in support of this state priority for low- and moderate-income persons are eligible:

1. Definition of infrastructure: The installation or improvement of water systems, sewer systems, streets, storm drainage systems, sidewalks. This includes all related activities such as engineering, land surveys, site acquisition (for housing development), planning studies, relocation assistance, etc.
2. Architectural/engineering studies for infrastructure directly related to housing development, including feasibility studies, site tests and soil borings.
3. Preparation of grant applications to other grantor agencies.
4. Acquisition of land for new housing development, in accordance with the requirements of the Uniform Relocation Act of Delaware Code.
5. Clearance and site preparation for new housing development for low- and moderate-income persons.
6. Installation or improvement of infrastructure for low- and moderate-income persons, including: water, sewer, streets, and sidewalks.
7. Planning studies, including comprehensive plans and zoning ordinances, which clearly by their intent and design, encourage the provision of affordable housing for low- and moderate-income persons.
8. For items 1-7 as applicable above:
 - a. The applicant must provide evidence that it will provide a minimum cash or in-kind match for each activity, as described below. Cash

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matches may be provided through other sources of funding for the same activity.

<u>Infrastructure Match Requirements</u>		
<u>Total Activity Cost</u>	<u>Cash Match</u> <u>or</u>	<u>In-Kind Match</u>
Up to \$100,000	10% of Activity	15% of Activity
\$100,000+ to \$200,000	15% of Activity	20% of Activity
\$200,000+	20% of Activity	25% of Activity

- b. Applicant must provide evidence that at least 51 percent of the persons benefited by the activity are in fact low- and moderate-income persons.
- c. Applicant must certify that there will be no special assessment against properties owned by low- and moderate-income persons to recover that portion of a capital expenditure funded with CDBG funds. The term special assessment is defined to mean a fee or charge levied or filed as a lien against a parcel of real estate as a direct result of benefit derived from the installation of a public facility improvement, such as streets, curbs, and gutters. The amount of the fee represents the pro rata share of the capital costs of the public improvement levied against the benefiting properties.
- d. All CDBG applicants must certify that they will comply with the labor standards as set forth in 24 CFR 570.603; HUD regulations at 24 CFR 607 and 609; and the Delaware CDBG Labor Standards Handbook.
- e. The applicant must certify that it will obtain all necessary permits and will comply with all Federal, State and local standards and regulations that pertain to the type of activity requested.

- 9. Set aside: 30-60 percent of CDBG funds available for allocation to activities, excluding administrative costs. The final percentage of CDBG funds allocated for the Infrastructure for Housing Development and Maintenance set aside will be dependent upon the quality and type of applications received in FY05.

C. Emergency activities (water, sewer, housing rehabilitation and demolition), which have a particular urgency because existing conditions pose a serious and immediate threat to the health and welfare of the community and other financial resources are not available to meet such needs.

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1. For emergency water and sewer activities:
 - a. Applicant must certify that there will be no special assessment against properties owned by low- and moderate-income persons to recover that portion of a capital expenditure funded with CDBG funds.
 - b. The serious and immediate threat must be documented by letters from appropriate agencies such as the State Board of Health, DNREC, state/local fire officials, etc.
 - c. The serious and immediate threat must be of recent origin or recently became urgent, that is, the condition developed or became critical within 18 months of a certification that must be made by the applicant in its application.
 - d. Applicant must certify and document that it is unable to finance the construction of these facilities without CDBG funds. Such documentation shall include: (a) if appropriate, letters from other grantor agencies such as the Department of Natural Resources, Department of Transportation, Bicentennial Fund, etc., confirming that funds were not available; (b) appropriate financial statements showing the lack of local funds; and (c) a financial analysis of why the activity is not feasible through use of other methods of local funding such as the proceeds of general obligation bonds, special assessments, etc.
 - e. All CDBG applicants must certify that they will comply with the labor standards as set forth in 24 CFR 570.603; HUD regulations at 24 CFR 607 and 609; and the Delaware CDBG Labor Standards Handbook.
 - f. The applicant must certify that it will obtain all necessary permits and will comply with all Federal, State and local standards and regulations that pertain to the type of activity requested.
2. For emergency rehabilitation and demolition:
 - a. Required as a direct result of a natural disaster, such as a tornado, flood, hurricane, or similar catastrophe.
 - b. State has made a formal request to the Federal Emergency Management Agency for preliminary damage assessment and/or for which Federal disaster assistance has been officially sought by the state.
 - c. At the discretion of the DSHA Director, rehabilitation assistance may be provided to persons not of low/moderate-income when the need for such assistance is clearly documented.

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- d. Emergency rehabilitation and demolition activities will only be provided to cover losses not covered by insurance.
 - e. Both emergency rehabilitation and demolition assistance will utilize the same liens and contracts as used for regular rehabilitation and demolition programs.
3. Set aside: 0-7 percent of CDBG funds available for allocation to activities, excluding administrative costs. The final percentage of CDBG funds allocated for the Emergency Activities set aside will be dependent upon the quality and type of applications received in FY05.

D. Administration

1. At least 50 percent of the administrative cost of the activity(ies) must be provided by the local funds of the applicant.
2. Matching Requirements

These local funds may be drawn from local operating appropriations, nonprofit organization funds, proceeds of general obligation revenue bonds or other funds expended for the same purpose as the CDBG funds are expended. Any costs incurred by the applicant for activities, which directly benefit the CDBG activity and meet the requirements of OMB Circular A-87 may be used to meet this match requirement.

However, these funds must be spent in the same consecutive twelve month period as the CDBG funds. For the purpose of this match requirement an applicant is considered to be: (a) a county's application for its unincorporated areas; (b) incorporated areas applying on their own; or (c) incorporated areas under a county's application.

3. Administrative Costs Limits

Administrative costs allowable to participating units of general local government under the CDBG Program shall be governed by the matching requirement in Paragraph 2 above, the contract budget and by the Federal requirement that the state and its CDBG Subgrantees are limited to an aggregate amount of administrative costs that represent twenty percent of the state's total grant from HUD in any given Federal fiscal year. It should be noted that the total amount of CDBG funds available for administration in FY05 may be less than the amount currently allocated, depending upon the number and quality of applications received.

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IV. Application Submission

A. Submission Date

Applications for the state's FY05 CDBG Program must be received in the DSHA office at 18 The Green, Dover, Delaware 19901, no later than 4:00 p.m. on February 4, 2005. Applications for emergency activities and infrastructure for housing development will be considered at any time during the program year, subject to the following conditions: sufficient unallocated CDBG funds must be available to fund the activity(ies); assuming the availability of CDBG funds, a review panel will be convened to evaluate such proposals as well as those activities which were not originally recommended for full funding; and the need for CDBG funds must have arisen after the application deadline and be required for immediate use. ONE SIGNED ORIGINAL AND TWO COPIES of the application must be submitted.

B. Application Content and Format

Applications for CDBG funds must be made on such forms and in accordance with such instructions as are prescribed by DSHA, and include all forms and questionnaires as may be applicable to the specific proposed activity.

