



**Affordable and Special Needs Housing  
Housing Innovations in Energy Efficiency  
Supplemental Funding Round  
Program Guidelines**

**Fall 2022**

**Application Due Date:**

**October 14, 2022**

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## Supplemental Funding Summary

The Affordable and Special Needs Housing (ASNH) Program is the consolidated application used by the Virginia Department of Housing and Community Development (DHCD) to award National Housing Trust Fund (NHTF), HOME Investment Partnerships (HOME), Virginia Housing Trust Fund (VHTF), Housing Innovations in Energy Efficiency (HIEE) and Permanent Supportive Housing (PSH) funds<sup>1</sup> to multifamily rental developments and single family homeownership developments across the Commonwealth. The Program's goals are to expand the supply of decent, safe, sanitary, and affordable housing units available to low-income, very low-income, and extremely-low income Virginians.

### *Housing Innovations in Energy Efficiency Funds*

Housing Innovations in Energy Efficiency (HIEE) funds assist affordable housing project development teams in completing energy efficiency upgrades that would not have been feasible otherwise. These funds are made available by DHCD to projects which demonstrate that they are designed to meet the HIEE energy efficiency performance requirements detailed below, and supplement competitively awarded state and federal funds.

**The purpose of this ASNH HIEE Supplemental Funding Round is to provide additional soft loan funding to projects which meet the eligibility criteria below and which are not applying concurrently for additional HOME, NHTF, VHTF, or PSH funding through a Fall 2022 ASNH Competitive Application.**

This document is intended to provide guidance in project eligibility and application process for this ASNH HIEE Supplemental Funding Round **ONLY**.

For more detailed information and for questions outside the scope of the Guidelines, please contact DHCD staff:

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<sup>1</sup> DHCD also uses HOME, VHTF, and HIEE funds for other eligible activities which are administered by other programs.

## **Application Process & Eligibility**

The ASNH Program has an allocation of up to \$80,000,000 in HIEE funds which will be offered in FY 2023 through this ASNH HIEE Supplemental Funding Round, and through the competitive ASNH application process in Fall 2022 and Spring 2023.

This ASNH HIEE Supplemental Funding Round will award approximately \$20,000,000 in HIEE funds to **ONLY** projects which:

- have previously secured a competitive award of funds from the ASNH Program,
- which still demonstrate a gap in funding, and
- which meet the HIEE building standards below.

Any funding not obligated as a result of the ASNH HIEE Supplemental Funding Round may be allocated to subsequent ASNH application cycles, and DHCD reserves the right to adjust the approximate allocation of HIEE funds for this ASNH HIEE Supplemental Funding Round as the Agency determines necessary.

Projects seeking an ASNH HIEE Supplemental Funding Round award must continue to meet the specific requirements of their other awarded funding sources including affordability provisions, and may not undergo permanent loan conversion for any ASNH awarded funds at any time prior to the execution of full loan commitment documents for funds awarded through this round.

**As in previous funding applications, the maximum award value of ten percent (10%) of total construction costs, and the per-project HIEE funding cap of \$2,000,000 remains in place for this ASNH HIEE Supplemental Funding Round.**

All applications for ASNH HIEE Supplemental Funding must be submitted to DHCD through the online Centralized Application and Management System ([CAMS](#)) prior to the deadline of **11:59 PM on Friday, October 14, 2022.**

The CAMS [User Guide](#) provides information and instructions on setting up and using a CAMS account, and should be used first to troubleshoot any errors. Please allow up to two business days for responses to any CAMS Help Desk request, and note that DHCD technical assistance is limited to normal business hours.

