

APPLICATION GUIDELINES

For the 2021 cycle of the

Essential Single-Family Rehabilitation Loan Pool (ESFRLP21)

NORTH CAROLINA HOUSING FINANCE AGENCY

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Application Guidelines

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APPLICATION GUIDELINES

For the 2021 Essential Single-Family Rehabilitation Loan Pool (ESFRLP21)

1. INTRODUCTION

The North Carolina Housing Finance Agency announces the availability of funds under the 2021 cycle of the Essential Single-Family Rehabilitation Program (“ESFRLP21”). ESFRLP21 is funded through the federal HOME Investment Partnerships Program (“HOME”). A total of eight million dollars may be available in this cycle.

Nonprofit organizations, local governments and regional councils proposing to serve any of the following thirty-three designated counties are eligible to apply: Alamance, Ashe, Bertie, Bladen, Burke, Camden, Chatham, Currituck, Dare, Gaston, Graham, Greene, Haywood, Hoke, Hyde, Iredell, Jones, Lee, Madison, Martin, Mitchell, Montgomery, Pasquotank, Pender, Polk, Rockingham, Surry, Swain, Transylvania, Wake, Warren, Wayne and Wilkes.

The goal of ESFRLP is to make a positive impact on the state's stock of standard affordable housing by encouraging the essential rehabilitation of existing, single-family, owner-occupied housing units occupied by lower-income (less than 80% area median income) households with one or more elderly, disabled or Veteran fulltime household members or owner-occupied units with lead hazards and a child six years old or younger.

The objectives of ESFRLP are:

- 1) to promote equitable distribution of Program funds across the state;
- 2) to serve elderly, disabled and Veteran households and households with a child under the age of six whose health is threatened by the presence of lead hazards, with incomes at or below eighty percent (80%) of area median incomes;
- 3) to facilitate aging in place among elderly and disabled household members of eligible dwelling units through accessibility modifications;
- 4) to promote the long-term affordability and lower operating costs of ESFRLP-assisted units through cost-effective, energy-efficiency measures;
- 5) to facilitate the continued development of rehabilitation management skills among recipient organizations across the entire state; and,
- 6) to ensure that all available program funds are invested within the limited time available.

Under ESFRLP21, successful applicants (hereinafter, “Members”) will be expected to develop and adhere to fair, open and competitive procedures for the procurement of goods and services and for the selection of Program beneficiaries. These Application Guidelines provide an overview of the Program. Additional information on Program and application requirements is contained in the accompanying Application for Funding & Loan Pool Membership.

2. BACKGROUND

2021 marks the twenty eighth year since the beginning of the Single-Family Rehabilitation Program as the Agency's primary program for comprehensive rehabilitation of owner-occupied homes. Since the Program's creation, over \$170 million has been committed to rehabilitate over 4,650 homes in the state.

Throughout this period, the program has evolved and changed in response to internal program evaluation and to feedback offered by recipient organizations -- both individually and through user roundtables convened for that purpose. In 2019 we introduced additional minor changes to better meet the needs of our partners as they focus on essential and critical repairs. These changes include:

- 1) Increasing the annual forgiveness amount to \$5,000/year so that the expected maximum loan length is 6 years;
- 2) Increasing the typical hard cost loan amount from \$25,000 to a maximum of \$30,000 to increase the eligible units and adjust for inflation;
- 3) Increasing the initial Member Set-Aside from \$175,000 to \$190,000 for five homes;
- 4) Made slight revisions to the Property Standards and Rehabilitation Standards;

While most of the goals and objectives did not change (i.e., to serve seniors and disabled home owners, to promote aging-in-place, energy-efficiency and lead-safety, etc.), the program rehabilitation standards and maximum costs per unit have changed in numerous ways in the recent past. Personnel with years of SFR experience are strongly encouraged to read these application guidelines carefully and work with their Agency case managers closely to ensure compliance with the Program Guidelines.

3. FUNDING & SCHEDULE

3.1 Funding

The total amount of funding available under ESFRLP21 is \$8 million. Successful applicants (one per eligible county) will be allocated a set-aside of \$190,000 for the rehabilitation of eligible units. Additional funds shall be available through the ESFRLP "Pool" on a first-come, first-served basis. Funds provided to ESFRLP pool Members will be in the form of conditional grants, accessed on a unit-by-unit basis and subject to adjustment by the Agency based on the partner's performance and/or perceived capacity to complete units in a timely manner.

"Service area" is defined as North Carolina counties excluding the five large CDBG Entitlement cities of Charlotte, Durham, Greensboro, Raleigh and Winston-Salem. Within the service area, eligible homeowners shall be equally eligible to apply for assistance. Members may choose to accept homeowner applications on a first-come, first to qualify, first-served basis from throughout the service area, or to allocate equitable portions of the grant to all eligible localities within the service area. Otherwise, homeowner applications must be rated and prioritized without regard to the applicant's specific locality within the service area.

Program expenditures for hard costs cannot exceed \$30,000 per dwelling unit. The minimum amount of Program funds that can be spent on any assisted dwelling unit is \$5,000.

