



Department of Housing and
Community Development

EXPANSION OF HOUSING OPTIONS FOR THE HOMELESS PROGRAM

APPLICATION MANUAL

Department of Housing and Community Development
Housing and Homeless Assistance Unit
The Jackson Center
501 North Second Street
Richmond, Virginia 23219

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Links: www.hudclips.org

Income Limits and Fair Market Rents

Housing Quality Standards Inspection Form (HUD-52580)

Attachment: Expansion Application

INTRODUCTION

The Expansion of Housing Option for the Homeless Program (Expansion) is funded through an appropriation from the Virginia General Assembly and administered by the Virginia Department of Housing and Community Development (DHCD). Additional funds are provided for the HOME Program through appropriations from the U.S. Department of Housing and Urban Development and administered by DHCD.

Expansion funds are offered as a grant in an amount up to \$200,000 for each individual project.

In the Consolidated Plan for Housing and Community Development Programs 2003, as approved by the U.S. Department of Housing and Urban Development, one of the priorities identified is to “Provide support and coordinate services to meet the needs of the homeless and at-risk populations” (p.10). Strategy B under this priority states that DHCD will “Continue the provision of safe and sanitary emergency shelter which meets basic needs and provides necessary supportive services”(p.11). This strategy will be accomplished, in part, through the use of the Expansion program to increase the number of emergency shelter and transitional housing beds to homeless individuals and families in Virginia, emphasizing facilities that offer a comprehensive self-sufficiency program for their residents.

Note: HOME funds may not be used for Emergency Shelter projects. HOME funds may be used for Transitional housing projects. Funds appropriated by the state may be used for Emergency Shelter projects or Transitional housing projects.

GOAL

The goal of the Expansion program is to increase the capacity of the Commonwealth’s shelter stock to accommodate the need for shelter among homeless individuals and families and to encourage the development or continuance of comprehensive self-sufficiency programs.

ELIGIBLE APPLICANTS

Eligible applicants for the Expansion program are nonprofit organizations, units of local government and public housing authorities who currently provide, or plan to provide, shelter and services to homeless individuals or families in Virginia.

APPLICATION DUE DATE

Applications that meet certain threshold requirements will be accepted on an open basis at any time during the fiscal year except when the program is closed due to a lack of funds or other unavoidable reasons. Applicants are strongly encouraged to discuss the planned project with DHCD staff prior to submitting an application.

APPLICATION FORMAT

All applications must be presented in a standard three ring binder with clearly labeled tabs for each major section and all attachments. Submit one original and two copies of the application. Only one copy of plans and architectural drawings should be submitted. Please submit applications to:

Department of Housing and Community Development
Housing and Homeless Assistance Unit
The Jackson Center
501 North Second Street
Richmond, Virginia 23219

FUNDING PRIORITIES

PRIORITY ONE:

Acquisition and Rehabilitation

Expansion funds may be used to purchase and/or rehabilitate residential and non-residential properties into emergency shelter or transitional housing facilities.

Rehabilitation

Expansion funds may be used to rehabilitate existing properties provided that the number of existing emergency shelter or transitional housing beds is increased by a number agreed upon by the applicant and DHCD and in accordance with the identified need and the scope of the planned project.

New Construction

Expansion funds may be used for the new construction of emergency shelter or transitional housing facilities, including the acquisition of land, the cost of construction, and the addition of new units added outside the original wall of an existing emergency shelter or transitional housing facility, provided that the number of existing beds are increased a number agreed upon by the applicant and DHCD and in accordance with the identified need and the scope of the planned project.

PRIORITY TWO:

Refinancing or Acquisition of Presently Operating Facilities

Projects seeking Expansion funds to refinance an existing mortgage or to acquire a facility that is presently being operated as an emergency shelter or transitional housing facility will be considered only on the strength of the documentation that without Expansion funds the existing beds will be lost. DHCD will have discretion regarding the eligibility of any application requesting grant funds for these purposes.

THRESHOLD REQUIRMENTS

All applicants must meet or exceed all the following threshold requirements before a project can be evaluated.

- Public Purpose
- Program Design
- Project Readiness
- Project Feasibility
- Administrative Capacity

MAXIMUM ASSISTANCE

The maximum funding assistance per project is \$200,000. Under no circumstances will the Expansion award exceed the actual eligible cost of the project.

