

# HOME PROGRAM: APPENDIX IV WEATHERIZATION DEFERRAL PROGRAM

August 2018



## HOME Funded HOME/Weatherization Deferral Program

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The Pennsylvania Department of Community and Economic Development's (DCED) HOME Program in conjunction with DCED's Weatherization Assistance Program have determined weatherization of eligible properties are being deferred/denied assistance due to code deficiencies. Addressing code issues is not a weatherization eligible expense which prevents houses from being weatherized. To address this need DCED's HOME Program and Weatherization Program have partnered to encourage the use of HOME funds to address code deficiencies in advance of the use of weatherization funds to address the needed energy improvements for eligible homeowners.

Weatherization agencies, in partnership with an eligible municipal applicant may apply to use HOME funds to correct code deficiencies which in turn will allow weatherization to occur. This activity is different from Existing Owner-Occupied Rehabilitation due to the manner in which the property is identified. In this program, a client has contacted the weatherization program for assistance. During the inspection process it is determined that the house cannot be weatherized due to code violations. At this point the unit is referred to rehab to address the code violations.

All sections of Appendix I and Appendix IV must be completed their entirety to have the application considered for funding. The program design for this priority must indicate the methodology that will be used to determine how a property will be identified as a deferral for weatherization. The program design must also indicate how HOME funds will be used to address code deficiencies to enable weatherization to follow behind and complete energy efficiency measures.

### General Policies and Procedures

- See DCED's *Housing Rehabilitation Guidebook*
- Documentation of income eligibility for the household (Use of the HUD Income Calculator is recommended)
- Calculate the after rehabilitation appraised value using the PA Department of Revenue's Common Level Ratio for the appropriate jurisdiction and document in the project file

#### §92.254 Qualification as affordable housing: Homeownership.

- (a) **Acquisition with or without rehabilitation.** Housing that is for acquisition by a family must meet the affordability requirements of this paragraph (a).
- (1) The housing must be single family housing.
  - (2) The housing must be modest housing as follows:
    - (i) In the case of acquisition of newly constructed housing or standard housing, the housing has a purchase price for the type of single family housing that does not exceed 95 percent of the median purchase price for the area, as described in paragraph (a)(2)(iii) of this section.
    - (ii) In the case of acquisition with rehabilitation, the housing has an estimated value after rehabilitation that does not exceed 95 percent of the median purchase price for the area, described in paragraph (a)(2)(iii) of this section.

- (iii) If a Grantee intends to use HOME funds for homebuyer assistance or for the rehabilitation of owner-occupied single-family properties, the Grantee must use the HOME affordable homeownership limits provided by HUD for newly constructed housing and for existing housing. HUD will provide limits for affordable newly constructed housing based on 95 percent of the median purchase price for the area using Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing, with a minimum limit based on 95 percent of the U.S. median purchase price for new construction for nonmetropolitan areas. HUD will provide limits for affordable existing housing based on 95 percent of the median purchase price for the area using Federal FHA single family mortgage program data for existing housing data and other appropriate data that are available nation-wide for sales of existing housing, with a minimum limit based on 95 percent of the state-wide nonmetropolitan area median purchase price using this data.
- (b) **Rehabilitation not involving acquisition.** Housing that is currently owned by a family qualifies as affordable housing only if:
- (1) The estimated value of the property, after rehabilitation, does not exceed 95 percent of the median purchase price for the area, described in paragraph (a)(2)(iii) of this section; and
  - (2) The housing is the principal residence of an owner whose family qualifies as a low-income family at the time HOME funds are committed to the housing. In determining the income eligibility of the family, the Grantee must include the income of all persons living in the housing.
- (c) **Ownership interest.** The ownership in the housing assisted under this section must meet the definition of “homeownership” in §92.2, except that housing that is rehabilitated pursuant to paragraph (b) of this section may also include inherited property with multiple owners, life estates, living trusts and beneficiary deeds under the following conditions. The Grantee has the right to establish the terms of assistance.
- (1) **Inherited property.** Inherited property with multiple owners: Housing for which title has been passed to several individuals by inheritance, but not all heirs reside in the housing, sharing ownership with other nonresident heirs. (The occupant of the housing has a divided ownership interest.) The Grantee may assist the owner-occupant if the occupant is low-income, occupies the housing as his or her principal residence, and pays all the costs associated with ownership and maintenance of the housing (e.g., mortgage, taxes, insurance, utilities).
  - (2) **Life estate.** The person who has the life estate has the right to live in the housing for the remainder of his or her life and does not pay rent. The Grantee may assist the person holding the life estate if the person is low-income and occupies the housing as his or her principal residence.
  - (3) **Inter vivos trust, also known as a living trust.** A living trust is created during the lifetime of a person. A living trust is created when the owner of property conveys his or her property to a trust for his or her own benefit or for that of a third party (the beneficiaries).