Under ESFRLP21, hard costs are defined as the reasonable costs of temporary relocation and the reasonable costs of construction labor and materials, construction contractor profit and overhead, etc., necessary to meet the Essential Rehabilitation Criteria which include:

- 1) the more stringent of local minimum housing code or the Essential Property Standard;
- 2) eliminate imminent threats to the health or safety of the occupants, and to the structural integrity of the dwelling unit; and,
- 3) make other eligible improvements to dwelling units such as accessibility and universal design modifications.

ESFRLP soft costs are the reasonable and necessary support costs associated with the rehabilitation of ESFRLP-assisted units. Eligible soft costs under ESFRLP21 are as follows:

- 1) Outreach and Advertising;
- 2) Environmental Review preparation
- 3) Asbestos testing/clearance;
- 4) Radon testing;
- 5) LBP inspection/risk assessment;
- 6) LBP clearance;
- 7) Loan document execution, recording & legal fees;*
- 8) Pre-rehab inspection including scope of work;
- 9) Work write-up;
- 10) Cost estimate;
- 11) Project & construction management;
- 12) Flood insurance (units in Flood Hazard Zones); and,
- 13) Post-rehab value certification.

In Section II.D of the Application you are asked to complete a matrix of your project budget for soft costs per unit.

** Under ESFRLP, title searches are required for each unit and will be conducted by the Agency. Loan documents will be provided by the Agency and Members are encouraged to have loans closed by an attorney. The Member will also be responsible for coordinating execution of and recordation of the loan documents.*

3.2 Schedule

Applications for ESFRLP21 funding will be received through **5:00 pm, Friday December 18, 2020**. Applications will be rated according to the criteria described below. Conditional allocations will be announced in February 2021. Written Funding Agreements will be executed beginning July 1, 2021 or after each project's Post-Approval Documentation (PAD) is approved. Members will begin their projects no earlier than July 1, 2021 after their Funding Agreement is complete and implementation workshops for program

administrators and training workshops for rehabilitation specialists are conducted. Members will be given a maximum of eighteen months (no later than December 31, 2022) to set-up at least five (5) units in the pool under their initial \$190,000 allotment. Members will become eligible to reserve additional funds, on a unit-by-unit, first-come, first-served basis, from the remaining pool of funds after completing 2 units. Members will have an additional eighteen months (no later than June 30, 2024) to complete and close out all units. No units may be submitted for approval in the Partner Portal after December 31, 2023. No exceptions or extensions will be granted.

4. ELIGIBILITY REQUIREMENTS

4.1 Eligible applicants

Eligible applicants for ESFRLP funds include:

- 1) nonprofit organizations;
- 2) units of local government; and
- 3) regional councils of government.

Recipients of Program funding are directly responsible for the administration of projects being funded, even when contracting with third parties.

Multiple applications from a single applicant could be funded if: 1) they propose to serve different counties; 2) the applications both outscore any competitors to serve the same counties; and 3) the applicant can document sufficient staff and contractor capacity to execute the projects.

4.2 Eligible households

Only low-income owner-occupied units with one or more elderly, disabled or Veteran fulltime household member or owner-occupied units with lead hazards and a child 6 years old or younger are eligible for assistance under ESFRLP21. Under ESFRLP, low-income households, as defined by the U.S. Department of Housing and Urban Development (HUD), are those with incomes less than 80% of the county median income. Income limits will be defined using the most recent HUD income estimates, as initially provided by the Agency and updated annually at the HUD website (www.hud.gov).

Members' policies for screening and prioritizing applications for assistance must be contained in concise written policies adopted by the Member, available to the general public and applied uniformly throughout the service area. **Please do not include the Assistance Policy with the application.** (*Refer to section 5.4, "Post Approval Documentation," below.*)

4.3 Eligible activities

ESFRLP21 funds may be used for financially-feasible, essential rehabilitation of owner-occupied housing, and for associated support functions. Upon completion, housing units rehabilitated under ESFRLP must meet the Essential Rehabilitation Criteria which includes either the more stringent of local minimum housing code standards or the Essential Property Standards (which are provided by the Agency along with Program Guidelines, forms and documents).

Where practicable, new or replacement items should be designed and/or selected with an eye to "universal design" principles. Reasonable measures to strengthen homes against natural disasters such as wild fire, flooding and hurricane force winds are also eligible Program expenditures. Units of potential historical significance may be required to meet the Secretary of the Interior's standards for historic preservation. All units constructed before 1978 will be subject to federal lead-based paint regulations found at 24 CFR part 35 and the North Carolina Renovation, Repair & Painting regulation.

4.4 Eligible forms of assistance

Assistance provided to eligible owner-occupants under ESFRLP will be offered in the form of loans covering the hard costs (only) associated with the rehabilitation of the unit as a deferred, 0% interest, subordinate mortgage, forgiven at \$5,000 per year until the principal balance is reduced to zero. Soft costs associated with ESFR-assisted units will be granted to homeowners.