FUNDING TERMS AND CONDITIONS

All State Expansion funds are offered as grants. Recipients of Expansion program funds are required to utilize the facilities assisted with Expansion funds as a residential facility for homeless persons for a minimum of ten (10) years from the signed contract date. The grant is subject to repayment if the recipient violates any program requirements, including the term for which the facility will be used to shelter homeless persons.

PROJECT TIMING

The maximum term for project completion is two years from the date the commitment is executed. Projects that cannot be completed within this time frame must request an extension from DHCD and provide a reasonable explanation for the delay in completing the project. Extensions will be granted at the discretion of DHCD.

DISPLACEMENT

Projects, which cause displacement of individuals or families, are discouraged. If displacement will occur, applicants must include information on the number of tenants to be displaced, income level and the length of displacement (i.e., temporary or permanent). Applicants must also provide a proposed relocation plan and procedures as part of the application.

OCCUPANCY REQUIREMENTS

Expansion funds may be used only to provide residential facilities for low-and-moderate income homeless families and /or individuals. All project sponsors will be required to reserve one hundred percent (100%) of the beds assisted with Expansion funds for homeless persons with incomes below eighty percent (80%) of the area median income, as published by the U.S. Department of Housing and Urban Development (www.hud.gov).

PROGRAM TARGETING

- Grantees receiving HOME funds must use 100 percent of its HOME funds to assist families with incomes below 80 percent of the area median income.
- Families must occupy 20 percent of the units in each transitional housing project containing five or more units with incomes at or below 50 percent of median income.

LONG-TERM AFFORDABILITY

Affordability Periods

- For transitional projects, the length of the affordability period depends on the amount of the HOME investment in the property and the nature of the activity funded. The table below provides the affordability periods.

HOME Investment Per unit	Length of the Affordability Period
Less than \$15,000	5 years
\$15,000-\$40,000	10 years
More than \$40,000	15 years
New construction of transitional housing	20 years
Refinancing of transitional housing	15 years

Occupancy

- Throughout the affordability period, income-eligible households must occupy the HOME-assisted housing.

PROPERTY STANDARDS

All HOME assisted units must meet local codes and standards. In the absence of local codes, housing should conform to the statewide codes identified in the program rule at 24 CFR Part 92.251.

INELIGIBLE ACTIVITIES

Expansion funds may not be for luxury improvements, construction or rehabilitation prior to the approved project period, construction or rehabilitation that is unrelated to the emergency shelter or transitional housing facility, construction or rehabilitation for facilities that do not provide residential accommodations, or operational and administrative expenses.

UNDERWRITING

DHCD staff will review proposed projects and preliminary underwriting performed.

The length of the underwriting phase will depend on the circumstances of each individual application, but will take a minimum of 90 days. If an applicant is approved for an Expansion award, a commitment will be issued accompanied by the appropriate grant agreement. During the underwriting phase, the applicant may be asked to submit a fee to cover the cost of an appraisal. The applicant should not order an appraisal; if an appraisal is necessary, DHCD will notify the applicant.

GRANT-TO-VALUE RATIO

The grant-to-value ratio is based on the appraised value of the structure after construction or after completion of rehabilitation activities. In some cases, at the discretion of DHCD, the assessed value may be substituted for an appraisal. A grant-to-value ratio of up to one hundred percent (100%) will be considered. Under special circumstances, DHCD may permit a higher ratio. Under no circumstances will the Expansion award exceed actual cost.

LOAN SECURITY REQUIREMENTS

ALL Expansion funds will be secured by a lien placed on the property. The lien will remain in place until the grant term has expired.

The Expansion program requires a first or second lien position. A subordinate lien position will be accepted only when there is an existing mortgage or when the primary financing is being provided from another source.

GRANT REQUIREMENTS

The following are typical grant requirements under this program, as appropriate for each individual project:

- Deed of Trust
- Grant Agreement
- Request for Disbursement

- Survey and Surveyor's Certificate
- Title Insurance Policy
- Insurance Policies and Certificates
- Form of Lease
- Certificate of Tenant Eligibility
- Building Permits
- Certificate of Occupancy
- Verification of Taxpayer Identification Number
- Phase I Environment Assessment
- AIA Owner-Architect Agreement
- AIA Construction Contract
- Special Conditions

TERMITE INSPECTION

As a condition of the grant, a pest control company acceptable to DHCD must inspect the property for wood infestation. The property must also be treated, regardless of the findings, and the project sponsor should receive a one-year guarantee against infestation. The cost of the inspection and the treatment may be included in the project budget.