### ***Eligibility Criteria***

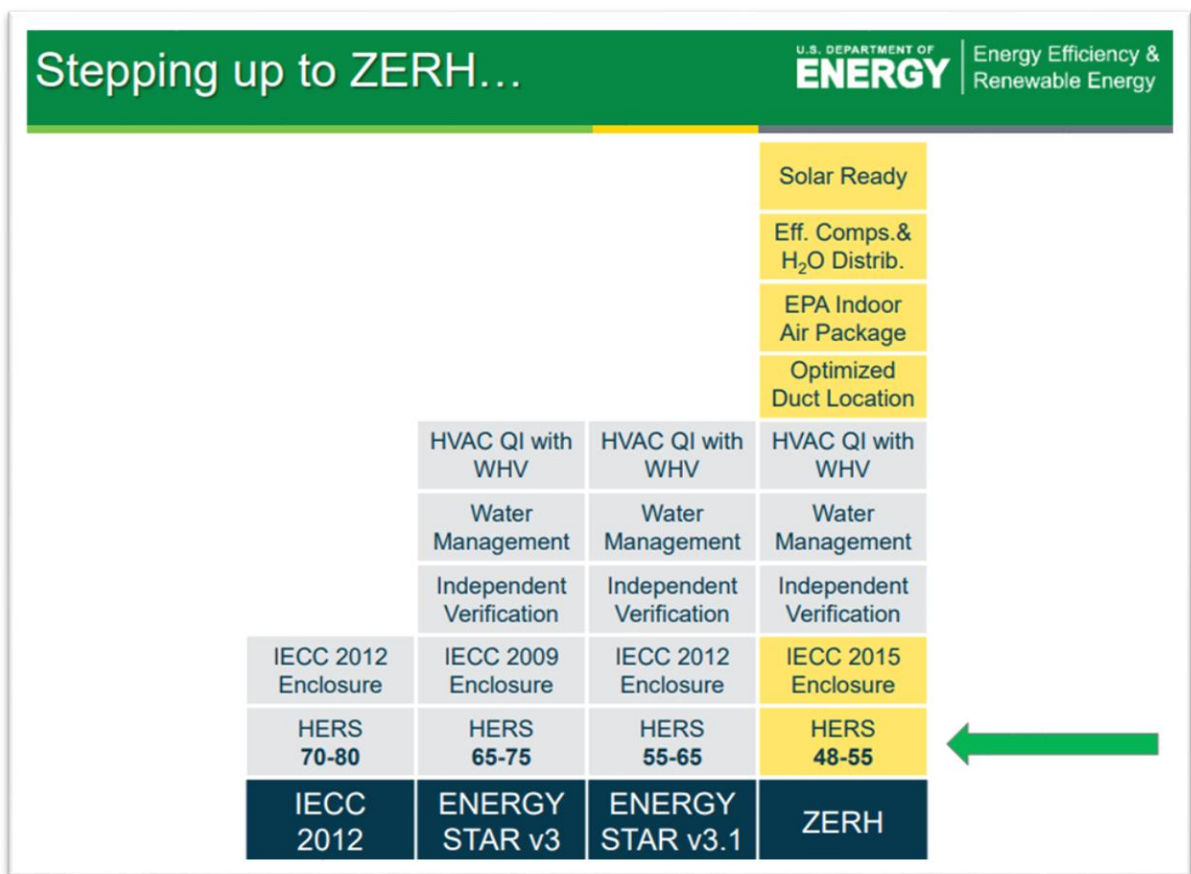
For the ASNH HIEE Supplemental Funding Round, **ONLY** projects which have previously secured a competitive ASNH award of HOME Investments Partnerships (HOME), National Housing Trust Fund (NHTF), Virginia Housing Trust Fund (VHTF), or Permanent Supportive Housing (PSH) are eligible. Applicants will be asked to identify their previous ASNH award to confirm eligibility, and DHCD staff will verify this award prior to issuing HIEE funding.

Projects must meet or exceed the HIEE Program minimum energy efficiency performance requirements, must demonstrate a gap in permanent financing that can be filled with HIEE funds, and must not be projected to convert to permanent financing prior to the execution of the loan commitment for an award of HIEE funding from this ASNH HIEE Supplemental Funding Round.

*HIEE Minimum Energy Efficiency Performance Requirements*

Projects must meet or exceed the following performance requirements, and **must submit their HERS rater plan review and preliminary rating, and their preliminary documentation of green build certification**. Applications for which these documents are incomplete or missing will be considered ineligible for an award from this ASNH HIEE Supplemental Funding Round, and DHCD staff will advise applicants that they will need to resubmit documentation in conjunction with a completed application for the ASNH competitive loan pool at a later date.

Please note the minimum requirements differ substantially from Virginia Housing’s Low-Income Housing Tax Credit (LIHTC) energy efficiency requirements. Meeting the LIHTC Qualified Allocation Plan energy-related standards or meeting EnergyStar standards do not qualify a project for HIEE funding.