An ESFRLP loan, or the un-forgiven balance of the loan, will become due and payable to the Agency upon default or transfer of title. However, loans may be assumed by heirs or income-eligible buyers if they use the home as their principal residence. Loan documents shall be provided by the Agency, executed by the homeowner, recorded by the Member prior to commencement of construction and submitted to the Agency within 5 days of closing. Members will be expected to have adequate procedures to ensure that Program loan documents are properly processed, closed and forwarded to the Agency on a timely basis.

5. APPLICATION REVIEW, RANKING & SELECTION PROCESS

Applications for ESFRLP21 will be reviewed and rated on the basis of applicant capacity to operate the project. A five-step review process will be used: threshold review, competitive ranking (if more than one application proposing to serve the same service area is received), Agency-board approval of conditional allocations, post approval documentation, and execution of Funding Agreements.

5.1 Threshold Review

The threshold review will eliminate any applications which are incomplete, were not received by the deadline, are from ineligible entities, or are not accompanied by the required application fee payment. The threshold review is also meant to eliminate applicants lacking minimal capacity to operate the project. The following factors will be considered:

- 1) the experience of the applicant in undertaking housing rehabilitation projects;

- 2) the past performance of the applicant, if applicable, under other housing rehabilitation programs and/or other Agency-funded projects;
- 3) the overall capacity of the organization, including staffing support, to complete the project. Special attention will be given to the availability of qualified technical staff (rehabilitation specialists) who have recent qualified experience in identifying opportunities for the application of energy-efficiency measures as well as diagnosing the rehabilitation needs of older homes used by older residents and implementing the appropriate measures professionally and efficiently. Lead-based paint certifications and/or other recent training in lead hazard issues are preferred as are recent training for other household environmental hazards. Certification by the Professional Housing Rehabilitation Association of North Carolina will be a plus;
- 4) intake personnel with 1 year of housing counseling experience and /or training is preferred;
- 5) the amount of housing rehabilitation funding presently secured relative to the applicant's recent productivity; and,
- 6) the capacity of units of local government or others proposing to administer the Program through contracted consultants or other third parties will be rated on the combined qualifications and experience of the applicant's designated project staff and the third party's designated project staff.

Finally, the threshold review will eliminate applications proposing to serve the large five CDBG Entitlement cities of Charlotte, Durham, Greensboro, Raleigh and Winston-Salem under ESFRLP.

5.2 Competitive ranking

Where more than one eligible entity applies to serve a given county service area, applications will be ranked according to capacity. Capacity indicators to be considered include: 1) staff and/or consultant qualifications and experience; 2) recent performance under other housing rehabilitation grants; and 3) the accuracy and completeness of the ESFRLP application. Matching funds (non-federal only) for hard costs will serve as a tie-breaker.

5.3 Agency Board of Directors approval

After completion of the application review and ranking process, the final funding decision will be made by the Agency's Board of Directors.

5.4 Post Approval Documentation

Applicants approved by the Board will receive conditional award letters and be asked to complete a Post Approval Documentation packet to provide supplemental documentation prior to publicly announcing the availability of funds. An "Assistance Policy", referred to in section 4.2 above, will be amongst the requested-supplemental documentation.

5.5 Funding award

Upon review and approval of the Post Approval Documentation packet, the Agency will

forward a Funding Agreement for execution by the Member. Program activities may commence upon execution of the Funding Agreement by both parties and attendance at the Implementation and training workshops.

6. SPECIAL INSTRUCTIONS TO THE APPLICANT

6.1 Requests for Application forms

The ESFRLP21 Application form may be acquired from the Agency website www.nchfa.com after October 26, 2020. An application webinar will be held on November 12, 2020.

6.2 Application deadline

An original application and one complete copy per funding request must be **received** by the Agency or postmarked by **5:00 pm, Friday, December 18, 2020**. If you choose to deliver the application by hand delivery, please see Special Instruction 5.

6.3 Application fee

For each grant applied for, the application must be **accompanied** by a **non-refundable application fee**. Application fees must be paid by a check made payable to the North Carolina Housing Finance Agency. The application fee for ESFRLP21 is \$75.

6.4 Address

All applications must be mailed or delivered to:

Home Ownership: Rehabilitation Group
Attn: Gloria Moore
North Carolina Housing Finance Agency
3508 Bush Street
Raleigh, North Carolina 27609-7509

6.5 Special Instructions

- 1) Applications should be typed or printed legibly in ink. Dollar amounts should be rounded to the nearest dollar. All applications should be signed and dated in ink on the "Certification" page by the applicant's chief administrative official as listed on the application under I.B.1. No applications will be accepted by FAX or email.
- 2) All applications should be submitted on the form provided. Except where attachments are requested, you are encouraged to confine your responses to the provided space.
- 3) It is preferred that applications be fastened at the upper left corner by a single staple or binder clip. Covers, ring binders, and folders are discouraged, as are attachments or exhibits which are not specifically requested.

- 4) All attachments should be clearly marked in the upper right-hand corner according to the instructions in the application. The attachments should be attached in the order that they were requested, at the back of the application following page 5.
- 5) The office is currently closed to non-employees. Any hand delivered Application for ESFRLP21 must be scheduled and confirmed with Gloria Moore at gemoore@nchfa.com.