INSURANCE REQUIREMENTS

The insurance requirements are outlined in Appendix 2 of this manual. Projects must be insured for general liability, property damage, and hazards. When applicable, flood insurance must be carried.

ENVIRONMENTAL ASSESSMENT

As a condition of closing, and prior to any construction activities, applicants must conduct a Phase I Assessment as described in the Environmental Management Procedures of the Federal National Mortgage Association. A preliminary environmental review must be included with the application. Key areas of compliance are noise, air quality, wetlands, floodplain, water quality, solid waste disposal, hazardous materials, endangered species, and historical properties. Appendix 3 of the manual, the Environmental Checklist, should be included as Attachment V of your application.

APPLICABLE LAWS AND REGULATIONS

Applicants should be aware of the state and federal laws that govern activities to be funded under Expansion. Applicable laws and regulations include, but are not limited to:

- *Americans with Disabilities Act (ADA)*

A Federal law requires certain facilities to be barrier-free, allowing equal access to public accommodations and residential facilities for persons with physical disabilities.

➤ Fair Housing

Laws prohibit discrimination in housing because of race, color, religion, sex, national origin, familial status, handicap, or age. For information on these laws contact the Virginia Department of Commerce, 3600 West Broad Street, Richmond, Virginia 23230, (804) 367-8530.

➤ Housing Quality Standards (HQS)

Federal Requirements that all facilities must meet certain standards before occupancy. All facilities using Expansion funds must meet these standards for the duration of the funding agreement. A sample HQS inspection form may be found on the HUD website www.hud.gov under the subtitle for forms.

➤ Lead-Based Paint Poisoning Prevention Act

Federal law governing the testing and abatement activities for properties containing lead-based paint, usually not found on properties built after 1978.

CONSTRUCTION FINANCING

For new construction funds will be disbursed according to the following parameters:

- Construction draws will not exceed four;
- Funds will be disbursed in order of lien position;
- Inspection by DHCD staff or other persons approved by DHCD will be conducted before each draw and no funds will be disbursed until the work meets DHCD's satisfaction;
- The total amount disbursed cannot exceed the assessed value of the existing facility and /or land;
- Receipts and/or invoices must be presented with each request for disbursement;
- The final draw amount cannot be less than ten percent (10%) of the total Expansion award; and
- The final disbursement will not occur until occur until all work has been completed to DHCD's satisfaction and a certificate of occupancy submitted.
- Expansion uses the following disbursement schedule:
 - 30% completion
 - 30% completion
 - 30% completion
 - 10% final draw

ASSUMPTIONS

Grants made under this program shall be assumable, with the permission of DHCD, so long as the property use, income and occupancy restrictions, housing condition, and other state requirements are observed by the owner.

REPORTING AND MONITORING

- Income Certifications are required at initial occupancy for each household entering a transitional housing project with annual re-certifications as appropriate. Project sponsors must submit a tenant roll, including the income of each tenant household, to DHCD on an annual basis.
- Physical inspections will be made on a regular basis for compliance with HQS and all performance requirements.
- Projects sponsors are required to submit an annual audit or audited financial statements for each year of the term of the Expansion grant.
- An annual fire inspection report, completed by a Fire Inspector, must be submitted to DHCD. This report should state that the facility was found to be in compliance with the Statewide Fire Protection Code. If a facility is found not to be in compliance, a plan of action to correct the violations should be submitted with the report. Reports of re-inspection by the Fire Inspector must be submitted as soon as they are available.

TARGET POPULATION

Applicants should identify the target population they expect to serve (families, women and children, single males, victims of domestic violence, etc.). Project sponsors using state funds are expected to continue to serve the designated population(s) throughout the 10-year term of the contract between the sponsor and DHCD. Project sponsors using HOME funds must serve the designated population for 15 years.

SUPPORTIVE SERVICES

The Expansion program is designed to finance the capital costs of housing with supportive services for homeless persons. The supportive services provided should be specifically oriented to meeting the identified needs of the targeted population. Applicants must provide a complete description of the services that will be offered to the proposed target population. While DHCD will evaluate the proposed services as a part of the application review process, no services may be funded with the Expansion funds.

All services offered to residents must be clearly defined and service providers must be identified. DHCD reserves the right to request an outside review of the adequacy and sufficiency of the proposed supportive service program. An appropriate agency or individual at the expense of the applicant will conduct this review.

MAXIMUM RENT AMOUNTS

Emergency shelters receiving assistance under the Expansion program are prohibited from charging the residents rent for the term of the contract between the project sponsor and DHCD. Transitional facilities may charge rent provided that rent does not exceed thirty percent (30%) of the resident's total household income.