The trust holds legal title and the beneficiary holds equitable title. The person may name him or herself as the beneficiary. The trustee is under a fiduciary responsibility to hold and manage the trust assets for the beneficiary. The Grantee may assist if all beneficiaries of the trust qualify as a low-income family and occupy the property as their principal residence (except that contingent beneficiaries, who receive no benefit from the trust nor have any control over the trust assets until the beneficiary is deceased, need not be low-income). The trust must be valid and enforceable and ensure that each beneficiary has the legal right to occupy the property for the remainder of his or her life.

- (d) **Beneficiary deed.** A beneficiary deed conveys an interest in real property, including any debt secured by a lien on real property, to a grantee beneficiary designated by the owner and that expressly states that the deed is effective on the death of the owner. Upon the death of the owner, the grantee beneficiary receives ownership in the property, subject to all conveyances, assignments, contracts, mortgages, deeds of trust, liens, security pledges, and other encumbrances made by the owner or to which the owner was subject during the owner's lifetime. The Grantee may assist if the owner qualifies as low-income and the owner occupies the property as his or her principal residence.

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  - 2. Project Description
    - a. Activity to be undertaken
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- D. Scope of Work
- E. Project Completion Timetable / Schedule of Work
- F. Environmental Review\* — Tier I and II
  - 1. SHPO & Historic Preservation Documentation
  - 2. Include Flood Plain Map with project location identified for Tier II review
  - 3. Submit appropriate ERR documentation to DCED
- G. Budget with narrative
- H. Other Committed Funding
- I. Letters of Support (optional)

*\* Include Environmental Review Clearance for Tier 1 (to be submitted if conditioned award letter is received) and Tier 2 (to be submitted for each identified project)*

# HOME Program Compliance Checklist

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HOME Program applicants must review and demonstrate compliance with all relevant sections of this checklist for the selected priority.

All proposed activities must be eligible, and not prohibited, as per *HOME Final Rule, effective July 24, 2013*.

## All Projects

- Minimum \$1,000 of HOME Program assistance
- Discussion with assigned DCED HOME grant manager
- This project has been reviewed to determine if any of the project is within the designated FLOODWAY using the best available data, and it has been determined **that it is**  **or is not**  located in the FLOODWAY.

Identify FIRM MAP or other source used for this determination.

## HOME/Weatherization Deferral Program

- Unit assisted is the principal residence of owner (documentation required)
- Inspection completed and improvements identified which are outside the scope of prescribed weatherization activities and meet requirements of the locally adopted housing rehabilitation/property standards
- Maximum amount of assistance not to exceed 95% valuation limits
- Manufactured housing; ownership of property or lease term is equal to or greater than affordability period.