C. Documentation and Certifications

Applications for CDBG funds must include all such documentation and certifications as may be prescribed in these Program Guidelines and in the application instructions prescribed by DSHA.

D. Program Performance Period

All applications for 2005 funds shall be to finance CDBG eligible activities that shall be initiated no sooner than July 1, 2005, and completed no later than June 30, 2006.

V. Application Review

A. DSHA Staff

1. The DSHA staff will review all applications for completeness and to determine whether the applications meet the minimum threshold requirements for all applications.
2. If the assessment by the DSHA staff indicates that an application fails to meet any of the applicable threshold requirements, and the applicant has not provided the requested information to make the application complete, DSHA staff will prepare a report on each such application and submit it to the Director of DSHA. If the Director of DSHA agrees with the assessment by DSHA staff, the application will

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be considered unresponsive. Such applications will not be forwarded to the review panel(s) referred to below, but will be returned to the applicant with a reason for the rejection. Any application that has been assessed as unresponsive shall be precluded from any further consideration in the FY05 CDBG Program, unless it is modified after July 1, 2005 to meet the threshold requirements for activities having a particular urgency or infrastructure for new housing development, and provided it falls within the requirements for a request for "recaptured/ remaining funds" after July 1, 2005 as specified in Section VI.D. of these Program Guidelines.

3. Modifications to Application Budgets

It is essential that the amount of CDBG funds requested in each application be reflected in a budget which is both reasonable and realistic, and which conforms with all the requirements for such budgets contained in these Program Guidelines and the instructions for CDBG applications. Because of this, DSHA staff may, after determining that an application has met all the applicable threshold requirements, enter into direct negotiations with an applicant to reach agreement on any budgetary modifications that should be made before the application is presented to the Review Panel(s) that will evaluate the proposal(s).

4. Staff Reports

The DSHA staff shall provide the Review Panel(s) with a separate staff report on each application that will at a minimum include the following:

- a. Certification that the application/applicant has met all applicable threshold requirements, including evaluation of low- and moderate-income benefit.
- b. Certification that the proposed budget represents a realistic/reasonable budget which conforms to all applicable instructions and policies.
- c. The conformance of the proposed activities to the goals and objectives of the Delaware Consolidated Plan.
- d. An evaluation of the applicant's capacity, and past performance under the CDBG Program.

B. Review Panel(s)

1. The review panel(s), composed of persons with the appropriate background and experience, shall evaluate each proposed activity, based upon the following criteria. A maximum total of 105 points may be received by an application.

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- a. Low- and Moderate-Income Benefit (Provided by DSHA Staff):
Applications showing a greater benefit to low- and moderate-income persons for similar activities will be rated higher than those showing a lesser benefit to low- and moderate-income persons. Up to 25 points as follows:
- (1) 90-100% L/M = 25
 - (2) 80-89% L/M = 20
 - (3) 70-79% L/M = 15
 - (4) 60-69% L/M = 10
 - (5) 51-59% L/M = 5
 - (6) 0 -50% L/M = 0
- b. Management Capacity (provided by DSHA Staff): Each applicant's management capacity for each of the activities proposed will be evaluated on the basis of the most recent monitoring report(s), current or proposed staff qualifications, progress achieved in completing its current CDBG Program (if applicable), and most recent audit report(s) (if applicable). Up to 5 points as follows:
- (1) outstanding = 5
 - (2) above standard = 3
 - (3) standard = 1
 - (4) below standard = 0 (no allocation)
- c. Cost/benefit of Activity: - Each proposed activity will be evaluated on the basis of the following factors. Up to 70 points as follows:
- (1) severity of need, including the number, percent and geographic concentration of low/moderate-income families; number, percent and geographic concentration of substandard housing; number, percent and geographic concentration of housing needing public facilities; emergency status:

<u>Points</u>	<u>Need</u>
1	not documented
10	moderate
20	severe
 - (2) holistic impact of activity, meaning, the degree (percentage, from Section IV. B. and C. of application) to which the identified need(s) for the activity(ies) is/are proposed to be addressed:

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<u>Points</u>	<u>Impact</u>
1	low
8	moderate
15	high

- (3) cost reasonableness, meaning, the reasonableness of the proposed program activity costs taking into account construction estimates and the availability of other resources:

<u>Points</u>	<u>Cost/Reasonableness</u>
1	low
5	moderate
10	high

- (4) leveraging of other resources, meaning extent to which other firm, committed funding sources are identified):

<u>Points</u>	<u>Other Resources</u>
1	minimal or no match
8	moderate match
15	significant match

- (5) suitability/feasibility of work plan, meaning the extent to which the applicants proposed scope of work will realistically be accomplished within the next fiscal year:

<u>Points</u>	<u>Plan Feasibility</u>
1	poor
3	fair
5	good

- d. Target Area Bonus Points: Housing rehabilitation target areas applying to rehabilitate the following percentages of their total deteriorated units will receive the following bonus points:

<u>Bonus Points</u>	<u>Percent of Deteriorated Units to be Assisted</u>
5	80% - 89%
10	90% – 100%

- e. An oral presentation by the applicant to the review panel will supplement the application scores and serve as a factor in the panel's final decision.

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2. Review Panel Recommendations

DSHA staff will prepare a summary evaluation of all applications received, which will include the scores for each proposed activity as described in V.B. above, and a descriptive summary of the review panel's comments and recommended priorities for funding.

C. Director of DSHA

The Director of DSHA will make the final decisions on allocating CDBG funds, based upon the review panel(s) recommendations and any additional relevant information obtained subsequent to those recommendations. Such additional information will only be considered if it reflects a substantive change in the application review criteria noted in Section V.B.1. above.

D. Allocations

Allocations to specific activities will be based on approved contract budgets. The maximum allocation for any single applicant shall not exceed \$1,100,000 in any program year. Applicants should be aware that a total of approximately \$2,000,000 is expected to be available for program activities. An allocation exceeding \$500,000 would be extremely competitive.

VI. Additional Funding

A. Program Income Returned to Unit of Local Government

1. Program income means amounts earned by a unit of general local government or its subrecipient that were generated from the use of CDBG funds allocated by the state in a contract with a unit of general local government.
2. The use of program income is subject to all the applicable requirements of federal law, HUD regulations and program memoranda, and the general requirement of these Program Guidelines, which are consistent with said law, regulations and program memoranda. Additionally, the specific requirements for Program Income as are contained in the State's Financial Handbook shall also apply.
3. Program income retained by the unit of local government will:
 - a. be added to funds committed to the activity and used to further the same program activity as the income was derived;
 - b. not be used to pay administrative costs; and
 - c. be expended before additional funds are drawn down from DSHA for the same activity.

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4. Program income not authorized for retention and expenditure by the unit of local government will be returned to the state.

B. Program Income Returned to the State of Delaware

Section 104(i) of the Housing and Community Development Act of 1974, as amended by the Housing and Community Development Act of 1992, authorizes states to distribute program income when such income has been returned to the state. Program income returned to the state shall be disbursed to communities under open CDBG Contracts prior to making additional draws from the U.S. Treasury. The funds thus freed up shall be allocated in accordance with Section VI.D. below.