DESCRIPTION OF THRESHOLD REQUIREMENTS

Applicants must meet or exceed all of the following threshold requirements before a project can be considered for an Expansion award:

➤ Public Purpose

The applicant must provide a narrative, which documents the need for the proposed project. The narrative must describe the specific homeless population to be served and explain why this was selected. The narrative should include the number of homeless persons, from the targeted population(s) if available, in the applicant's service area, the number of turnaways from existing emergency shelter or transitional housing facilities in the service area, and other information demonstrating the need for the proposed project. If a local or regional Continuum of Care Plan has been prepared, the need for the proposed project must be related to the needs and priorities identified in the Continuum of Care. The narrative should be placed in the section labeled "Public Purpose" in your application. Letters from local and/or regional officials and service providers, or copies of the relevant section(s) of documents verifying the need for your proposed project should be included as ATTACHMENT C.

➤ Program Design

The applicant must provide a narrative describing in detail the supportive services that are and will be part of the in-house program or provided through linkages in the service area. Letters from other agencies or services providers documenting the provision of services through linkages should be included in the application. The narrative should describe the screening, intake, and orientation procedures for new residents.

Finally, the narrative must include a description of the proposed facility's life/safety policies and procedures. The policies and practices which protect the health and safety of residents, staff, and visitors, include, but are not limited to, drug-free shelter and workplace policies, frequency of fire drills, methods of notification of fire escape routes, methods of eliminating or minimizing exposure to blood borne pathogens, and plans for cleaning the shelter, especially food preparation and food service areas. If the Expansion application is for expansion of a currently operating facility, a copy of a fire inspection report dated a maximum of one year prior to submission of the application, as well as documentation of any corrective measures taken, must be included.

➤ Project Readiness

The applicant must provide documented evidence of site control in the form of an Option to Purchase, a Purchase Contract, a Deed, or a Lease Agreement with a minimum term of five years, renewable for an additional five years.

The applicant must provide evidence that the property is zoned appropriately for the proposed use. Such documentation should be in the form of a letter from the local authorized zoning official or a copy of the portion of the local zoning map which clearly indicated the zoning designation of the proposed site and a copy of the corresponding zoning ordinance which defines the allowable uses for that designation.

The applicant must provide preliminary plans, with dimensions, elevations, and a typical room layout; specifications or a work write up and a site plan, if appropriate; and evidence of a working relationship with an architect or engineer who will be preparing plans and specifications for the project.

➤ Project Feasibility

A complete development budget, with adequate documentation of both the sources and uses of funds, development financing, and project time line must be included as a part of the Expansion application.

An operation budget for each of the five years following the completion of the Expansion project must be included. The projections of operating expenses must include documentation of the sources and uses of funds, as available.

➤ Administrative Capacity

The applicant must include documentation of the project owner/sponsor's experience in the provision of shelter and services to homeless persons or other low-income persons, the experience of the development team for the Expansion project, and the experience of the property management team.

In addition, the project sponsor's organizational structure, current and proposed staffing pattern, and minimum qualification for each staff position, including position descriptions, must be submitted in the application.

APPLICATION PARAMETERS

All applications must be presented in a standard three ring binder with clearly labeled tabs for each major section and all attachments. See page 21 of the Expansion Application for a list of attachments to be included as a part of your application. All forms provided in the Expansion Application must be used. Do not recreate these forms on a computer or typewriter. It is important for the application review team to be able to distinguish each section of the application easily and quickly. Applications that do not meet these parameters and are not prepared according to the instructions in the Expansion Application will not be reviewed.