**As Chief Elected Official of the grantee, I certify compliance with the HOME Program requirements.**

\_\_\_\_\_  
Signature, Chief Elected Official

\_\_\_\_\_  
Date

\_\_\_\_\_  
Typed Name and Title

## Program/Activity Description – HOME/Weatherization Deferral Program

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Complete the Program/Activity Description by addressing each of the items noted below on separate pages following these instructions. (Please note that if the Applicant is a Pennsylvania or Federal CDBG Entitlement municipality, documentation or discussion from the Applicant's CDBG Three-Year CD Plan may be included to assist in addressing appropriate areas. It is not necessary to send the Three-Year Plan along with the HOME Application).

### Program Narrative

1. **Description of community needs as it relates to housing rehabilitation.** Detail the reason why properties are in need of rehabilitation (age of housing stock, number and/or percentage of low income residents, elderly, etc. and how the HOME Program will address the need. Provide a list of Weatherization Deferrals, or other evidence of the need for the proposed activity. Describe how the program meets local or state Consolidated Plan and other program priorities listed on page \_\_ of the Guidelines. If the proposed project will promote diversity or is part of a comprehensive community development strategy, the narrative must describe how low-income housing needs are currently being substantially addressed.
2. **Description of the proposed activity.** Describe the proposed activity and how it will address the stated need. Provide estimates of the numbers of units, households and persons that will benefit. Applicants must provide a copy of local program design which specifies the form of assistance, (grant, deferred loan, etc.), minimum and maximum amounts of assistance, provisions for repayment (as applicable) or placement of liens. All applications must demonstrate that the proposal is consistent with the minimum HOME requirements by completing the HOME PROGRAM COMPLIANCE CHECKLIST.
3. **Description of the anticipated impact of the activity.** Describe the activity's role in the comprehensive community development strategy, and how the activity will further the program priorities. Describe community and private sector support for the program and the program's impact on stability and reinvestment in the community. Also cite any potential environmental problems such as lead-based paint, radon, asbestos, floodplain impact, etc. Affirm the project has been reviewed to determine if any of the project is within a designated floodway using the best available data. Identify Flood Insurance Rate Map (FIRM) or other source used for this determination.



## **Management Plan/Local Staff Capacity**

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**Describe how your HOME program will be administered by addressing the following:**

The project administrative team (including third party vendors) must be in place at time of application. Detail tasks necessary to accomplish all project activities including required staff and/or organization(s). Identify all third-party contracts, include copies of the first page and signature page of contracts. All agreements between the Applicant and any entity involved in the administration and/or delivery of the proposed activity must be executed before undertaking activities. Contracts must clearly identify the duties of each. The Agreement must be either a sub-recipient agreement or a third-party contract, depending on the responsibilities.

Provide detailed information for staff and/or third-party vendors to complete each task including skill level and/or experience. Current, up to date resumes may be included. General tasks include but are not limited to: environmental review, financial recordkeeping, Integrated Disbursement and Information System management (IDIS), procurement, contracting, day to day program administration, oversight of third party contracts, closeout and audits. Specific tasks identified should include major program components such as intake, inspections, work write-ups, contract monitoring, etc. These activities insure that an effective management system is developed and maintained to provide for compliance with administrative requirements of the HOME program. A financial management system with appropriate record-keeping and internal controls is essential to justify all expenditures and to provide safeguards against fraud and mismanagement. HOME applicants must demonstrate that adequate capacity exists to complete the proposed activity within stringent timeframes.

If more than one agency and/or organization will be involved, detail coordination and lead responsibility.

Include a list of all contractors to be used in the program with copies of all relevant licenses such as lead-based paint, radon, etc.

Provide management and monitoring plans detailing how the program will be executed including compliance with affordability and other applicable requirements as well as time frames for program implementation and completion (detail on the Project Completion Timetable Form.)





## HOME PROGRAM CERTIFICATION OF CAPACITY

The following information is required to evaluate the experience of the administration and/or development team associated with the proposed HOME project. Please complete the sections applicable to the type of project for which funding is being sought. **A staff directory or individual resumes are not to be submitted.** If any questions remain on which sections must be completed or clarification of the information being requested, please contact the assigned HOME Program grant manager. Include additional pages as necessary.