NOTE: Program income generated by CDBG rental rehabilitation loan repayments is considered program income of the unit of local government, even though such repayments are made directly back to DSHA through its loan servicing agreement. All such program income will be distributed to the appropriate unit of local government in accordance with the provisions of Section VI.A. above.

C. Reallocated/Supplementary Funds

Reallocated funds are those HUD has recaptured from a Small Cities subgrantee and "reallocated" to Delaware. If Delaware should receive any "reallocated funds" from HUD for distribution as part of the FY05 CDBG Program, these funds shall be allocated in the same manner and under the same conditions as described in Section VI.D. below. Supplementary funds are those funds that HUD may award to the state after July 1, 2005, and shall also be allocated in the same manner and under the same conditions as described in Section VI.D. below.

D. Recaptured/Remaining Funds

1. Recaptured funds are those CDBG funds which remain unobligated after a CDBG contract has either been closed out or terminated; or after it has been determined that the total amount of CDBG funds originally allocated in a given contract are not required to complete the proposed activity for which they are allocated.

Remaining funds are funds for which a method of distribution was contained in a prior year's Program Guidelines, but which have not been, and are no longer intended to be so distributed. Remaining funds may also be an amount left over after the state has awarded all of its contracts, but the left over amount is too small to fund an application.

2. Recaptured/remaining funds that shall be received from its recipients by June 15, 2005, shall be included as part of the FY2005 allocations in accordance with all applicable requirements of these Program Guidelines.

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3. Recaptured/remaining funds that shall be received from its recipients after June 15, 2005 shall be set aside for the following purposes:
 - a. To provide additional funding for any activity already under contract so long as the total amount of funds allocated does not exceed the \$1,100,000 maximum allocation for any single applicant; in those cases where an unforeseen situation may have arisen after the original contract budget had been approved (the burden of proof will rest with the applicant); or when the activity has not been funded in the total amount originally requested.
 - b. To fund emergency activities and infrastructure for housing development that were not previously submitted as part of the 2005 CDBG Program and the need for which may have arisen after the deadline for 2005 applications has passed. The \$1,100,000 maximum allocation of CDBG funds for any single applicant in any program year shall apply.
 - c. At the discretion of the Director of DSHA, eligible applications not originally recommended for funding because of limited resources may be reconsidered for funding after approved activities noted in (a) and (b) above have been funded.
 - d. The priorities for distributing funds under this part shall be in accordance with the state's method of distribution found in Section V.

E. Combining Other Funding to Comprehensively Address Rehabilitation Needs

- A. Again in FY05, greater emphasis will be given to applications, which take a holistic approach to community development through comprehensively combining all funding sources, one community at a time. DSHA expects applications responsive to this change in emphasis to combine smaller CDBG funding requests with HRLP, HPG, AND NRF funding in target areas. Where these other sources of funding are used to comprehensively address rehabilitation needs and to lessen the demand on CDBG rehabilitation funding, greater consideration will be given to CDBG infrastructure requests. As a result, rehabilitation needs will be comprehensively addressed, more CDBG funds will be available for infrastructure activities, and community development needs in general will be holistically addressed. In the scoring of applications, strong emphasis is given to leveraging, and, leveraging funds must be shown and identified in activity budgets. Letters of commitment signed by a majority of the board/council committing the match, and including the source of the match, must accompany any applications claiming to have matching funds.

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VII. Waivers of Policy

The Director of DSHA may waive any requirement of these Policies not required by Federal/State law or Federal regulation, whenever it is determined that undue hardship will result from applying the requirement or where application of the requirement would adversely affect the purposes of the Delaware CDBG Program. Waivers shall be made in writing, citing the policy provision to be waived, the authority for the waiver, and be supported by documentation of the pertinent facts. Where only a portion of the policy provision is to be waived, the waiver must expressly limit itself to that portion.

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Attachment A to the Delaware CDBG Program Guidelines

REVISED INCOME LIMITS (EFFECTIVE 2/11/05)

	<u>Kent County</u>		<u>Sussex County</u>	
	<u>LOW</u>	<u>MODERATE</u>	<u>LOW</u>	<u>MODERATE</u>
1 PERSON	\$19,850	\$31,750	\$19,300	\$30,850
2 PERSON	\$22,650	\$36,300	\$22,050	\$35,250
3 PERSON	\$25,500	\$40,800	\$24,800	\$39,650
4 PERSON	\$28,350	\$45,350	\$27,550	\$44,100
5 PERSON	\$30,600	\$49,000	\$29,750	\$47,600
6 PERSON	\$32,850	\$52,600	\$31,950	\$51,150
7 PERSON	\$35,100	\$56,250	\$34,150	\$54,650
8 PERSON	\$37,400	\$59,900	\$36,350	\$58,250

Higher income limits apply to families with more than eight persons, although they are not included in the printed state lists because of space limitations. The lower income limits for families larger than eight persons are determined by adding 6.25 percent of the four-person income limit base to the eight-person limit for each person in excess of eight. For very low-income limits, 8 percent of the four-person base is added to the eight-person limit for each person in excess of eight (e.g., the nine-person very low limit equals 1.4 (1.32 + .08) times the four-person limit.) The limits developed by the use of these factors are to be rounded to the nearest \$50.

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Attachment B to the Delaware CDBG Program Guidelines

LIST OF LOW/MODERATE-INCOME BENEFIT FIGURES IN KENT AND SUSSEX MUNICIPALITIES - 2000 (Census)

<u>Place Number</u>	<u>City / Town</u>	<u>% Persons Low/Mod</u>
07250	Bowers	42.1%
10760	Camden	30.1%
14660	Cheswold	58.7%
15440	Clayton	33.5%
21387	DAFB Housing	54.7%
25840	Farmington	36.6%
26620	Felton	35%
28440	Frederica	49.4%
33120	Harrington	53.5%
33250	Hartly	51.9%
36760	Houston	40%
39100	Kenton	51.7%
41700	Leipsic	45.5%
42870	Little Creek	44.6%
44430	Magnolia	32.1%
47420	Milford	47.5%
67310	Smyrna	44.1%
74330	Viola	26.3%
80830	Woodside	31.4%
81350	Wyoming	25.8%

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SUSSEX COUNTY
 2000 (Census)

<u>Place Number</u>	<u>City/ Town</u>	<u>% Persons Low/Mod</u>
05690	Bethany Beach	18.5%
05820	Bethel	35.3%
06730	Blades	55.7%
08680	Bridgeville	55.6%
18950	Dagsboro	38.9%
20380	Delmar	55.3%
20900	Dewey Beach	19.6%
24020	Ellendale	44.7%
26880	Fenwick Island	21.3%
28310	Frankford	49.6%
29090	Georgetown	54.9%
31560	Greenwood	47.8%
33900	Henlopen Acres	9.2%
41310	Laurel	55.8%
41830	Lewes	24.7%
47420	Milford	47.5%
47940	Millsboro	53.8%
48200	Millville	35.5%
48330	Milton	46.6%
53920	Ocean View	24.8%