Slide courtesy Newport Partners/Jamie Lyons from the ASNH Webinar: HIEE Requirements Presentation recording available at [dhcd.virginia.gov/hiee](http://dhcd.virginia.gov/hiee)  
 Further information available at [buildings.energy.gov](http://buildings.energy.gov)

<b>HIEE Minimum Energy Efficiency Performance Requirements</b>	
New Construction	Green building certification required* Zero Energy Ready Homes (ZERH)**
Substantial Rehabilitation	Green building certification required* Average HERS index of 70 or below across all units OR 40% improvement in HERS index  Additional requirements: ACCA Manual J calculations for heating/cooling loads Fresh air ventilation and dehumidification** Duct leakage testing and sealing*** Architect cost certification of upgrades needed to meet HIEE requirements
Adaptive Reuse	Green building certification required* Average HERS index of 80 or below across all units  Additional requirements: ACCA Manual J calculations for heating/cooling loads Fresh air ventilation and dehumidification** Duct leakage testing and sealing*** Architect cost certification of upgrades needed to meet HIEE requirements

\*Eligible green building certifications include: LEED, EarthCraft Gold or higher, National Green Building Standard Silver or higher, and Enterprise Green Communities.

\*\*Dehumidification strategy/equipment shall provide for occupant comfort and health by maintaining interior RH in 40-60 percent range. For renovations and adaptive reuse projects, if building/unit envelopes are tightened to new construction standards (5 ACH<sub>50</sub>), ventilation system(s) shall provide fresh air supply per the most current version of ASHRAE 62.1 or 62.2, or the most current version of USBC, whichever is more stringent.

\*\*\*Existing ductwork shall be sealed and tested to be ≤10 percent total duct leakage; if HVAC system/ductwork will be newly-installed, duct leakage shall meet new construction energy code requirements (≤4 percent total duct leakage).

### *Funding Gap*

Please note that the ASNH HIEE Supplemental Funding Round is intended to provide an additional opportunity for shovel-ready projects to secure soft loan funds and proceed to construction. Applicants should not apply to the ASNH HIEE Supplemental Funding Round if

their project's gap is such that they also intend to apply for additional HOME, NHTF, VHTF, or PSH funding through the concurrent Fall 2022 or future Spring 2023 ASNH Competitive Application

Applicants must demonstrate a project's need for additional permanent financing through the completion and submission of the mandatory underwriting template. The template attachment must be completed in full, and submitted as an Excel file. Prior versions of the DHCD rental or homebuyer underwriting templates do not include all required application information, will not be accepted, and submitting a prior version will render the application ineligible.

#### *Additional Stipulations*

Projects selected through previous competitive ASNH application rounds for HOME, NHTF, VHTF, and PSH funding offers have received notifications in writing that their project has met criteria to preliminarily qualify the project for funding. The preliminary qualification period expires one year from the date of the letter notifying the applicant of the awarded funding's terms and conditions. DHCD reserves the right to withdraw project preliminary qualification status based on project progress and overall status at any point during the one year period.

DHCD further reserves the right to require that eligible projects execute terms agreements, program agreements, and/or loan commitments for their preliminary awards of HOME, NHTF, VHTF, or PSH funds prior to issuing a preliminary award of HIEE funds from this Supplemental Funding Round.

#### *Eligibility Summary*

A project is eligible for the ASNH HIEE Supplemental Funding Round if it

- Has previously secured a competitive ASNH award of HOME, NHTF, VHTF or PSH funds
- Will not convert to permanent financing prior to the execution of the ASNH HIEE Supplemental Funding Round loan commitment
- Can demonstrate that its design meets or exceeds HIEE minimum energy efficiency performance requirements, as shown through the submission of the mandatory HERS rater plan review and preliminary ratings
- Demonstrates a need for additional permanent financing through the completion and submission of the mandatory underwriting template

### ***Application Evaluation***

Applications for ASNH HIEE Supplemental Funding will be reviewed by a DHCD committee comprised of Affordable and Special Needs Housing and Energy Efficiency staff for completeness and for compliance with the eligibility criteria above.

Compliant, eligible projects with complete applications may receive the full award requested up to the maximum per-project funding cap. Unobligated HIEE funds from this supplemental round will be allocated to future competitive ASNH applications, including the concurrent Fall 2022 application cycle.