### PROJECT ADMINISTRATOR

NAME:		TITLE:	
ADDRESS:			
PHONE NUMBER:	FAX NUMBER:	EMAIL:	

### AGENCY (COMPANY) OR MUNICIPALITY

Please list the last 3 HOME / Housing projects administered by above named individual, completed and /or currently in process, where HOME Program funding was secured through PA Department of Community and Economic Development (DCED) or HUD. In lieu of HOME specific projects, other project activity(ies) may be provided after consultation with assigned HOME Program grant manager. Include additional pages as necessary for other projects and/or other relevant project team members or partners.

#### PROJECT NAME (1-3)

TYPE OF PROJECT:		LOCATION:	
TOTAL FUNDING/PROJECT COST:	NUMBER OF UNITS:	PROJECT STATUS:	

#### PROJECT DEVELOPER

NAME OF LEAD OR PRIMARY CONTACT:		TITLE:	
ADDRESS:			
PHONE NUMBER:	FAX NUMBER:	EMAIL:	

EXPERIENCE CRITERIA:

#### HOUSING MANAGER / MANAGEMENT CONSULTANT

NAME OF LEAD OR PRIMARY CONTACT:		TITLE:	
AGENCY (COMPANY):			
ADDRESS:			
PHONE NUMBER:	FAX NUMBER:	EMAIL:	

EXPERIENCE CRITERIA:

### CERTIFICATION

**As Chief Elected Official of the grantee, I certify compliance with the Certification of Capacity requirements.**

SIGNATURE, CHIEF ELECTED OFFICIAL:	
TYPED NAME AND TITLE:	DATE:

## **Project Completion Timetable**

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Beginning with the application submission date, outline below a timetable for completion of the number of HOME assisted units projected in the application. The timetable should include all significant milestones, emphasizing those related to environmental clearance, application intake, inspections or property assessment and /or clearance of lead paint-based paint where applicable, bidding, award of local construction contracts, construction schedule with firm completion date(s). Successful HOME applicants must recognize that DCED HOME contracts may contain up to a maximum 36-month period of performance. Applicants need to assure they are meeting both the number of units they are projecting and that those same units are completed within that maximum 36-month performance period. Applicants need to assure that the number of units projected are actually completed within the timetable provided. Successful applicants who do not complete the projected numbers of units within the applicable time period they provide will impact their capacity rating going forward. DCED would strongly suggest that applicants under-promise and over-deliver on both the number of units projected as well as the time frames provided for completion. Potential applicants with questions specific to construction schedules, time frames, etc. should contact their respective DCED HOME grant manager.



## HOME PROGRAM BUDGET AND NARRATIVE

APPLICANT:	DATE:	ORIGINAL:
NAME OF PROJECT:	PROGRAM YEAR:	REVISION:

	HOME AMOUNT REQUEST	OTHER FUNDS		TOTAL APPROVED
		Committed	Secured	
1. Acquisition .....				
2. Development Costs .....				
aRehabilitation .....				
bNew Construction .....				
3. Relocation .....				
4. Related Soft Costs .....				
aProject Delivery .....				
bArchitectural Services .....				
cEngineering Services .....				
dOther (Developer Fee) .....				
5. CHDO Operating Expense .....				
7. _____ .....				
8. _____ .....				
9. _____ .....				
10. Administration (Limited to 6%) .....				
a. Admin. / Planning .....				
b. Audit .....				
11. <b>TOTAL</b> .....				

<b>ADMINISTRATION SUMMARY</b>	
6% of HOME Grant	
Total HOME Request .....	\$ _____
Administration .....	\$ _____
Percent .....	_____ %

## HOME Program Budget and Narrative Instructions

Use this guide to adequately describe the costs, where appropriate, noted on the HOME Program Budget. The budget must also include a written narrative detailing the budget items.

### 1. Category Explanations

#### Line 1: Acquisition

Acquisition costs are limited to purchase price and costs that are not listed as related soft costs in Line 4a or 4b. Acquisition assistance to homebuyers should be identified here.

#### Line 2: Development Costs

Include demolition of existing structures, project site improvements and utility connection costs in the estimate of expenses for the following categories.

- a. **Rehabilitation:** The actual cost of rehabilitating the dwelling unit. Completed units must meet the DCED Housing Rehabilitation Standards. Eligible expenses include refinancing of existing debt on single family owner occupied dwellings when HOME funds are loaned and the overall housing costs of the owner are reduced, energy related improvements, improvements that permit use by disabled persons, radon mitigation, and the abatement of lead based paint.
- b. **New Construction:** Costs of constructing units to the HOME Property Standards as specified on Page 12 and 13 of the HOME Program Guidelines.

#### Line 3: Relocation

These costs include relocation payments and other relocation assistance for permanently and temporarily relocating individuals, families, businesses, nonprofit organizations, and farm operations where assistance is required and appropriate. Relocation payments include: replacement housing payments, payments for moving expenses and payments for reasonable out-of-pocket expenses for temporary relocation purposes. Other relocation assistance includes: staff and overhead expenses related to providing advisory and other relocation services to persons that are displaced. Applicant should review the requirements the Uniform Relocation Act at 49 CFR Part 24.

#### Line 4: Related Soft Costs

Related reasonable and necessary costs associated with financing the development of assisted housing. These costs are borne by the owner, grantee or subrecipient.

- a. **Project Delivery:** Staff and overhead costs directly related to carrying out the project. Services assisting potential owners, tenants, and homebuyers may be charged to HOME only if the project is funded and the individual becomes the owner or tenant of the HOME assisted project.
- b. **Architectural Fees**
- c. **Engineering Fees**
- d. **Other:** Cost of financing and closing a project (including lenders fees, credit reports, legal fees, appraisal fees, builders and developer's fees), affirmative marketing and fair housing information costs, initial operating deficits for substantial rehabilitation and new construction, and impact fees.

#### Line 5: CHDO Operating Expenses

May not exceed 50% of a Community Housing Development Organization's (CHDO) total operating expenses for the prior fiscal year or \$50,000.00, whichever is more. (Note: DCED has capped CHDO operating assistance at \$100,000.00.) The 50% or \$50,000 per fiscal year limitation applies to CHDO operating expenses as well as administrative funds received for its capacity as a subrecipient, the budget should show the non-HOME amount and the budget narrative should provide the source, use and timing of the non-HOME funds. The CHDO's fiscal year operating budget is required. CHDOs, if not already under contract to do so, must be working on a DCED or PHFA CHDO set-aside project.

#### Line 9-11: Other Fees

**Line 12: Administration**

- a. **Administration and Planning:** Administration costs can be no more than 6% of the total HOME request and are limited to reasonable and necessary expenses incurred in carrying out HOME eligible program activities. (For a list of what reasonable administrative and planning costs include, see 24 CFR 92.207.)
- b. **Audit:** Audit costs include HOME portion of the annual single audit of the local government applying for the assistance. If the grantee intends to subcontract the administration of the project to another governmental agency, the audit costs would then cover the second governmental agency.
- c. Until December 26, 2014, the Single Audit Act of 1996 should be considered when planning and budgeting for any single audit. After December 26, 2014, the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards or Final Rule at 2 CFR Part 200 should be taken in consideration to determine if an audit is required.

**2. Program Income**

If program income is to be realized or has accumulated, a description of the source, actual or projected amount, and the identification of the HOME activities it will fund must be provided on a separate page and be attached to the HOME Program Budget.

**3. Budget Modifications/Revisions**

Budget Modification and Revision Templates with Instructions may be found on the DCED website at [dced.pa.gov](http://dced.pa.gov) at the Federally Funded HUD Programs Link.