Appendixes

Expansion Program First Mortgage Insurance Requirements

1. A company must be rated at least B+ in Best's Guide.
2. A company's financial category in Best's Guide must be at least ten times the amount of coverage. If the financial criteria are low, a Reinsurance Certificate will be required.
3. A company must be licensed or admitted for Virginia.
4. A mutual or reciprocal company must be non-assessable.
5. All-Risk and Replacement Cost coverage are required.
6. Prior to closing, if rehabilitation or improvements which would increase the hazard at a location are necessary, the mortgagor must provide the Virginia Department of Housing and Community Development with a certificate from an insurance company acceptable to the Department to the effect that it has insurance as would be the equivalent of the coverage that would be provided by a builder's risk policy with All-Risk coverage on a completed value basis for the full insurable value covering the interests of the mortgagor, the Department and any general contractor (with a waiver against subrogation against subcontractors and workers) upon all work incorporated in the development and all materials on or about the property intended for permanent uses in the development, or incident to the installation of the improvements thereof, but not including the machinery, tools or equipment of any general contractor, subcontractors or other workers. Such builder's risk insurance or equivalent shall contain a standard mortgagee clause and shall make losses payable to the Department, the mortgagor or the general contractor as their interest may appear, provided there is no default under the loan documents in which event the Department shall receive such payments. The insuring company as adequate substitution for the required builder's risk coverage permits an endorsement to the All-Risk property insurance policy recognizing the additional risk is acceptable to the Department if such.
7. Upon completion of the rehabilitation or improvements, the mortgagor must provide the Department with a certificate from an insurance company acceptable to the Department evidencing All-Risk and Replacement Cost coverage.
8. The coverage amount must be in an amount equal to at least the full replacement cost. It is the responsibility of the mortgagor and insuring company, not the Department, to establish the replacement value. While coverage for the full mortgage amount is not usually required, the mortgagor must justify large deviations from this figure.
9. If a co-insurance factor is applicable, the amount of coverage must be sufficient to comply with the designated percentage.
10. Agreed Amount coverage is recommended. Such coverage (up to the mortgage amount) will be required in the case of a disputed coverage amount.
11. Business personal property coverage for personal property located on site (office equipment, community room/building furnishings, laundry facilities, lawn and maintenance equipment, etc.) is required.

12. If applicable, Loss of Rents coverage in the amount of one year's gross potential rental income is required. This figure must be updated as rent increases are applied.
13. The Department must be listed as the mortgagee and loss payee as follows:
 - Virginia Department of Housing and Community Development
 - Housing and Homeless Assistance Unit
 - The Jackson Center
 - 501 North Second Street
 - Richmond, Virginia 23219
14. The subrogation clause should include the following wording:

This insurance shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for loss occurring to the property described herein.
15. The cancellation clause must read as follows:

Thirty days written notice of cancellation, expiration, termination or material change will be sent to:
 - Virginia Department of Housing and Community Development
 - Housing and Homeless Assistance Unit
 - The Jackson Center
 - 501 North Second Street
 - Richmond, Virginia 23219
16. If the policy's liability coverage is low, a certificate evidencing excess/umbrella liability coverage must be submitted. Such excess coverage must adhere to all requirements set forth in this listing. Excess/umbrella coverage is recommended.
17. If applicable, flood insurance must be carried.
18. The following coverage, if applicable, are required: Boiler & Machinery/steam boiler explosion, elevator, plate glass, outdoor sign, commercial space, automobile, plus any other coverage unique to the development.
19. Any other coverage, which the mortgagor feels are needed should be added to the policy.
20. Broad form comprehensive general liability coverage with limits of \$500,000/\$1,000,000 for bodily injury and \$100,000/\$200,000 for property damage must be carried. The mortgagor must maintain policies of insurance against such other hazards, casualties and contingencies as the Department determines necessary. Such will be specified upon receipt and review of the Certificate of Insurance. A duplicate original policy(ies) must be submitted to the Department prior to closing.

Expansion Program Environmental Checklist

Project Name: _____

Location: _____.

Impact Categories

Please answer "yes" or "no" to the following question. Explain all "yes" responses.

• **Historic Property**

_____ Is the property listed on the National Register of Historic Places?

_____ Is the property near a historic property or district?

_____ Is the property's use compatible to other uses in the area?

Explain:

• **Floodplain**

_____ Is the site located in a Floodplain Zone? If yes, which one?

Explain:

• **Air quality**

_____ Does the Virginia Department of Environmental Quality identify the project within a non-attainment area as?

Explain:

• **Noise**

_____ Are any railroads located within 3000 feet of the project? If yes, are any within normal sight distance?

_____ Are any major arterial roadways located within 1000 feet of the project? If yes, are they within normal sight distance?

_____ Are there any airports within 15 miles of the project? If yes, is the project located in a high noise zone?

Explain:

• **Hazardous Materials**

_____ Are there above ground storage tanks with a capacity of over 5000 gallons within normal sight distance? If yes, how many? _____ List the substance(s) that are kept in the storage tanks

_____ Are there underground storage tanks on the property?

Explain

Water Quality and Wetlands

Please answer "yes" or "no" to the following question.

_____ Are there any bodies of water within sight of the property? If yes, state type:

List Other Environmental Concerns: