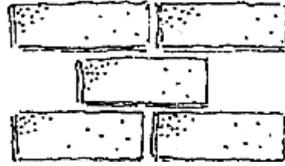


State of Alabama



HOME

Investment Partnerships Program

DRAFT HOME ACTION PLAN For 2003 Funds



Prepared by the Alabama Housing Finance Authority
acting solely in its capacity as the Administrator of the State of Alabama's
HOME Investment Partnership Program

**DRAFT HOME ACTION PLAN
FOR 2003 FUNDS
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I. HOME INVESTMENT PARTNERSHIPS PROGRAM

The Home Investment Partnerships Program (HOME) is a federally funded housing program established in 1990 as part of the Cranston-Gonzalez National Affordable Housing Act (the "Act"). Under guidelines from the United States Department of Housing and Urban Development (HUD), Alabama Housing Finance Authority (AHFA) is the designated administrator and designer of Alabama's HOME Program. AHFA has specifically designed the HOME Program to meet the needs of low- and moderate-income Alabamians consistent with HUD guidelines.

II. DEFINITIONS

Act - the Cranston-Gonzalez National Affordable Housing Act passed in November 1990. This Act contains the provisions for the HOME Program and is further defined in 24 CFR Part 92.

AHFA - the Alabama Housing Finance Authority. AHFA was designated the administrator of Alabama's HOME Program by the Governor of the State of Alabama on February 22, 1991.

CHAS - the Comprehensive Housing Affordability Strategy. The CHAS is a required assessment of housing and housing related needs for the State of Alabama. The CHAS was replaced by the Consolidated Plan (Plan) in 1995.

CHDO - a Community Housing Development Organization. In order to qualify as a CHDO, an organization must be a non-profit organization and meet the requirements specified in 24 CFR Section 92.2.

Competitive Cycles - a period of time established by AHFA during which applications for funding under Alabama's HOME Program may be accepted.

Consolidated Plan (Plan) - a consolidated submission of the planning and application aspects of four HUD Programs, including the HOME Program. Other Plan programs are CDBG, ESG and HOPWA.

HOME Agreement - HOME Investment Partnerships Program Agreement. The HOME Agreement is an agreement executed by AHFA and the entity approved to receive an appropriation of HOME funds.

HOME Funds - funds made available under Alabama's HOME Program through allocations and reallocations, and may consist of any repayments and interest or other return on the investment of these funds.

Participating Jurisdiction - a state or local unit of government, which has met the requirements of Section 216 of the National Affordable Housing Act and will receive a separate appropriation of HOME funds to be used within its jurisdictional boundary. The State of Alabama is considered a participating jurisdiction. The local participating jurisdictions for this state are: Jefferson County, Birmingham, Mobile, Mobile County, Montgomery, Huntsville and Tuscaloosa.

Project - a site or an entire building or two or more buildings, together with the site or (when permissible) sites on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME funds, under a commitment by the

owner, as a single undertaking. Project includes all the activities associated with the site and building.

Recipient - an individual, public agency, for-profit developer(s), CHDO, non-profit developer(s), or any entity that receives State of Alabama HOME funds.

III. ALABAMA'S HOME PROGRAM

AHFA has developed and implemented this HOME Action Plan for the State of Alabama in compliance with the rules set forth in Title II of the Act, the final rule published by HUD (collectively hereinafter referred to as the "HOME Regulations"). AHFA is required by the HOME Regulations to:

Develop selection criteria to be used in determining housing priorities for the State. The selection criteria includes ranking each project in accordance with its location, fulfillment of housing needs, project and applicant characteristics, participation of local tax-exempt organizations, and the targeting of tenant population with supportive housing needs;

- Develop an evaluation process whereby preference is given to projects, which serve: (1) the lowest-income tenants, and (2) qualified tenants for the longest period(s); and
- Develop compliance monitoring procedures to test for noncompliance with HOME regulations and for notifying the Housing and Urban Development (HUD) of noncompliance.

A. Development of Selection Criteria

Since 1992, AHFA has been responsible for preparing the CHAS for the State of Alabama and is currently a participant in the Consolidated Plan process. The Consolidated Plan provides a detailed analysis of the current status of housing in Alabama with special attention devoted to the condition of housing and housing affordability.

Prior to making an assessment relating to the housing needs of the state, AHFA prepared an extensive list of interested relevant parties from which to gather information and mailed letters of inquiry, questionnaires and surveys to various state agencies, service providers, housing directors and individuals. Based on the information submitted, AHFA then compiled the information for inclusion within the Consolidated Plan. The data used in the Consolidated Plan are drawn from the 1990 Census. A current analysis of the 2000 census is underway and should be complete by mid-2003.

The Consolidated Plan, in addition to providing an overall assessment of housing needs for the State, identifies the housing needs associated with special needs groups (minorities, single-parent families, the elderly, people with disabilities, mental illness, or AIDS/HIV and homeless persons).

The Consolidated Plan concluded "that a significant number of individuals in all parts of the state are in need of housing assistance. Those with the greatest needs are, predictably, concentrated at the lowest levels of the income hierarchy, wherein the housing cost burden is also the most severe. The largest numbers relative to housing needs are found in the state's most populous urban and metropolitan counties, but the greatest

concentration of need is observed in the rural counties located in the southern portion of the state, the Black Belt in particular.”

Additionally, the Consolidated Plan has been updated with historical AHFA data, including a list of HOME and Tax Credit projects placed in service and/or committed by AHFA since the 1990 Census. Findings from the 2000 Census will dictate some additional updating of the state Consolidated Plan in the months ahead. The new Census data, however is not expected to dramatically alter the state’s affordable housing priorities. A great many unmet needs still exist and AHFA will use available resources to address them.

While state HOME funds provide hundreds of traditional affordable housing units across Alabama each year, the overwhelming majority of beneficiaries have been families and, in some cases, the elderly. Meeting those needs is consistent with Consolidated Plan findings and the need for additional family units and elderly units should remain strong for the unforeseen future.

B. Establishment of Housing Priorities

AHFA has established certain housing priorities to be used in the distribution of HOME funds. In establishing these housing priorities for the 2003 allocation cycle, AHFA seeks to promote:

- Projects that add to the low-income housing stock;
- Projects, which, without HOME fund, would not likely set aside units for low-income tenants;
- Projects which use additional assistance through federal, state, or local subsidies; and
- Balanced distribution of HOME funds throughout the state in terms of geographical regions, counties, and urban/rural areas.

C. Project Selection Criteria

AHFA is required to evaluate each application to determine which projects should receive HOME funds. Applicants must complete the following basic steps:

1. A complete application must be submitted to AHFA. The application package contains a checklist outlining items necessary to complete the application. The application is deemed complete if all pages are submitted on original forms with original signatures, legible and all applicable spaces are fully completed. All required forms/documentation (see application checklist) must be submitted with the application in original form with original signatures. These forms/documentation must be submitted in numerical order behind the index pages, which are included in the application package. The application should not be in a binder or spiral binding. Failure to meet any of the above instructions will result in point deductions in the Point Scoring System (see Section V (B)(1)). If an application remains incomplete after notification by AHFA of the missing documents and expiration of the time allowed for submission of said items, the application will be rejected, and no further consideration will be given.

2. Qualified residential rental projects must meet the basic occupancy and rent restrictions required of HOME regulations.

Residential rental projects must be on a single site or contiguous sites. Sites *may be considered* contiguous if separated only by one neighborhood street. Mobile homes do not qualify. Intermediate care facilities, group homes, and congregate care facilities are not allowed. In addition, any residential rental unit that is part of a hospital, nursing home, sanitarium, lifecare facility, or intermediate care facility for the mentally and physically handicapped is not for use by the general public and is not eligible for HOME funds. Projects must contain no fewer than 12 units and no more than 56 units.

All residential rental units must be under common ownership, deed, financing and property management.

3. Market feasibility. The proposed rental project must meet basic market feasibility requirements. A market study conducted by an independent third party market analyst must, at a minimum, document the following criteria. **Please refer to AHFA's Market Study Certification Form that is included in the application package for detailed market study requirements.**

- a) Project's market area;
- b) Supply analysis;
- c) Demand analysis;
- d) Market feasibility of the proposed rent structure;
- e) Analysis of the relationship between supply and demand; and
- f) Summary of salient facts and conclusions.

The applicant must provide a market study demonstrating an adequate market for the proposed units. If AHFA does not agree with applicant's market study or feels that the proposed project would adversely impact existing projects or create excessive concentration, AHFA reserves the right to obtain, at the applicant's expense after prior notice, a market study or other information from an independent consultant for AHFA's consideration in resolving the matter.

4. Financial feasibility. The project must meet certain financial feasibility requirements. See Section VI E (1)(c)(page #10) of this HOME Action Plan.
5. Prove adequate infrastructure capacity within the city (or county) in which the proposed project is/will be located.
6. Likelihood of sustained 20-year compliance with HOME Regulations.

D. Amendments

AHFA is entitled to amend this HOME Action Plan, including compliance monitoring provisions, as required by the promulgation or amendment of HOME Regulations from time to time. Such amendment(s) are expressly permitted and the making of such amendment(s) will require a public notice.

E. Uses of HOME Funds

HOME funds will be allocated primarily toward the production of residential rental housing for low-income households and for other uses deemed necessary by AHFA, as long as the use is consistent with the Consolidated Plan.

A portion of the funds allocated to the State of Alabama is required to be reserved for Community Housing Development Organizations (CHDOs). Fifteen percent of HOME funds will be reserved for investments in housing developed, sponsored or owned by CHDOs. This is the percentage required by federal regulations for use by specific organizational types or activities. These HOME funds will be set aside for use by CHDOs in the form of loans for project construction and development. AHFA reserves the right in its discretion to award a sufficient number of projects to CHDO applicants, regardless of point scoring, to meet the 15% set aside of HOME funds.

AHFA will make efforts to identify and assist eligible organizations in using HOME funds to meet the housing needs of the state. These organizations must meet the criteria identified by the Act and demonstrate the feasibility of their proposed endeavors.

Alabama's HOME Program will utilize loans to promote the production of affordable housing in an effort to meet the needs as identified in the State's Plan. A general outline of the HOME Program is as follows.

F. Loan Structure

The structure of the loans made under Alabama's HOME Program will be determined based upon AHFA's assessment of the proposed project's ability to address the needs as identified by the Plan. HOME funds to be allocated to any project will not exceed the amount, determined by AHFA, needed to make the project economically feasible. The amount, terms and rate structure will be set by AHFA. General loan guidelines are as follows and are subject to change at AHFA's discretion:

1. Loan Terms and Repayment: HOME funds will be allocated to the approved projects in the form of a loan. The loan will bear an interest rate of 1/2% accruing annually with deferred payments for twenty years. The principal and interest will be due at the end of the 20th year. In the event of default, AHFA reserves the right to set a default rate in excess of the prevailing Prime Lending Rate applicable at the time of the default.
2. Eligible Activities: New construction of rental units.
3. Eligible Participants: For-profit developers, CHDOs, non-profit developers or any entity eligible to receive an appropriation under Title II of the Act.
4. Security: The loan may be secured by a first or subordinate mortgage on the land and the existing or proposed improvements. In addition, a collateral assignment of rents and leases will be executed in connection with the property. Additional collateral may also be required, but is subject to the discretion of AHFA based on the nature of the transaction involved.
5. Guaranty: AHFA, in its sole discretion, may require that the loan be

guaranteed by an individual(s) or entity acceptable to AHFA.

6. Insurance: Appropriate insurance will be required in connection with the principal security as collateral for the loan. In addition, the applicant, developer and/or builder must evidence insurance coverage to include, but not be limited to, builder's risk insurance, general liability insurance, and loss of rents insurance.
7. Good Standing: No loan application will be processed for any borrower or related entity which is not in good standing with AHFA and any other state housing finance authority, the Alabama Department of Economic and Community Affairs (ADECA), the U. S. Department of Housing and Urban Development or the USDA Office of Rural Development (formerly the Farmers Home Administration). An applicant can be denied consideration of the HOME funds under Alabama's HOME Program if the applicant or its related parties have a history of payment delinquencies, bankruptcy, foreclosure or activities determined to be unsound or unlawful.
8. Closing Costs: The borrower is responsible for all closing costs incurred in connection with any HOME Program loan(s), inclusive of all AHFA-appointed attorney's costs.
9. Environmental Review: Before AHFA can commit HOME funds, a Phase I Environmental Site Assessment prepared by an environmental engineer must be completed. The form and content of the report, including all findings, must be acceptable to AHFA. AHFA will approve, select and engage all environmental engineers. Environmental reviews will be conducted in accordance with the applicable HOME regulations.
10. Survey: Loans closed under Alabama's HOME Program will require a survey of the property, which must be completed prior to closing, and contain a flood zone certification. The survey, in form and content, must be acceptable to AHFA.
11. Declaration of Land Use Restrictive Covenants: Prior to closing, applicants must execute and record a copy of the Declaration of Land Use Restrictive Covenants agreement. The terms of the agreement will require that the covenants remain in effect for the required low-income occupancy period.
12. Construction Consultant: AHFA will contract with an independent construction consultant who may: 1) performs an up-front analysis of the construction budget to determine the reasonableness of costs as presented; 2) review the preliminary and final plans and specifications of the project (during and upon the completion of the project) for compliance with applicable local, state and federal building codes and ordinances; 3) review work in progress and the completed project for any material defects; and 4) review specifications and make comments and/or recommendations regarding the quality of materials to be used in connection with the project.
13. Appraisal: Appraisals will be required on all loans and must adhere to applicable federal and state laws. The appraisal must be completed by an

appraiser who is state-certified. AHFA will select and engage all appraisers.

14. Application Cycles: Applications for Alabama HOME funds must be made to AHFA during an application cycle. Cycles will be competitive and on a first-come, first-served basis. Funding decisions will be based upon the project selection criteria and point scoring system as detailed herein.

Anticipated Uses of HOME Funds:

AHFA estimates the following uses of 2003 HOME funds for the State of Alabama:

	USES	
Loans	\$12,330,750	(75%)
CHDO Loans	\$ 2,466,150	(15%)
Administration	\$ 1,644,100	(10%)
2003 HOME FUNDS ALLOCATED	\$16,441,000	(100%)

IV. ALLOCATION PROCESS

A. Application Cycles

The dates of application cycles will be determined by AHFA on an annual basis. All individuals who have requested to be on the mailing list (see Section IV (B)) will receive notification of the cycles by mail. Notice of the cycle will also appear in *The Birmingham News*, *The Huntsville Times*, *The Mobile Press Register* and *The Montgomery Advertiser*.

Persons wishing to apply for HOME funds must request and complete the AHFA HOME Funding application. Applications may be obtained by letter request. All correspondence and inquiries are to be directed to the following:

Alabama Housing Finance Authority	
Attn: Multifamily Division	Phone Number: (334) 244-9200
P. O. Box 230909	Fax Number: (334) 244-9214
Montgomery, Alabama 36123-0909	

Applications received during a cycle will be evaluated on a competitive basis. A \$500.00 non-refundable fee must accompany the application. The fee must be in the form of a cashier's check or certified funds.

AHFA may, at its discretion, allocate HOME funds without the use of application cycles or the point scoring system to:

- Any project receiving Tax Credits;
- Any project financed by tax-exempt bond financing;
- Any project placed in service that has already received a Tax Credit allocation, has a final cost certification that indicates the need for additional allocation, and has been approved for additional credits by AHFA; and
- Any other program(s) deemed eligible by AHFA.

However, developers for the projects listed above may be required in AHFA's discretion

to submit a complete application and be subject to AHFA's threshold and underwriting criteria in order to be considered for a HOME allocation or additional allocation.

B. Mailing List

AHFA's mailing list is updated annually. Therefore, anyone not on the AHFA's mailing list and wishing to receive notifications of application cycles and other related AHFA activities must request to be placed on the mailing list. That *written* request must be sent to the aforementioned address. AHFA will contact everyone on the mailing list each year to request updated information and to determine if anyone wishes to be removed from the mailing list.

C. Application Threshold Requirements

Although AHFA recognizes that each application submitted is different, certain standard requirements **must be** met by all applicants before the application can be considered. These include:

1. Site Control. If the applicant does not already own the property for which funds are requested at the time of application, the applicant must have site control as evidenced by a purchase option. Because of regulations that impact the varying lengths of the approval process for each property, AHFA strongly suggests that the applicant secure, at a minimum, a six-month purchase option with an option to renew for an additional six months.
2. Proper Zoning. The applicant must provide evidence that the property owned/to be owned is properly zoned and consistent with the proposed project's use. (AHFA does not consider the property zoned if contingent upon further city meetings, approvals and/or advertisement.) Evidence must be in the form of a signed statement from the local jurisdiction where the property is located.
3. Market Study. The applicant must provide a market study conducted by an independent third party market analyst with a signed Certification of Market Study Requirements Form provided by AHFA in the application.
4. Certification of Consistency with the Consolidated Plan. If the proposed project is in an area that is covered by a local Consolidated Plan (see instructions for list), the applicant must have the certification of consistency completed by an authorized official of the participating jurisdiction. If not, the project will be under the State of Alabama's Consolidated Plan and a letter will not be required.
5. Design Quality Standards. All projects are required to meet **AHFA's Design Quality Standards, (Addendum A)**. These are minimum standards. AHFA will permit projects to exceed these standards. Each applicant may construct the proposed project in a manner that reflects applicant goals or that exceeds local building codes.
6. Flood Certification. The applicant must provide a completed FEMA Standard Flood Hazard Determination Form from a nationally recognized flood data service or from a licensed surveyor that no portion of the property is located within the 100-year flood plain.

D. Negative Actions

Should the following actions occur after the application has been submitted to AHFA, consideration for the application will terminate:

- a) Site change;
- b) Change in ownership--a change in the parties involved in the ownership entity (e.g., addition of a new general partner or removal of an existing general partner) without prior written consent of AHFA;
- c) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by local regulatory codes);
- d) Change in the general contractor without prior written consent of AHFA;
- e) Change in the management company without prior written consent of AHFA;
- f) Change in the architect without prior written consent of AHFA;
- g) Instances of excessive or flagrant non-compliance on applicant's existing projects;
- h) Any staff or development team member (listed in the application) who is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Low-Income Housing Tax Credits;
- i) Applicant has a project with AHFA that is in foreclosure or has been foreclosed; and/or
- j) Any material adverse change relating to the project or owner or any factual information supplied in connection with the application proves to be incorrect or fraudulent.

The above list of negative actions is not all-inclusive. The application package itself will list other necessary requirements.

E. Application Evaluation

1. Process of Evaluation. Each application submitted will be subject to the following evaluations:
 - a) Completeness. Applications will first be examined for completeness. Should an application not be complete as defined on page 4, Section III (C)(1) of this HOME Action Plan, it will receive point deductions. If the application is still incomplete after time has been given to submit the missing or deficient items, the application will be rejected, and no further consideration will be given.
 - b) Point Scoring System. Once the application is checked for completeness, the application will be further evaluated using the Point Scoring System included in Section V.
 - c) Market feasibility. The proposed rental project must meet basic market feasibility requirements. A market study conducted by an independent third party market analyst must, at a minimum, document the following criteria. **Please refer to the AHFA's Market Study Certification Form that is included in the application package for detailed market study requirements.**

- a) Project's market area;
 - b) Supply analysis;
 - c) Demand analysis;
 - d) Market feasibility of the proposed rent structure;
 - e) Analysis of the relationship between supply and demand; and
 - f) Summary of salient facts and conclusions.
- d) Financial Feasibility. Once the application is point-scored, the project will then be evaluated to determine its financial feasibility by examining the market in which the project is located and by performing an initial review of costs in connection with the proposed sources of funds. Applications that are not financially feasible at the time of submission because additional sources of funds are necessary will not be considered for funding.

AHFA will require a minimum debt service coverage ratio of 1.15 for HOME development debt financing, that would foreseeably result in foreclosure if not repaid. For purposes of this standard, debt service coverage is defined as the ratio of a property's net operating income (rental income less operating expenses and reserve payments) to forecloseable, currently amortizing debt service obligations. AHFA will determine the allowable operating expense based on historic and current HOME and Tax Credit properties' financial statements.

AHFA will require the project to establish and maintain throughout the compliance period a minimum operating reserve. The operating reserve will be an amount equal to six months of the projected first-year operating expenses.

AHFA will require the project to establish and maintain throughout the compliance period a minimum replacement reserve of \$250 per unit annually (for seven years).

AHFA's determination of the appropriate amount of HOME funds is not a representation or warranty as to the financial feasibility of such project, and may not be relied upon as such by the applicant, owner, developer, investor, lender or any other person.

- e) Credit Worthiness. AHFA will perform credit investigations of the individuals and trade reports of businesses involved in the development and operation of the project. If these reports prove to be less than satisfactory, the application may be rejected.
- f) Reasonableness of Project Costs. Any line item costs, square footage costs or total unit costs exceeding a range of reasonableness will possibly be disallowed solely at the discretion of AHFA. Additional information and documentation (verified by AHFA and/or AHFA's designee) may be required to substantiate the reasonableness of the cost. Any allocation made cannot exceed the HUD 221(d)(3) limits. A list of applicable limits will be provided by AHFA.

AHFA reserves the right to request certification or verification in a form acceptable to AHFA of any line item cost at any time between the application cycle and final allocation of the HOME funds. When the project is placed in service, AHFA requires the final cost certification to be made by an independent CPA.

2. Frequency of Evaluation. Applications will be evaluated at least two times:
 - a) At submission; and,
 - b) Before the closing of the HOME loan.

F. Developer and Builder Fees

1. Developer Fee (New Construction). The developer fee, which includes the developer's overhead and profit plus consultant fees and the owner's profit, should not exceed 15% of the total project costs (excluding the developer fee).
2. Builder Fee. The builder fee, which includes builder profit and overhead, should not exceed 8% of the construction costs, excluding the fee. General requirements must be cost-certified and, as a general rule, should not exceed 6% of the total construction costs. Items included in general requirements will be consistent with HUD and USDA Rural Development regulations.
3. Identity of Interest. AHFA requires that the applicant identify the existence of an identity of interest with any other party to the project including the sale of real estate. "Identity of Interest" is defined by HUD and is repeated in the application instructions contained in the AHFA's HOME Funding Application package.

G. HOME Funds Allocations

No related entities, principals or individuals shall be allocated HOME funds in excess of 15% of the state's 2003 HOME fund allocation. Regardless of the percentage ownership in a project, 100% of the project's HOME fund allocation will count towards all caps.

H. Notification of Approval

The applicant will be notified of AHFA's decision in the form of a HOME Commitment Letter (the "Commitment"). The Commitment will outline actions by which owners, if they accept the terms, must abide. Failure to abide by the terms of the Commitment will automatically terminate such commitment.

I. Progress Requirements After Commitment

From the date of the commitment, the applicant has the outlined time constraints in which to obtain the following items. Failure to comply with any one of the items may cause the commitment to be automatically terminated:

1. Within 10 days of the date of the Commitment, the applicant must:
 - a) Submit the certificate of Existence from the Secretary of State (must be dated prior to the execution of the HOME Commitment);
 - b) Submit executed HOME Commitment Acceptance letter;
 - c) Submit the executed HOME Commitment acknowledging acceptance of the terms and conditions; and
 - d) Submit the executed HOME Partnership Agreement acknowledging acceptance of the terms and conditions.

2. Within 30 days of the date of the Commitment Letter, the applicant must:

Submit a legally binding commitment for construction and permanent financing which details the specific terms of funding and repayment and is not subject to further approval of the creditor's board or credit committee.

3. Within 60 days of the date of the Commitment Letter, the applicant must:

- a) Provide final stamped plans and specification.
- b) Provide a site specific soils report.
- c) Provide a Certified Survey.
- d) Provide the standard form of agreement between owner and architect.
- e) Provide the utility letters.

4. Within 90 days of the date of the Commitment Letter, the applicant must:

- a) Provide certified organizational documents.
- b) Provide a copy of the complete to-be-built appraisal.
- c) Provide phase I environmental.
- d) Provide construction cost estimate summary.
- e) Provide detailed construction schedule.
- f) Provide standard form of agreement between owner and contractor (AIA form).

5. Within 120 days of the date of the Commitment Letter, the applicant must:

- a) Submit a copy of lender's executed construction note or agreement.
- b) Take full possession of the site as evidenced by the warranty deed.
- c) Provide original recorded Declaration of Land use Restriction Covenants.
- d) Submit a copy of the building permit.
- e) Provide proof of construction commencement evidenced by copy of Owner's Notice to Proceed to project's General Contractor (AHFA form).
- f) Submit Recertification of Real Property Acquisition Form.
- g) Submit Title Insurance Policy.

6. Within 60 days after the project is placed in service, the owner must provide AHFA with the Actual Cost Certification package.

Construction on the project cannot begin until a pre-construction conference has been held with AHFA.

J. Negative Action After the Commitment until the Placed-in-Service Date

Some actions on the part of the applicant will cause the HOME Commitment to be terminated: See Section IV (D)(page 9) of the HOME Action Plan.

K. Change in or Denial of HOME Allocation

The evaluations listed in Section IV (E)(2) of the HOME Action Plan may result in a possible change in the amount of HOME funds allocated to a project or denial of the total allocation altogether due, but not limited to, one of the following reasons:

1. Information in the application submitted is determined to be incorrect or fraudulent;
2. Conditions in the Commitment Letter are not met;
3. Changes in the actual cost of the project;
4. Applicant obtains additional subsidies or financing other than those disclosed in the application; and/or
5. Applicant's failure to notify AHFA promptly of any material or adverse changes in the original application. Material or adverse changes include, but are not limited to, applicant's loss of site control, rights of way, ingress and egress, adverse change in the financial condition of the applicant, change in supportive service provider or financial condition of the supportive service provider, and applicant's inability to perform tasks proposed in the application by the deadline set by the applicant and further set or agreed to by AHFA.

L. Disclosure

AHFA will attempt to request all information necessary to make informed decisions regarding HOME allocations. Therefore, it is in the best interest of everyone concerned with the process to disclose completely and accurately all information regarding each proposed project. AHFA acknowledges that errors and misjudgment sometimes occur and simply requests that the applicants notify AHFA of any errors that may occur upon discovery.

V. POINT SCORING SYSTEM

Through the point scoring system, AHFA will award points to projects that best meet the identified housing priorities for the State.

The point scoring system will rank each project in two categories. The ranking of the project will be determined by adding the two section scores together and deducting any points lost to get an overall project score. The point scoring system will largely determine which projects should be funded.

Regardless of strict numerical ranking, the scoring does not operate to vest in an applicant or project any right to a reservation or commitment of HOME in any amount. AHFA will, in all instances, reserve and commit HOME funds consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion.

In the event of a tie between two or more applications, the application located in a county that has not received funds in the current cycle by a higher scoring application will be funded. However, if there still remains a tie, AHFA will conduct a drawing to determine the application that will be funded. The drawing will occur during AHFA's Board meeting in which the HOME allocations are scheduled for consideration by the Board. An impartial person will be selected to draw. The owners of the application are not required to be present.

AHFA reserves the right to deny a HOME funds reservation to any applicant or project, regardless of that applicant's point ranking if, in AHFA's sole determination, the applicant's proposed project is not financially feasible or viable. Additionally, AHFA may recommend that a HOME commitment be awarded out of the ranking order established by the points earned, based on the amount of HOME funds needed relative to the amount of funding available or the financial feasibility and /or viability of the project.

AHFA reserves the right to commit HOME funds in a manner that yields equitable distribution of HOME funds throughout the State.

Under this 2003 HOME Action Plan, HOME funds will be awarded for new construction only.

In addition, HOME funds will be awarded only in combination with Tax Credits. Therefore, for purposes of consistency in scoring, the scoring system set forth below for HOME funds is identical to the scoring system being utilized by AHFA for Tax Credits. However, because Tax Credits may be used either for new construction or acquisition/rehabilitation, the scoring system includes points for acquisition/rehabilitation that cannot be funded with HOME funds.

Applicants for HOME funds will not be eligible to receive the points in the scoring system below relating to acquisition/rehabilitation. Those points will be available solely to Tax Credit-only projects. To minimize confusion, the points that are inapplicable to HOME fund applicants have been identified with a “strike-through” typeface.

A. POINTS GAINED

1. Project Characteristics (Maximum 90 Points)

a. Type of Construction (Maximum 29 Points)

- A maximum of 5 points (1 point each) will be given to projects which provide extra unit/project amenities such as common laundry facilities, washer/dryer connections in each unit, gazebo, community TV, etc. Refer to the application for distinction between an *extra* amenity and a *required* amenity.
- 3 points will be given for solid sod, which must be provided a minimum of 20 feet from all sides of every building and between all buildings and paved areas. Landscaping around the building is allowed.
- 3 points will be given to projects that promote energy conservation by exceeding the standards of the Council of American Building Officials Model Energy Code, as verified by the project architect.
- 3 points will be given to projects that are designed and built to exceed a 15-year maintenance-free exterior standard, as verified by the project architect.

New Construction Projects Only

- 3 points will be given for all on-site paved areas, which must be concrete (a soils report prepared by a geotechnical engineer is required).
- 3 points will be given for a 30-year roof as evidenced by manufacturer’s warranty.
- 3 points will be given for storm windows and insulated exterior doors or Thermal break insulated windows and insulated exterior doors.

- 3 points for full brick/cementitious siding, stucco, or concrete masonry unit (CMU) products (no EIFS is acceptable). A minimum of 60% of each exterior wall of the building shall be brick. The remaining 40% can be cementitious siding, stucco, or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted. All entry areas into the apartment including covered breezeways, porches, balconies, and patios must have brick, cementitious siding, stucco, or CMU to be considered full brick.

1. *One story buildings* - Full brick is defined as “brick exterior facades from finished grade elevations to eave line.”
2. *Two or more story buildings* - Full brick is defined as “brick exterior facades from finished grade elevation to the bottom of the second floor windows.”

- 3 points will be given for underground utilities.

Rehabilitation Projects Only

- ~~3 points will be given for replacing existing roof with a 30-year roof as evidenced by manufacturer’s warranty.~~
- ~~3 points will be given for replacing all entry doors with insulated exterior doors and replacing all windows with storm windows or thermal break insulated windows.~~
- ~~3 points will be given for replacing all kitchen cabinets, countertops, and appliances.~~
- ~~3 points will be given for replacing all plumbing fixtures and water heaters.~~
- ~~3 points will be given for replacing all HVAC equipment.~~

b. Rent Affordability (Maximum 24 Points)

- 6 points will be given to projects which commit to renting 100% of the total units at the 50% rent level or fair market value, whichever is less throughout the compliance period. **This election only restricts the rents charged and does not effect or change the income election of the property.**
- 5 points will be given to projects, which have a commitment for existing federal, state and municipal subsidies, Historic Tax Credits, FHLB, or other government assistance (**AHFA HOME funds are not considered for points**). These subsidies should reduce the cost of the project or debt service. This may be achieved by providing donated land, low interest rate loans or long term financing. (**See Instructions for requirements**)
- 5 points will be given to projects which have committed in writing to extend the low-income set-aside, at a minimum, five years beyond the 15 years required by law (minimum 20 year low-income set-aside).

- A maximum of 5 points will be given if there is a commitment for rental assistance to the low-income units. Welfare, unemployment compensation, and Social Security payments are not eligible under this section.
 - 5 points (Project-based rental assistance, the assistance must be available for 100% of the qualified units and be based on the tenant's income. For example, USDA RD and HUD programs.)
 - 3 points (For owner-financed project-based rental assistance, the assistance must be at least an equivalent of \$50.00 per unit per month for a minimum of 25% of the low-income units (rounded up) for at least ten consecutive years.) *At the end of ten years, any unused funds should remain available to assist tenants throughout the compliance period.*
- 3 points will be given to projects; which elect to designate 100% of the rental units for low-income housing tenants. *All tenants must be at or below 60% of Area Gross Median Income ("AGMI").*

c. Special Needs Housing (Maximum 13 Points)

- 4 points will be given to projects with 100% of the units in the project designed, equipped and set-aside for elderly, or people with disabilities.
- 4 points will be given to projects targeting low-income families (individuals with children) with a minimum of 15% of the units having three or more bedrooms. **(If an applicant chooses 100% elderly, the applicant will not receive points for three or more bedrooms.)**
- A maximum of 3 points (1 point each) will be given to applicants that provide services and/or activities for the tenants free of charge. In order for the service to be eligible for points, the owner must pay for the service, provide a place for the service, or provide transportation to the service. One point will be awarded for each fully completed Tenant Service form (see application package).
- 2 point will be given to projects which have committed in writing to target households on the public housing waiting list.

d. Readiness Issues (Maximum 12 Points)

- 4 points will be given to applicants with evidence of attendance at the AHFA sponsored HOME/Tax Credit Training Seminar. The attendant must be a member of the development team.
- 4 points will be given for evidence that the applicant has secured construction and permanent financing sufficient to complete the project, as evidenced by a firm letter of commitment from a lending institution. The borrower must accept the commitments, if required by the lending institution. A general letter of interest or support is *not* a firm commitment. To be considered a commitment, the document must contain the terms, conditions, interest rate, disbursement conditions, security requirements, and repayment provisions and be signed by an

authorized representative of the lending institution. The commitment may be subject to an allocation of Tax Credits or HOME funds. The commitment may not be subject to final credit approval by the lending institution.

- 2 points will be given for dated and executed organizational documents.
- 2 points will be given for evidence of availability of *all* utilities to the site or evidence that they will be provided electricity, gas, water, sewage, and telephone. *The sewage letter must state whether there is capacity to serve the proposed units.*

e. Project Type (Maximum ~~4~~ 1 Points)

- ~~4 points will be given for rehabilitation of existing low income housing (e.g. USDA RD and HUD). A minimum of \$10,000 per unit of hard construction cost must be completed in order to receive points.~~
- ~~3 point will be given for applicants that apply for a four percent (4%) credit only. (The four percent (4%) Acquisition credit does not qualify for the points)~~
- ~~2 points will be given to HUD and USDA RD “distressed” properties. AHFA defines “distressed” properties as being in risk of foreclosure. A letter from HUD or USDA RD must be submitted with the application stating the reason property is “distressed”.~~
- 1 point will be given for applicants that propose a project intended for eventual tenant ownership. The project must consist of single-family homes, duplexes, or townhomes to be eligible for points. Projects consisting of townhomes must be exactly 12 units to be eligible for points

f. Location (Maximum 2 Points)

- 2 points will be given to projects located in qualified census tracts, the development of which contributes to a concerted community revitalization plan. A copy of the written Revitalization Plan’s applicable pages must be submitted with the application package.

2. Applicant Characteristics (Maximum 10 Points)

- 4 points will be given to applicants with participation of minorities or women. To qualify for the points for participation of minorities or women the application must meet one of the following requirements:
 - a. Minorities or women have ownership in the project;
 - b. Minority- or women-owned business or individual(s) (is/are) listed as the developer on page 2 of the application;
 - c. Applicant/Owner guarantees at least 10% of the total building cost (line 19 of the Estimated Cost Certification) is awarded to minority- or women-owned businesses.

*In all cases the minority or female individual(s) must have at least a 50% ownership interest as the project's general partner or 50% ownership interest in the participating business to qualify for the points. These businesses include, but are not limited to, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services. **The name and address of the company and the anticipated contract amount must be listed at the time of application on the form provided by AHFA in the application package in order to receive the points.***

- A maximum of 3 points will be given to owners (individual(s), corporation(s), or in the case of a limited partnership, the general partner(s)) who have previous successful experience in the development of multifamily housing. The owner may include experience gained as an owner in another firm, but not as an *employee* of another firm.

3 points (3+ projects)

2 points (2 projects)

1 point (1 project)

- A maximum of 3 points will be given to applicants with sound experience as managing agents of **low-income** housing. This experience is defined by the highest number of units currently managed or has previously managed. Only those units in projects that are considered low-income units will be counted in this total.

3 points (101+ units)

2 points (49-100 units)

1 point (24-48 units)

B. POINTS LOST

1. Incomplete Application (No Maximum Points Lost)

If threshold documentation is missing or a threshold requirement is not met at the time AHFA receives the application, the application will no longer be considered. AHFA may request a clarification of a threshold requirement and determine if complete at AHFA's discretion.

One (1) point per missing or incomplete document will be deducted from an applicant's score if AHFA, during the completeness check, must notify the applicant of any document(s), which must be submitted. If the documents are not received by the specified time, the application will no longer be considered.

2. Project Location (Maximum Loss of 9 Points)

Point deductions for project location is cumulative to a maximum of 9 points.

- 5 points will be deducted for applications located in counties that AHFA funded a project (excluding HOME only projects) in the 2002 application cycle. The applicable counties are:

Baldwin	Cherokee	Clarke	Dallas
Jefferson	Lauderdale	Lee	Limestone
Madison	Marshall	Montgomery	Morgan
Pike	Tuscaloosa		

- 3 points will be deducted for applications located in counties that AHFA funded a project (excluding HOME only projects) in the 2001 application cycle. The applicable counties are:

Baldwin	Calhoun	Elmore	Etowah
Greene	Jackson	Jefferson	Lauderdale
Lee	Limestone	Madison	Marshall
Montgomery	Morgan	Pike	Tuscaloosa

- 1 points will be deducted for applications located in counties that AHFA funded a project in the 2000 application cycle. The applicable counties are:

Autauga	Baldwin	Barbour	Butler
Calhoun	Colbert	Crenshaw	DeKalb
Elmore	Houston	Lamar	Lawrence
Limestone	Macon	Madison	Marion
Mobile	Monroe	Morgan	Perry
Russell	Talladega	Walker	Winston

Applications for the rehabilitation of existing residential housing will not be subject to point deductions in any county.

AHFA will not consider an application that is submitted in Baldwin, Jefferson, Madison, Mobile, and Montgomery counties unless all AHFA 2000, 2001, and 2002 funded projects within a 3 mile radius of the proposed site have been placed in service and are 90% occupied at the time of application. Projects funded with Tax Credit only, Tax Credit combined with HOME funds, and tax exempt Bonds combined with Tax Credit will be considered within the 3-mile radius. Projects funded with HOME only funds will not be considered.

AHFA will not consider an application that is submitted in a county (Excluding HOME only projects) that AHFA funded in 2000, 2001, and 2002 unless all AHFA 2000, 2001, and 2002 projects within a 1-mile radius of the proposed site have been placed in service and are 90% occupied at the time of application. Projects funded with Tax Credit only, Tax Credit combined with HOME funds, and tax exempt Bonds combined with Tax Credits will be considered within the 1-mile radius. Projects funded with HOME only funds will not be considered.

AHFA will provide reasonable assistance in determining occupancy of applicable projects, upon request. All information provided to applicants by AHFA will be based upon third party information reported to AHFA. AHFA will confirm occupancy of all applicable projects at the time of application.

AHFA's determination of occupancy is final and binding on all applicants. AHFA is not responsible for errors or omissions in occupancy reported to AHFA.

3. Compliance (Maximum Loss of 15 Points)

- A maximum of 10 points will be deducted if the applicant’s existing projects are not in compliance with Section 42, the HOME Regulations or AHFA’s policies and procedures.
- A maximum of 5 points will be deducted if the applicant has not met the Davis-Bacon requirements on any existing project.

See breakdown of points for both existing projects and existing Davis-Bacon files. (Addendum B).

4. Site Selection (Maximum Loss of 13 Points)

- A maximum of 10 points will be deducted from the project’s score if any detrimental characteristics on or adjacent to the site exist. These include, but are not limited to, utility substations, landfills, railroad tracks, major highways, industrial plants, topography inconsistent with proposed use, etc.
- A maximum of 3 points will be deducted on the following scale regarding the project’s distance from a grocery store (contains bread, milk, and over the counter medicines) or pharmacy. See instructions for the definition of services and for determining the distance from project:

<u>Distance</u>	<u>Point Deduction</u>
Over one mile	1 point
Over two miles	2 points
Over three miles	3 points

VI. ADMINISTRATIVE OVERVIEW

A. Alabama Housing Finance Authority (AHFA)

AHFA is a public corporation and instrumentality of the State of Alabama, organized pursuant to the provisions of Title 24 Chapter 1A of the Code of Alabama, as revised. AHFA was established as the housing finance entity for the State in 1980. Since its inception, AHFA has issued mortgage revenue bonds in excess of \$2.4 billion for the financing of more than 42,500 single-family homes, and nearly \$646 million in multifamily bonds for the production of some 100 complexes. Additionally, AHFA has issued nearly \$75.9 million in Low-Income Housing Tax Credits to fund 538 projects with 22,658 units and over \$129 million in HOME funds to construct 166 projects with 6,110 units.

Currently, AHFA has an experienced staff of 34 employees with many having 10-20 years of commercial banking, mortgage banking or accounting experience. AHFA staff includes experienced commercial real estate and construction lenders, mortgage bankers, accountants and support personnel. The multifamily staff, responsible for the HOME Program, has experience in dealing with other federal programs, which include the Low-Income Housing Tax Credit and Multifamily Bond Financing Programs. The single-family staff administers a number of programs including the Mortgage Revenue Bond program, the Mortgage Credit Certificate program, the Down Payment Assistance program, the Access Alabama Program, the Rehab Assistance Program, the Step Up program, the Rural Alabama Mortgage program, the Building Blocks to Homeownership program, and the Habitat for Humanity Loan Purchase program.

AHFA has the necessary computer hardware and software programs required to properly administer and service loan transactions in connection with the HOME Program. Hardware components consist of a personal computer local area network with multiple large-capacity file servers with the capacity to run mortgage loan servicing software packages.

B. Administrative Policies and Procedures

AHFA's administration of the HOME program includes, but is not limited to, the following functions: accounting, loan processing, loan servicing, administration, compliance, investments, and disbursement of funds. AHFA will be compensated for any and all expenses incurred in performance of its duties (inclusive of those duties for which AHFA may subcontract) through draws from available administrative funds in the HOME account.

The State of Alabama, as a Participating Jurisdiction, is responsible for ensuring that HOME funds are used in accordance with all program requirements. AHFA, acting in its capacity as Administrator of the State of Alabama's HOME program, AHFA's Board of Directors, officers, employees and agents will not be held responsible or liable for losses incurred from claims, suits, damages, and costs and expenses of any kind or of any nature that the HOME program may suffer, incur or pay arising out of decisions by AHFA concerning any application, loan decision(s), or action(s) associated with the administration of the HOME Program unless said responsibility or liability is specifically contained within the Act.

1. HOME Disbursement Accounts

Two accounts have been established to administer Alabama's HOME Program. The first account, the HOME Investment Trust Fund, is established in the United States Treasury and managed through HUD's Integrated Disbursement and Information System (IDIS). The second, Alabama's HOME Account, is established and utilized by AHFA as a deposit and disbursement account of HOME funds. HOME funds from the federal government, interest earnings and repaid principal will be deposited and disbursed from this account. All HOME related funds in this account will be kept separate from other accounts maintained by AHFA. AHFA may establish other administrative accounts, which are allowed under Title II of the Act.

Once a project has been approved for funding, and all of the conditions required to be satisfied prior to the execution of the HOME Agreement have been satisfied, an account for said project will be established in IDIS. Requests for HOME funds will be made to the IDIS by AHFA or its designee.

2. Administrative Duties

a. Audits and Reviews:

AHFA, as administrator, may conduct reviews and audits of recipients as may be necessary or appropriate to determine compliance with the rules and regulations of Title II of the National Affordable Housing Act. An accounting firm chosen by AHFA will conduct required external audits of Alabama's HOME program.

b. Monitoring:

AHFA will monitor each designated recipient of HOME funds for compliance with occupancy and use restrictions. The scope and frequency of monitoring activities

will meet or exceed the minimum requirements of the specific program as outlined in the Act or regulations. See Compliance Section VII.

Recipients of HOME funds must comply with the reporting requirements as defined in 24 CFR Section 92.508 and are responsible for providing AHFA with the information necessary to complete the annual reporting requirements.

Recipients must report all instances of non-compliance to AHFA at P. O. Box 230909, Montgomery, AL 36123-0909 and the HUD office in Birmingham, Medical Forum Building, 950 22nd Street North, Suite 900, Birmingham, AL 35203.

VII. COMPLIANCE

A. Minority and Women's Business Outreach

As required in Section 281 of the HOME Investment Partnerships Act, AHFA will work to involve minority and women's business enterprises whenever possible. In an effort to comply with these requirements, AHFA has obtained from the Alabama Small Business Development Consortium, 1717 11th Avenue South, Suite 419, Birmingham, Alabama 35294, a list of eligible businesses for use by potential recipients of State HOME funds. AHFA will continue to work with this office to update and expand this list for use with the HOME Program.

AHFA will maintain a record of reported activities of Minority- and Women-Owned Businesses involved in the HOME Program.

B. Equal Opportunity and Fair Housing

Affirmative marketing procedures will be utilized so that no person in the United States shall, on the grounds of race, color, national origin, religion, or sex, be excluded from participation in, be denied benefits of, or be subject to discrimination under any program or activity funded in whole or in part with funds made available under Alabama's HOME Program. Recipients of Alabama's HOME funds must adhere to the requirements of the Fair Housing Act and the Age Discrimination Act of 1975. AHFA will maintain records, whenever possible, of the percentage of low-income units occupied or purchased by minority and single parents.

All loan applicants or local units of government applying for Alabama HOME funds must certify in the application that they will adhere to the affirmative marketing procedures (as defined in 24 CFR Section 92.351).

Records concerning the characteristics of tenants renting HOME assisted units must be maintained by the owners; and supplied to AHFA on an annual basis. AHFA will analyze this data to assess the success of the owner's affirmative marketing procedures. AHFA will give additional preference points to those applications, which evidence the participation of minorities in connection with the project.

C. Environmental Review

AHFA will conform to the Environmental Review requirements of Title II of the Act.

D. Matching

NOTE: The State of Alabama is typically required to match a portion (twelve and one-half percent) of annual HOME funds. This match may be derived from several possible sources including the donation of land by localities, the donation of voluntary skilled or unskilled labor, sweat equity, the use of tax exempt bond proceeds, the value waived of property taxes by localities, cash injections by localities, and any other source which may be determined at a later date. Additionally, a number of AHFA programs (Down Payment Assistance, Rehab Assistance, Habitat for Humanity Partnership) provide financial assistance to HOME-eligible Alabama households and a portion of this funding may count as match. The use of any possible state funds would require an appropriation by the legislature. Specific sources and the amount of possible funds available to meet the matching requirements for a program year will be determined prior to any draw of HOME funds.

For 2002, HUD has granted a full waiver of the match requirement due to the State of Alabama's designation as a Participating Jurisdiction in *severe financial distress*. Specific waivers for subsequent program years may also be granted if an Alabama county is listed as a Presidentially declared disaster area.

E. Occupancy and Rent Requirements

In HOME and Housing Credit residential rental projects at least 40% of the units by building must be occupied by households with incomes at or below 50% of median family income and the rent must be restricted at or below the 50% rent level or Section 8 Fair Market Rent, whichever is less. The remaining units must be occupied with households with incomes at or below 60% of median family income and the rent must be restricted at or below the 60% rent level or Section 8 Fair Market Rent, whichever is less to receive a nine- percent credit.

HOME Income limits and Rent limits are calculated annually by HUD's Office of Policy Development and Research (PDR), once the Section 8 income has been issued.

F. Compliance Monitoring

These compliance monitoring procedures apply to all buildings placed in service in Alabama, which have received allocations of HOME funds determined under the HOME Regulations (hereinafter cited as "Regs"). The compliance monitoring procedures and requirements are as follows:

1. AHFA will verify that the owner of a low-income housing project is maintaining records for each qualified low-income building in the project. These records must show, for each year in the compliance period, the information required by the record-keeping provisions contained in the HOME Regulations, incorporated herein by reference.
2. AHFA will verify that the records documenting compliance with the HOME Regulations for each year as described in Paragraph 1 above are retained for the entire affordability period.
3. AHFA will inspect 100% of the HOME projects each year and will inspect the low-income certification, the documentation the owner has received to support that certification, and the rent records in those projects.

4. The owner must allow AHFA to perform an on-site inspection of any low-income building in the project through the end of the compliance period. This inspection may be separate or in conjunction with any review of tenant files under Paragraph 3 and will include habitability requirements.
5. AHFA will promptly notify the owner in writing if AHFA is not permitted to inspect and review as described in Paragraphs 3 and 4, or otherwise discovers that the project does not comply with the HOME Regulations. In such event, the owner will be allowed a correction period to supply missing documentation or to correct noncompliance. This correction period begins the earlier of (1) the date the notification is mailed or (2) the date of the inspection.
6. AHFA will notify HUD of an owner's noncompliance or failure to certify no later than 45 days after the end of the time allowed for correction and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected.
7. During the compliance period, the owner will furnish to AHFA within 60 days of the close of each fiscal year a consolidated statement of financial position, an income and expense statement, and a rent roll of the project for that fiscal year. These items are to be certified by the owner.
8. Compliance with requirements of the HOME Regulations is the responsibility of the owner of the building for which HOME funds are loaned or granted. AHFA's obligation to monitor for compliance with the requirements of the HOME Regulations does not make AHFA or the State of Alabama liable to any owner or to any shareholder, officer, director, partner, member or manager of any owner or of any entity comprising any owner for an owner's non-compliance therewith.

Addendum A

Design Quality Standards Twelve (12) or More Units

The following outline of minimum standards must be used in designing Tax Credit and HOME projects of twelve or more units.

Any deviations from these standards should have the prior written consent or approval of the Alabama Housing Finance Authority.

All projects must be designed in accordance with the applicable requirements of the Americans with Disabilities Act, Section 504 Requirements, Fair Housing and any local building codes.

a) Site Selection Criteria:

- A. Proposed sites contained within a 100-year flood plain are not permitted.
- B. Sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices.
- C. All developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.
- D. Sites located outside municipal city limits:
 - 1. A proposed new construction site may be located outside a municipality's city limit, but must be within the local police or sheriff jurisdiction.
 - 2. A proposed site that is located in the police jurisdiction of a local municipality must comply with applicable zoning restrictions as if located within that municipality's city limit.
 - 3. Domestic water and fire water service must be provided to the development by the local utility service provider.

b) Building Design Criteria

- E. Maximum Building Standards:
 - 1. The square footage of the Project's community building must not exceed 2,500 square feet (inclusive of the office area, community laundry, mechanical room, restrooms, kitchens, porches, etc.).
 - 2. All 100% Elderly projects must be one-story structures. Exception: Projects may have more than one story, provided elevators are to be installed servicing all upper level apartments. Design exceptions, or deviations, may be reviewed by AHFA on an individual basis.

F. Minimum Building Standards:

1. Minimum Apartment Unit Net Area Requirements:
 - a. "Net" area is measured from the **interior finished face** of the exterior wall to the **centerline** of the common, or party, wall.
 - b. Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

Unit Type	<u>Number of Bathrooms</u>	Minimum Unit Net Area*	Min. Bedroom Net Area
1 Bedroom	1	725 s.f.	120 s.f.
2 Bedroom	1	900 s.f.	120 s.f.
2 Bedroom	1.5	925 s.f.	120 s.f.
2 Bedroom	2	975 s.f.	120 s.f.
3 Bedroom	2	1,050 s.f.	120 s.f.
4 Bedroom	2	1,250 s.f.	120 s.f.

**Note 1: Unit areas do not include outside storage, covered porches, patios, balconies, etc.*

2. Exceptions to the minimum area requirements:
 - a. Projects with USDA Rural Development (formerly FmHA) financing;
 - b. Single-Room Occupancy ("SRO") projects; and
 - c. Rehabilitation of existing residential rental units.
3. For new construction, all units must include an exterior storage closet with a minimum area of 16 square feet.
4. Exterior Building Standards:
 - a. Exterior Finishing Materials:
 1. Exterior building coverings: For new construction, very low maintenance materials are required. Acceptable materials include:
 - a. Brick;
 - b. High quality vinyl siding with a minimum thickness of .042 and a lifetime non-prorated limited warranty (50 year) transferable; or
 - c. Cementitious siding.

All siding materials listed above are required to be 8 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick or decorative block must be used as an apron material.
 2. Prefinished fascia and soffit: Vinyl or aluminum panels should be used.
 3. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, or aluminum.
 4. Materials for entry doors are to be metal-clad wood or hollow metal construction. "Peepholes" and deadbolt locks are required in entry doors. Dead bolt locks on entry doors should have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. Minimum width of all exterior doors shall be 34 inches.
 5. Roofing materials: Anti-fungal shingles or metal roof with 25-year warranty or better should be used.
 6. Roof gable vents should be made of aluminum or vinyl materials.
 7. All primary entries should be within a breezeway or have a minimum roof covering of 3-feet deep by 5-feet wide, and should be designed to divert water away from the entry door. Entry pads measuring 4 feet by 4

- feet and made of impervious material with a minimum slope of 1/4 inch per foot are required at each exterior entry.
8. Breezeways functioning as fire exits must be constructed of concrete floor/decking material.
 9. Exterior shutters are required on all 100% vinyl siding buildings.
- b. Other Exterior Standards:
1. Exterior lighting is required at entry doors.
 2. Address numbers are to be clearly visible.
 3. One and one-half parking spaces per living unit required for family units, one space per unit for elderly units, two parking spaces for single family homes, and two parking spaces for each duplex, unless local code dictates otherwise, and no designated street parking allowed.
 4. Flashing is to be installed above all exterior door and window units.
 5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, all disturbed areas must be seeded. One 1 1/2" tree per unit. Six 1 gallon shrubs per unit.
 6. Curbing for paved areas is required throughout the proposed development site, including parking areas.
 7. Sidewalk access to all parking spaces must be provided.
 8. A project sign including the fair housing logo is required.
 9. A minimum of one enclosed trash dumpster or compactor is required.
 10. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.
5. Interior Building and Space Standards:
- a. Wall Framing:
1. Walls may be framed using metal studs in lieu of wood.
 2. Sound proofing or sound batt insulation is required between the stud framing in party walls. A sound rating of STC 54 is required.
- b. Insulation Requirements:
1. Exterior wall insulation should have an overall R-11 minimum for the entire wall assembly.
 2. Roof or attic insulation should have an R-30 minimum.
 3. Vapor retarders must be installed if recommended by project architect.
- c. Kitchen spaces:
1. 6 1/2-inch deep double bowl stainless steel sinks are required in each unit.
 2. Each unit must be equipped with a dry chemical fire extinguisher readily visible in the kitchen.
 3. New cabinets should have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
 4. A pantry closet is required in each unit. The pantry must be 1'6" x 1'6" deep with a minimum five shelves, located in the kitchen.
 5. Fluorescent lighting is required.
- d. Bathroom Spaces:
1. Tub/shower units should have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves.

2. Water closets should be centered 18 inches from sidewalls or vanity/lavatories.
3. Mirror length should extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor.
- e. Hallways should have a minimum width of 36 inches.
- f. All interior doors to habitable spaces should have minimum width of 30 inches.
- g. Overhead lighting is required in each room.
- h. Window treatments are required for all windows.
- i. Sliding glass doors are prohibited.
- j. Floor Finishes:
 1. Carpet materials must meet FHA minimum standards.
 2. Resilient flooring materials must meet FHA minimum standards.
- k. A minimum of two hard-wired with battery back-up smoke detectors is required per unit.
6. Plumbing and Mechanical Equipment:
 - a. Water heaters should be placed in drain pans with drain piping plumbed to the outside.
 - b. All water piping located on exterior walls and in attic space should be insulated. Water and sanitary waste lines should be located in interior walls or stubbed up through the floor.
 - c. Through-wall HVAC units are not permitted except in efficiency units or in offices.
 - d. CPVC supply piping is not allowed for interior space in-wall or overhead services.
 - e. HVAC units and water heaters are not permitted in attic spaces. Units must be placed in Mechanical Closets with insulated walls located in the living unit.
 - f. HVAC refrigeration lines shall be insulated.
 - g. HVAC 10 seer or greater should be used.
- C. Modular Construction:
 1. Modular units are to be constructed in component sections and assembled by a manufacturer in a controlled environment. The component sections are to be assembled on a conventional permanent foundation at the project site. Finish work is to be completed on site.
 2. Modular units must be constructed to meet applicable building codes, AHFA's specifications and Design Quality Standards stated herein.
 3. A modular home manufacturer's warranty must be provided.

c) Drawing Submission Criteria:

The following documents should be prepared by a registered architect, surveyor, or engineer licensed to practice in the State of Alabama.

- G. Site Plan: The following items should be shown.
 1. Scale: 1 inch = 40 feet or larger for typical units.
 2. North arrow.
 3. Locations of existing buildings, utilities, roadways, parking areas if applicable.
 4. Existing site/zoning restrictions including setbacks, rights of ways, boundary lines, wetlands, and flood plain.
 5. All proposed changes and proposed buildings, parking, utilities, and landscaping.
 6. Existing and proposed topography of site.
 7. Finished floor height elevations and all new paving dimensions and elevations.

8. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
9. Site accessibility design requirements.

H. Floor Plans:

1. Scale: 1/4 inch = 1 foot or larger for typical units.
2. For projects requiring renovation and/or demolition of existing structures, show proposed changes to building components and design, identifying removal and new construction methods.
3. Show room/space layout, identifying each room/space with name and finished space size.
4. Indicate the total gross square foot size, and the net square foot size for each typical unit.
5. For projects involving removal of asbestos and/or lead paint, identify location and procedures for removal.

I. Elevations and sections for new construction:

1. Scale: 1/8 inch = 1 foot or larger.
2. Identify all materials to be used on building exteriors and foundations.

Addendum B

COMPLIANCE

Existing Project (Breakdown of Points Lost)

1. **1 point** deducted if the owner has a non-compliance issue that is not cured by the correction date set by the compliance department.
2. **5 points** deducted if the owner has continued and excessive non-compliance issues.
3. **10 points** deducted if the owner or management company have not made the tenant files available to AHFA to determine if the property is in compliance with applicable regulations.

Existing Davis-Bacon (Breakdown of Points Lost)

1. **1 point** deducted if Davis Bacon issues are outstanding for 6 months or more.
2. **3 points** deducted if contractor is unable to submit payrolls, causing escrow account to be established.
3. **5 points** deducted if Davis Bacon files on HOME Projects are outstanding over 2 years.

BOTH BREAKDOWNS OF POINTS LOST ARE NOT ALL INCLUSIVE. THERE MAY BE ISSUES OF NON-COMPLIANCE NOT INCLUDED ON THE LISTS WITH SECTION 42, HOME REGULATIONS, DAVIS-BACON, AND/OR AHFA REQUIREMENTS THAT MAY WARRANT POINT DEDUCTIONS UP THE MAXIMUM OF 15 POINTS.