## ***Notification of Funding Decision***

After the ASNH HIEE Supplemental Funding Round applications are reviewed and approved for awards, DHCD staff will email a letter of award or denial of funding to the person listed in CAMS as the Primary Contact for the project application.

Applicants receiving this letter of awarded funds for their projects must finalize and execute their project's specific funding terms letter **within 45 days of notification**.

### ***General Terms of HIEE Funds***

**ALL** HIEE-assisted projects require units be made available to households at or below 80% of Area Median Income (AMI). Projects must comply with the income and affordability restrictions designated by each of the other ASNH sources of financing awarded, which may require income restrictions to a lower AMI percentage than HIEE funds.

Rental projects typically receive HIEE funds as a permanent loan with an interest rate of zero percent (0%). A HIEE funds loan is structured as deferred principal, with must pay interest-only payments for the duration of the required minimum affordability period of thirty (30) years, enforced by a restrictive covenant deed on the property. Extensions to this affordability period may be extended at DHCD's discretion, and must be requested and approved in writing.

Homebuyer projects typically receive HIEE funds as a deferred loan, with construction reimbursements remittances paid at predetermined construction milestones, and with income, affordability and resale/recapture restrictions enforced on the final homebuyer with a restrictive covenant deed.

## ***Program Agreements and Loan Commitments***

After Applicants return their project's executed terms letter to DHCD, a Program Administrator will issue a program agreement that must be fully executed in order for the project to receive a formal loan commitment for permanent financing (deferred loan agreement for homebuyer projects).

Applicant-executed program agreements for HIEE funds from the ASNH HIEE Supplemental Funding Round are required to be returned to DHCD within **60 days of issuance**.

Program agreements and their associated loan commitments generally expire two years after their execution, by which time the project should be completed and ready to schedule permanent conversion. Written requests for extensions of any deadline above must be received by DHCD prior to expiration of the agreement or commitment, and are approved on a case-by-case basis.

## ***Other Requirements***

Projects which receive funding from the ASNH HIEE Supplemental Funding Round must comply with all other stipulations and requirements outlined in the ASNH Program Guidelines. This includes, but is not limited to, compliance with the Fair Housing Act, the Uniform



Relocation Act, the Violence Against Women Act, Section 3 requirements, Fair Labor standards, Lead Safe Housing policies, and HUD-mandated environmental reviews.

DHCD will not enter into program agreements with any applicant with outstanding audit findings, IRS findings, DHCD monitoring findings or other compliance issues. DHCD staff will work with all interested parties to resolve any findings or compliance issues, where appropriate.

DHCD reserves the right to perform data collection or ongoing building performance monitoring of HIEE-assisted buildings for the duration of the deferred loan. This may include, but shall not be limited to, requests for utility usage data and HIEE-assisted building access for DHCD staff or DHCD-contracted staff.

## APPENDIX A – Narrative Questions

Application Narrative Questions in CAMS are as follows:

1. For ALL project types: Projects must meet or exceed the HIEE performance requirements, and **must submit ONE FILE in attachments which includes HERS rater plan review and preliminary rating, and the preliminary documentation of green build certification.**

For renovation and adaptive reuse projects: Please describe the steps to be taken in order to meet the HIEE requirements.

2. Please list the sources of funding from your attached underwriting template, and note the status of each source, beginning with the project's competitive ASNH award.

Ex:

DHCD HOME – committed, award letter attached

DHCD VHTF – committed, program agreement attached

LIHTC 9% Equity – committed, allocation letter and syndication agreement attached;

Richmond City HOME – applied for, decision expected December 2022.

**Upload ONE FILE** in attachments that includes all

Commitment letters, LIHTC reservations/allocations, or any other documentation confirming financing status. The completed underwriting template should be uploaded as an Excel file.

3. This Supplemental Funding Round is intended to provide necessary funding to move projects forward to construction. If awarded, executed terms letters and program agreements are required to be returned to DHCD in a shorter timeframe than in a typical ASNH application cycle. Loan commitments would require project completion within two years.

How will you assure this project can meet these deadlines? Discuss any barriers or challenges and detail what steps have been taken to ensure the submitted timeline is appropriate.