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60290	Rehoboth Beach	26%
64320	Seaford	50.5%
64840	Selbyville	43.6%
67050	Slaughter Beach	40.9%
67700	South Bethany	12.3%

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Attachment C To The Delaware CDBG Program Guidelines

CERTIFICATIONS BY APPLICANTS FOR THE DELAWARE CDBG PROGRAM

The applicant hereby assures and certifies that it will comply with the regulations, policies, guidelines and requirements with respect to the acceptance and use of Federal funds for this federally-assisted program. Also, the applicant gives assurance and certifies with respect to the program that:

- (a) It possesses legal authority to make an application and to execute a community development program.
- (b) Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the person identified as the official representative of the applicant to submit this application, all understanding and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the submission of the application and to provide such additional information as may be required.
- (c) That prior to submission of its application to DSHA, the applicant has met the following citizen participation requirements:
 - 1) Each applicant shall have provided all citizens, especially those living within the area(s) affected by the proposed application, with adequate opportunity for meaningful involvement on a continuing basis and for participation in the planning, implementation and assessment of its community housing and development plans and all CDBG applications related thereto. At the time of preparation of any application for funds under this program, the applicant shall provide adequate information to citizens including reasonable access to records on the past use of CDBG funds; and hold at least one public meeting (pursuant to advertisement in a publication of general local circulation) so that citizens will have the opportunity to comment on the community's past performance under the CDBG Program. A copy of the legal advertisement announcing the date, place and time of the meeting, and a transcript or summary of the comments received at the meeting must be included with the application. (Nothing in these requirements, however, shall be construed to restrict the responsibility and

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authority of the applicant for the development of the application and the execution of its community development program.); and

2) Each applicant certifies that it has obtained the review and comment of its Community Development Advisory Committee as required by the Delaware CDBG Citizen Participation Plan dated March 1, 1988 and Section 508 of the Housing and Community Development Act of 1987; and

3) Each applicant certifies that it has included in its notice of public meeting the following language:

"...In accordance with the Section 106 Review Process established by the National Historic Preservation Act of 1966, as amended, comments are especially encouraged from interested agencies and individuals with respect to undertakings that may affect historic properties of significance to such agencies and individuals..."

(d) It has developed its application so as to give maximum feasible priority to activities which benefit low- and moderate-income families or aid in the prevention or elimination of slums and blight; and activities which the applicant certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available to meet such needs.

(e) Its chief executive officer or other officer of the applicant approved by DSHA:

(1) Consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 and other authorities as specified in 24 CFR 58.1 (a)(3) and carry out this responsibility in accordance with the "Overview of Environmental Review Procedures" issued for the Delaware CDBG Program and dated July 1989; and meet the requirements of 24 CFR Part 58 and 24 CFR 570.604; and

(2) Is authorized and consents on behalf of the applicant and himself/herself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his/her responsibilities as such an official.

(f) The program will be conducted and administered in compliance with:

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- (1) Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352) and implementing regulations issued in 24 CFR Part 1;
- (2) Title VIII of the Civil Rights Act of 1968 (Pub. L. 90-284), as amended, and implementing regulations;
- (3) Section 109 of the Housing and Community Development Act of 1974, as amended; and the regulations issued pursuant thereto (24 CFR Section 570.601);
- (4) Section 3 of the Housing and Urban Development Act of 1968, as amended and implementing regulations of 24 CFR Part 135;
- (5) Executive Order 11246, as amended by Executive Orders 11375 and 12086 and implementing regulations issued at 41 CFR Chapter 60; and the state review requirements of the Architectural Accessibility Act (Chapter 73, Title 29, Delaware Code) and the applicable rules and regulations promulgated by the State Architectural Accessibility Board;
- (6) Executive Order 11063 as amended by Executive Order 12259 and implementing regulations at 24 CFR Part 107;
- (7) Section 504 of the Rehabilitation Act of 1973 (Pub. L. 93-112), as amended and implementing regulations at 24 CFR Part 8;
- (8) The Age Discrimination Act of 1975 (Pub. L. 94-135) and implementing regulations when published;
- (9) The relocation requirements of Title II and the acquisition requirements of Title III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and the implementing regulations at 24 CFR Part 42 and all applicable regulations of the Delaware Uniform Relocation Act (Chapter 93, Title 29, Delaware Code);
- (10) The labor standards requirements as set forth in 24 CFR, Parts 3 and 5, and HUD regulations issued to implement such requirements;
- (11) Executive Order 11988 relating to the evaluation of flood hazards and Executive Order 11288 relating to the prevention, control, and abatement of water pollution;

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- (12) The flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (Pub. L. 93-234);
 - (13) The regulations, policies, guidelines and requirements of OMB Circular Nos. A-102, A-87, A-110, A-122, and A-133 as they relate to the acceptance and use of Federal funds under this federally-assisted program and the Delaware CDBG Financial Management Handbook;
 - (14) Section 106 of the National Historic Preservation Act of 1966, as amended via the Advisory Council on Historic Preservation's Regulations, Protection of Historic and Cultural Properties (36 CFR 80);
 - (15) The provisions of the Hatch Act, which limits the political activity of employees;
 - (16) The lead-based paint requirements of 24 CFR Part 35, Subpart B issued pursuant to the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4801 et. seq.).
- (g) It will comply with the CDBG Regulation CFR 570.611, which prohibits conflicts of interest and with the HUD Standards of Conduct issued on November 1, 1985.
 - (h) No member, officer, or employee of the applicant, or its designees or agents, no member of the governing body of the locality in which the program is situated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the program during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof for work to be performed in connection with the program assisted under the CDBG Program, and that it shall incorporate, or cause to be incorporated, in all such contracts or subcontracts a provision prohibiting such interest pursuant to the purposes of this certification;
 - (i) It will give HUD, DSHA, the State Auditor and the Federal and State Comptroller Generals or any authorized representatives access to all records, books, papers, or documents related to the CDBG Program.
 - (j) It certifies to affirmatively further fair housing in accordance with Section 104(b)(2) of the Act as amended.

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- (k) Because HUD has not issued final regulations implementing the 1983 and 1984 amendments to the Housing and Community Development Act of 1974, as amended, the following "special condition" is incorporated into these Program Guidelines as a certification by the applicant and will also be utilized in all CDBG contracts:

Notwithstanding any other provisions of these Program Guidelines, requirements of the Amendments to Title I of the Housing and Community Development Act of 1974, and HUD's final regulations related thereto, which supersede or are not provided in the FY05 Program Guidelines shall govern the use of the assistance provided by the state to local government units in FY05-FY06.

- (l) It will not attempt to recover any capital costs of public improvements assisted in whole or part with the Title I funds by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements, unless:
- 1) assessment that relates to the capital costs of such public improvements that are financed from revenue sources other than Title I funds; or
 - 2) for purposes of assessing any amount against properties owned and occupied by persons of low- and moderate-income who are not persons of very low income.
- (m) It certifies to adopt and enforce a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations in accordance with Section 519 of Public Law 101-44, (the 1990 HUD Appropriations Act).

Date

Signature of Authorized Official

Title of Official

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Attachment D to the Delaware CDBG Program Guidelines

DSHA-35

SECTION 8 EXISTING FAIR MARKET RENTS AND CONTRACT RENT ANNUAL ADJUSTMENT FACTORS

I. FAIR MARKET RENTS - (Revised 02/28/05)

KENT COUNTY

<u>0-BR</u>	<u>1-BR</u>	<u>2-BR</u>	<u>3-BR</u>	<u>4-BR</u>	<u>MANUFACT- URED HOME SPACE</u>
550	599	663	867	1164	265

SUSSEX COUNTY

<u>0-BR</u>	<u>1-BR</u>	<u>2-BR</u>	<u>3-BR</u>	<u>4-BR</u>	<u>MANUFACT- URED HOME SPACE</u>
510	555	617	844	869	246

II. CONTRACT RENT ANNUAL ADJUSTMENT FACTORS FOR UNITS WITH NO TURNOVER - (Effective 9/16/03 - Revised 9/16/03)

HIGHEST COST UTILITY

	<u>Included</u>	<u>Excluded</u>
Kent County Metro	1.007	1.020
Sussex County Non-Metro	1.000	1.016

NOTE: The Annual Rent Adjustment Factors shown above may be used by investor-owners after the first year of the rehabilitation loan. However, the rents charged by investor-owners may not exceed the current Fair Market Rents for the duration of the loan.

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HOME Program

The HOME Investment Partnerships Program (HOME Program) allocates funds to eligible states and local governments to provide affordable housing. The American Dream Down payment Initiative (ADDI) was made a part of the HOME Program on December 16, 2003 by Public Law 108-186. In Delaware, the HOME Program and ADDI are administered by the Delaware State Housing Authority (DSHA).

Program Description

The U.S. Department of Housing and Urban Development (HUD) allocates funds by formula to eligible participating jurisdictions for use in providing affordable rental and homeownership housing through the acquisition, rehabilitation and new construction of housing and tenant-based rental assistance. In FY05, \$3,000,000 has been allocated to Delaware, of which at least 15% is reserved for use by Community Housing Development Organizations (CHDOs) for furthering affordable housing.

In addition to the above noted FY05 HOME Program allocation, the State of Delaware has been allocated ADDI funds in the amount of \$59,601 for FY05. The requirements for use of ADDI funds differ from other eligible HOME Program activities and are noted herein.

Eligible Activities

HOME Program funds will be used to further affordable housing for very low- and low-income persons and families and special population groups. Eligible activities under Delaware's HOME Program are:

1. Permanent and Transitional Housing (no emergency shelters or emergency repair programs) including:
 - a. New construction of single and multi-family housing.
 - b. Rehabilitation, conversion, or reconstruction of single and multi-family housing.
 - c. Acquisition, demolition and other costs related to constructions that are eligible under HOME Program regulations.
2. Deferred second mortgage loans from ADDI funds to low-income first-time homebuyers for acquisition of single family housing not to exceed the greater of \$10,000 or 6% of the purchase price subject to the conditions contained in paragraph 3 following.
3. Deferred second mortgage loans to homebuyers subject to the recapture provisions as contained in Attachment A as attached hereto.
 - a. Second mortgage loans shall be at 0% interest and shall not require payments except in the event of sale of the property. The loans shall be forgiven at the end of the period of affordability provided all HOME Program requirements have been met.
 - b. The loans may be used for down payments and closing costs associated with the sale of the property.

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- c. In order to be eligible for a loan, an applicant must have satisfactorily completed a DSHA-approved homeownership-counseling program or must be enrolled in such a program and be making satisfactory progress as determined by DSHA in its sole discretion.
 - d. Participants in DSHA's Scattered Site Public Housing Homeownership Program (PHHP) shall receive priority for all HOME Program second mortgage loans. If there are no potential PHHP applicants who may utilize available ADDI funds, DSHA may allow non-PHHP participants to apply for ADDI funds only. Other applicants seeking ADDI HOME Program second mortgages that are not in the PHHP may be required to apply for all other available State second mortgage assistance such as the SMAL Program if funds are available. Other ADDI applicants qualifying for an USDA/Rural Development mortgage may be required to apply for USDA/Rural Development assistance.
 - e. Loans shall be approved by the Director of DSHA and may not exceed \$20,000 in combined ADDI and other HOME Program funding or such other reasonable amount approved by the Director. DSHA may limit the number of loans issued in any fiscal year.
4. Administration costs incurred by DSHA subject to a limit of 10% of the total federal fiscal year allocation and 10% of any program income during the fiscal year. Only FY03 ADDI funds are included in calculation of the 10% limit.
 5. Operating expenses of CHDOs up to the maximum allowable under HUD regulations of a federal fiscal year allocation of HOME funds made available to Delaware provided that:
 - a. The CHDO has been designated as a CHDO by DSHA, and is not a prospective CHDO, and DSHA has reserved or intends to reserve CHDO set aside funds for the CHDO. If funds for operating expenses are provided to a CHDO that is not also receiving a portion of the 15% CHDO set aside for developments, then DSHA must enter into a written agreement with the CHDO that provides that the CHDO is expected to receive CHDO set aside funds within 24 months of receiving the funds for operating expenses, and specifies the terms and conditions upon which this expectation is based. DSHA in its sole discretion shall determine if the expectation is reasonable.
 - b. The operating expense is incurred in accordance with a written agreement as specified in 24 CFR Part 92, Sections 92.300 and 92.504.
 - c. Operating expenses are defined as reasonable and necessary costs for the operation of a CHDO. Such costs include salaries, wages, other employee compensation and benefits; employee education, training, and travel; rent; utilities, communication costs; taxes; insurance; and equipment, materials and supplies. No indirect

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operating expenses may be charged by a CHDO, and no capital expenditures over \$1,000 will be allowed. These funds may not be used to pay operating expenses of a CHDO acting as a sub recipient or contractor under the HOME Program.

- d. A CHDO may not receive HOME Funding from all HOME funding sources for any fiscal year in an amount which provides more than 50% or \$50,000, whichever is greater, of the CHDO's total operating expenses in that fiscal year. DSHA will limit the amount of State of Delaware HOME funding for operating expenses that a CHDO may receive for any fiscal year as follows:
 - First Year: A CHDO may receive 100% of the funding for the estimated fiscal year operating expenses up to \$50,000.
 - Second Year: A CHDO may receive 75% of the funding for the estimated fiscal year operating expenses up to \$37,500 and must provide a minimum of 25% of the estimated operating expenses from non-HOME sources.
 - Third Year: A CHDO may receive 50% of the funding for the estimated fiscal year operating expenses up to \$25,000 and must provide a minimum of 50% of the estimated operating expenses from non-HOME sources. After the third year, DSHA will evaluate the CHDO's performance and use of CHDO set aside funds to determine if future-operating funds will be reserved for the CHDO. A CHDO must reapply for each fiscal year's funding.
- e. Any operating funds for CHDOs not committed by DSHA within 12 months of HUD signing the grant agreement may be released for other eligible activities.
- f. All funds provided for CHDO operating expenses shall be in the form of a grant and will be approved by the Director of DSHA.

Consistency with Consolidated Plan

Any proposed use of HOME Program funds to further affordable housing activities for the economically disadvantaged and special population groups must be consistent with Delaware's Consolidated Plan.

Method of Distribution

When requests for funds from developers or sponsors for the purpose of furthering affordable housing are received, DSHA will directly administer the distribution of HOME Program Funds through the application and approval process in place for the State's Housing Development Fund (HDF). Any in-house application not previously approved for funding and all other applications

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received for the HDF and Low-Income Housing Tax Credit Programs may be reviewed for funding under the HOME Program.

Programs involving the use of HOME funds for homeowner rehabilitation and ADDI second mortgage assistance may be administered via contracts with third parties. DSHA may consider applications for single-family homeowner rehabilitation through the State's Community Development Block Grant Program (CDBG) application and approval process.

The major criteria as listed below will be considered in selection of developers or sponsors receiving HOME funds:

1. Organization's past performance
2. Community support for the project
3. Demonstrated need for the project
4. Suitability of the project location
5. Cost efficiency of the project
6. Amount of loan per unit serving very low-/low-income persons:
 - a. Rental units: 80% of HOME funds may benefit persons with incomes \leq 60% of the median income and the remaining 20% of HOME funds must benefit persons with incomes \leq 50% of the median income.
 - b. Owner-occupied units: 100% of HOME funds must benefit person with incomes \leq 80% of the median income.
7. Length of paycheck period
8. Position of loan and how it is secured/length of repayment
9. Source of permanent financing (if appropriate)
10. Percentage of total project cost funded by DSHA, federal, and private resources
11. Cash and non-cash equity participation of developer
12. Whether all alternate sources of financing have been utilized/exhausted
13. Provide housing in neighborhoods where there is little very low-/low-income housing available.
14. Assist in revitalization of deteriorating neighborhoods.
15. a. Rental properties shall be retained as affordable housing as set forth in 24 CFR Part 92, Section 92.252 and for a period as indicated below:

ACTIVITY	MINIMUM PERIOD OF AFFORDABILITY IN YEARS
Rehabilitation or acquisition of existing housing per unit amount of HOME funds	
Under \$15,000	5
\$15,000 - \$40,000	10
Over \$40,000	15
New construction or acquisition of newly constructed housing	20

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- b. Owner-occupied housing shall be retained as affordable housing as set forth in 24 CFR Part 92, Section 92.254 and for a period as may be determined by DSHA for rehabilitated units not involving purchase.
 - c. When HOME funds are used in connection with other State, Federal, or private funds, the period of affordability for the HOME funds may be the longest period required by any funding source, but shall be no less than 20 years for HOME funds used in connection with the HDF unless DSHA determines a lesser affordability period is appropriate.
16. The minimum average per unit subsidy (except for rental security deposits) shall not be less than \$1,000 per HOME-assisted unit. The maximum average per unit subsidy may not exceed the limits established by HUD.
17. New Construction: The site for new construction projects shall:
- a. Not be located in an area of minority concentration unless,
 - 1. Sufficient, comparable opportunities exist for housing for minority families, in the income range to be served by the proposed project, outside areas of minority concentration; or
 - 2. The project is necessary to meet overriding house needs which cannot otherwise feasibly be met in that housing market area;
 - b. Not be located in a racially mixed area, if the project will cause a significant increase in the proportion of minority to non-minority residents in the area; and
 - c. Promote greater choice of housing opportunities and avoid undue concentrations of assisted persons in areas containing a high proportion of low-income persons.
18. Rehabilitation: Sites for multi-family rehabilitation projects shall promote greater choice of housing opportunities and avoid undue concentrations of assisted persons in areas containing a high proportion of low-income persons.

Forms of Assistance

DSHA may provide HOME Program funds to developers or sponsors in the forms below:

- 1. Equity investments
- 2. Interest-bearing loans or advances
- 3. Non-interest-bearing loans or advances
- 4. Interest subsidies
- 5. Deferred payment loans or grants
- 6. Other forms of assistance approved by HUD

Grants may be made only to nonprofits and only when a project demonstrates unusually strong very low-income orientation and is cost effective and not financially viable without a grant. The income mix of the persons to be served, as well as the financial viability of the project will influence interest rates and repayment schedules of loans.

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Set Aside for CHDOs

DSHA will reserve a minimum of 15% of Delaware's annual HOME Program allocation (exclusive of all ADDI funding) for use by CHDOs. The 15% set aside must be used for affordable housing to be developed, owned or sponsored by the CHDOs, and all CHDO activities must be consistent with the State's Consolidated Plan.

Selection of CHDOs

1. All CHDOs must meet the definition of such agencies as delineated in 24 CFR Part 92, Section 92.2.
2. To establish a register of potential CHDOs, DSHA has surveyed nonprofit housing services providers as listed in DSHA's Housing Services Directory to determine eligible agencies or agencies wishing to become eligible as CHDOs. DSHA will continue to provide technical assistance to organizations wishing to meet the criteria for becoming a CHDO and DSHA will continue to work closely with the local Intermediary Technical Assistance Provider to qualify additional nonprofits as eligible CHDOs.
3. Agencies qualifying as CHDOs will be invited to submit applications for furthering affordable housing. DSHA will then designate one or more agencies as CHDOs for the CHDO set aside of the HOME Program based on criteria established herein for selection of developers for HOME funds. Any DSHA designated CHDO that has not made application for or utilized the State CHDO set aside for development of affordable housing within two years of designation will be required to reapply for CHDO designation. DSHA may require any CHDO to reapply for designation upon the event of a material change in the structure of the CHDO or at such other time as required by HUD.
4. Nonprofit agencies based in New Castle County, Delaware, which have been designated as a CHDO by DSHA and have not lost such designation, may remain a CHDO under the State's HOME program provided all other HOME Program requirements are met. DSHA will accept no new applications for CHDO designations from nonprofit agencies based in New Castle County, Delaware.

Forms of Assistance to CHDOs

DSHA may provide assistance to CHDOs in any of the following forms:

- Equity investments
- Interest-bearing or non-interest-bearing loans or advances
- Interest subsidies
- Deferred payment loans or grants
- Up to 10% of the HOME funds reserved for the use of CHDOs may be used for project-specific technical assistance and site control loans or project specific seed

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money loans consistent with the requirements of 24 CFR Part 92, Section 92.301. Loans shall not exceed \$45,000 and will be approved by the Director of DSHA.

Eligible CHDO Activities for Set Aside Funds

CHDOs may use HOME funds for the new construction of affordable housing and the reconstruction, conversion or rehabilitation of single or multifamily housing for very low/low-income persons and special population groups and the related costs associated with these activities that are eligible under 24 CFR Part 92, Section 92.205 and Section 92.206. Acquisition related to these activities will also be considered. CHDO activities undertaken with HOME funds must be project specific and must be consistent with the objectives of the State's Consolidated Plan.

CHDOs may not use HOME funds for homeowner rehabilitation, tenant-based rental assistance, project administration or any other activity prohibited under 24 CFR Part 92, Section 92.214. When a CHDO is acting in the capacity of a HOME subrecipient, it may not also receive HOME funds to own, develop, or sponsor housing funded through the sub recipient activity the CHDO administers.

Preferences for CHDOs Utilizing USDA Rural Development Funding

In competition for HOME Program funds set aside for CHDO developments, DSHA will give a preference to CHDOs who are applying for USDA Rural Development Section 515 financing and/or Rental Assistance.

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Attachment A

Recapture Provisions for Homebuyers

I. *Deferred Second Mortgage Loans for Down Payments and Closing Costs*

- A. The prorated amount of HOME Program and/or ADDI funds in the form of second mortgage loans used for downpayments and closing costs are subject to recapture when the initially assisted homebuyer sells the HOME/ADDI assisted property within the recapture period set forth in the following chart:

Amount of HOME/ADDI Funds	Recapture Period
Less than \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years

HOME/ADDI mortgage loans shall be forgiven after expiration of the loan recapture period and/or period of affordability. If the HOME/ADDI assisted property is sold during the recapture period, the amount of the repayment required shall be prorated by the number of full years the original HOME/ADDI assisted owner occupied the property. For example, a HOME/ADDI deferred second mortgage in the amount of \$20,000 would have a recapture period of 10 years. If the property was sold 3 years and six months after the recapture period started, then 30% (3 full years/10 year recapture period) of the original \$20,000 HOME/ADDI loan would be forgiven making the repayment amount due \$14,000.

- B. Where the net proceeds (the sales price less mortgage loan repayment and closing costs) is greater than the prorated balance due under the HOME/ADDI mortgage loan, the balance of the HOME/ADDI prorated mortgage loan shall be repaid to DSHA. However, where the net proceeds are less than the HOME/ADDI mortgage loan, the amount of the net proceeds shall be repaid to DSHA. All repaid HOME/ADDI mortgage funds shall be used to support other HOME-eligible activities.
- C. These recapture provisions shall be included in the note and mortgage evidencing and securing the HOME/ADDI funded second mortgage loan.

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II. *Development Subsidies*

When HOME funds are used for acquisition, construction and/or rehabilitation of a project prior to the sale to homebuyers of the homes in the project, the full amount of the HOME loan investment shall be repaid to DSHA on a pro rata basis as the units are sold. Upon payment of the agreed amount of the HOME-funded loan, each property shall be released from the lien of the mortgage securing the HOME-funded loan. All repaid proceeds shall be used to support other HOME-eligible activities.

Minority and Women Owned Business Outreach

DSHA will continue to carry out a minority and women owned business outreach program to ensure the inclusion of women and minorities, and businesses owned by women and minorities, including without limitations: real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants and providers of legal services.

Emergency Shelter Grants (ESG) Program

The Delaware State Housing Authority (DSHA) has been designated to administer the federally funded Emergency Shelter Grants (ESG) Program, which is authorized under Title IV (Subtitle B) of the Stewart B. McKinney Homeless Assistance Act, as amended. The funds are distributed on a competitive basis to eligible applicants in Kent and Sussex Counties, Delaware. The State of Delaware will receive \$95,913 in Emergency Shelter Grants funds for Fiscal year 2005. This funding must be awarded and obligated within a short period of time, therefore, it is anticipated that the funds will be allocated to one or more nonprofit organization(s), which can effectively comply with federal regulations, provide the necessary matching funds, and obligate grant funds.

ESG Program funds may be used for the following activities:

- Provision of new or increased essential services to the homeless (such as those concerned with employment, physical and mental health, education and food);
- Development and implementation of homeless prevention activities;
- Maintenance, operation, insurance, utilities and furnishings;
- Renovation, major rehabilitation, or conversion of buildings for use as emergency shelters and/or;
- The development and implementation of a Homelessness Management Information System (HMIS).

Taking into consideration the quality and number of applications received, priority in awarding ESG funds shall be given first to applications requesting funding assistance for HMIS expenses.

Second priority shall be given equally to quality proposals requesting funding assistance for homeless prevention activities and for the provision of maintenance, operating costs and renovations. Requests for funding for major rehabilitation or conversion activities will be considered last.

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A maximum of \$28,773.90 (30% of the state's allocation) may be used for the provision of essential services. A separate maximum of \$28,773.90 (30% of the state's allocation) may be used for the provision of prevention activities. A maximum of \$4,795.65 (5% of the state's allocation) may be used for administrative costs.

A pre-application orientation will be held at 10:00 a.m. on May 25, 2005, at the offices of DSHA, 18 The Green, Dover, Delaware 19901. Completed applications will be accepted until 4:00 p.m. local time, Monday, June 20, 2005 at DSHA, 18 The Green, Dover, Delaware 19901. Applications received after 4:00 p.m. June 20, 2005 will not be opened and will be returned to the sender. No telephone, Internet, or faxed applications will be accepted.

The effective date of the FY05 ESGP contracts will be July 1, 2005.

Housing Opportunities for Persons with Aids (HOPWA) Program

The Delaware State Housing Authority (DSHA) will make available \$162,000 in Housing Opportunities for Persons with AIDS (HOPWA) Program funds. The funding will be available on July 1, 2005 for use in Kent and Sussex Counties only. The state may select a project sponsor without undertaking a competitive bid process. The state will therefore, award its funding under the HOPWA grant to the Delaware HIV Consortium, a statewide agency that provides health and medical services through the Ryan White Act.

DSHA anticipates that \$157,140 will be allocated by the state under the FY05 HOPWA grant and it will be used for payment of project- or tenant-based rental assistance, including shared housing, rent, mortgage, and/or utility payments to prevent homelessness of the tenant or mortgagor. Funds may also be used for supportive services that include, but are not limited to, health, mental health, assessment, nutritional services, intensive care when required and assistance in gaining access to benefits and services.

Funds may be used for administrative expenses; however, the state may not use more than three percent (3%) or \$4,860 of its current funding as administrative costs related to administering this grant. The project sponsor may not use more than 7 percent (7%) of its grant amount as administrative costs charged to this grant. This amount is equal to \$10,999.80 of the funding after reducing the grant amount by the state's 3% administrative costs or \$4,860 of the total grant amount of \$162,000.

Besides the above, funds may be used for:

- Operating costs for housing including maintenance, security operations, insurance, utilities, furnishings, equipment, supplies and other incidental costs.
- The acquisition, conversion, rehabilitation, repair, and lease of facilities to provide housing and services.
- Housing information services such as counseling, information and referral services to help an eligible person find, acquire, finance and maintain housing. This may also include fair housing counseling.

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- Resources identification to establish, coordinate, and develop housing assistance resources for eligible persons (including conducting preliminary research and making expenditures necessary to decide the feasibility of specific housing related initiatives).
- Technical assistance in establishing and operating a community residence including planning and other pre-development or pre-construction expenses. These expenses include, but are not limited to, costs relating to community outreach and educational activities regarding AIDS or related diseases for persons living in proximity to the proposed community residence.

DSHA will give priority to quality funding requests that propose to increase the level of housing and services to persons living with HIV/AIDS through linkages developed with state and/or nonprofit providers. The end date of the FY05 HOPWA contract(s) will be June 30, 2006, or as amended.

Monitoring

DSHA has the responsibility of monitoring all housing activities covered by this Action Plan, whether the activity is conducted directly by a unit of local government, a nonprofit housing agency or by DSHA itself. The purpose of this chapter is to describe the policies and procedures that are used in Delaware to monitor activities carried out in furtherance of the Five-Year Strategic Plan and to ensure long-term compliance with requirements for CDBG, ESG, HOPWA and HOME Programs.

Monitoring is an ongoing process involving continuous grantee communication and evaluation. The process involves frequent telephone contacts, written correspondence, analysis of performance reports and audits and periodic on-site visits. These processes occur differently for each of the three programs to be discussed.

CDBG

The monitoring process is divided into two components: regulatory and performance compliance. Monitoring of regulatory compliance includes review of accountability and financial management, environmental impact, labor standards, civil rights and fair housing, acquisition and relocation activities and citizen participation.

Monitoring of performance compliance includes evaluation of project timeliness, components of eligibility and compliance with National Objectives and an assessment of continuing capacity to carry out approved activities.

DSHA applies the following outcome standards:

- At least 70% of the funds must be spent on projects that benefit low- and moderate-income persons.
- 100% of the funds must be spent on eligible activities.
- 100% of the program funds must be obligated to local governments within 15 months of the receipt of grant award.

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- DSHA staff uses a checklist of all program components during their evaluations. These include: Fair Housing Equal Opportunity (FHEO), Labor Standards, Rehabilitation Checklist, Financial Management Checklist and Environmental Review Checklist.

DSHA staff will monitor a sampling of rehabilitation activities on an annual basis. This monitoring will consist of:

- Review of pertinent files for required documentation, compliance with program regulations and verification of the accuracy of information provided to DSHA.
- Visit the project site to observe activities and ensure consistency with the application.
- Results of the monitoring visit are submitted to the grantee generally within fifteen days of the monitoring visit.

In the event of a Determination of Concern, Finding of Deficient Performance or Finding of Noncompliance is indicated, the grantee will present documentation to address the concern, resolve the deficiency or present a corrective action plan.

A follow-up visit may be necessary to verify a corrective action or to provide technical assistance. When DSHA's review indicates the grantee has provided satisfactory corrective action, a letter will be sent to the grantee stating finding(s) has cleared. All findings must be cleared before closeout.

DSHA can bar a grantee from applying for CDBG funds, withhold unallocated funds, require return of unexpended funds or require repayment of expended funds if a grantee fails to provide satisfactory corrective action.

HOME Program

DSHA ensures that recipients of HOME funds comply with the regulations through various monitoring activities. Monitoring activities include both desk and on-site reviews. Throughout a project, DSHA is committed to ensuring compliance with federal regulations, ensuring production and accountability and evaluating organizational and project performance.

For HOME, the overall program standards that will be addressed and verified include the following:

- All projects will meet all of the HOME statutory requirements, and will satisfy all HOME regulations in conformity with the DSHA Program Guidelines.
- Not less than 90% of all HOME-assisted units in rental housing projects will rent to tenants whose income does not exceed 60% of AMI at or below the maximum HOME rent limits (65% of AMI). In addition, no less than 20% of those units will rent to tenants at or below the low HOME rent limits (50% of AMI).
- Not less than 100% of all HOME-assisted units in homeownership projects (both owner-occupied rehabilitation and down-payment closing cost assistance) will loan or grant funds to homeowners at or below 80% of AMI.

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- 100% of the funds allocated for the previous two (2) program years will be committed to projects by the end of the second year.
- 100% of the funds allocated for the previous five (5) program years will be expended by the end of the fifth year.
- DSHA may require any CHDO to reapply for designation upon the event of a material change in the structure of the CHDO or at such other time as required by HUD. In addition, DSHA requires all CHDO receiving funding to certify that there has been no material change in their status that would affect such funding.

DSHA monitoring can be broken down into the two phases of a typical project: 1) pre-construction and construction, and 2) in-service.

Pre-construction and construction stage

DSHA ensures each recipient of HOME funding understand the program requirements applicable to their activity. These requirements include, but are not limited to, fair housing, financial management and accountability, environmental impacts, labor standards, procurement, lead-based paint, affirmative marketing and acquisition and relocation activities.

On-site monitoring of a activity during the construction phase is preferred to ensure consistency with requirements and identify construction deficiencies. A portion of activity funds is withheld until deficiencies, if any, have been corrected and all program reports have been submitted to DSHA's satisfaction.

In service

DSHA staff conducts annual on-site reviews of rental housing activities to ensure the activity sponsor maintains the following:

- Correct rent and utility allowance levels for all HOME assisted units;
- Accurate annual re-certification of tenant income;
- Compliance with Housing Quality Standards;
- Compliance with Affirmative Marketing Requirements; and
- Compliance with other requirements of the HOME Program guidelines.

In addition, DSHA ensures the proper payment of loan installments and escrow deposits as required in the project's loan documents.

Record keeping

In accordance with DSHA policy and federal requirements, DSHA has established and maintains records to enable DSHA staff, HUD, auditors, and the general public to determine the status of each HOME project as well as overall program progress and status. Records are maintained in written and electronic format and are available to the public upon request. However, public review of documents is subject to the Freedom of Information Act.

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ESG

Service providers receiving ESG funds are monitored annually. The annual monitoring visit occurs after the end of the program year and consists of a review of applicable files, programs and processes of the agency. Areas examined include, but are not limited to organization, environmental, conflicts of interest, insurance coverage, nondiscrimination and drug-free workplace policies, project activities and timelines, financial management and matching funds, procurement procedures, demographics, essential services, operations, homeless prevention and rehabilitation activities.

A written finding is provided to the sponsor identifying areas of noncompliance and the actions required to correct them. Prior to any further grant awards, all findings must be resolved and documented satisfactorily.

For ESG, the overall program standards that will be addressed and verified include the following:

- All grantees complete an Annual Performance Report
- Not less than 100% of the services provided will be services that are eligible by ESG statutes and HUD regulations
- Not less than 100% of the clients served will be eligible homeless families in accordance with HUD definition

100% of the funds allocated for any grant period will be expended by the end of said grant period.

HOPWA

Any service provider receiving a HOPWA grant is monitored annually. The annual monitoring visit occurs after the end of the program year and consists of a review of applicable files, programs and processes of the agency. Areas examined include, but are not limited to organization, conflicts of interest, insurance coverage, nondiscrimination and drug-free workplace policies, project activities and timelines, financial management and matching funds, procurement procedures, demographics, essential services, environmental, operations, homeless prevention and rehabilitation activities.

A written finding is provided to the sponsor identifying areas of noncompliance and the actions required to correct them. Prior to any further grant awards, all findings must be resolved and documented satisfactorily.

For HOPWA, the overall program standards that will be addressed and verified include the following:

- All grantees complete an Annual Performance Report
- Not less than 100% of the services provided will be services that are eligible by HOPWA statutes and HUD regulations

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- 100% of the funds allocated for any grant period will be expended by the end of said grant period