Application Instructions

For Federal and State Loan or Grant Assistance

Colorado Department of Local Affairs
Division of Housing
1313 Sherman Street, Room 500
Denver, Colorado 80203
(303) 866-2033
http://dola.colorado.gov/doh-application

Pat Coyle, Director

REVISIONS DO **NOT** CONSIDER THE PROPOSED COLORADO HOUSING INVESTMENT FUND
ADDITIONAL REVISIONS WILL BE NECESSARY WITH THE IMPLEMENTATION OF CHIF

Overview

A. <u>DOH'S MISSION:</u> The Division of Housing (DOH) was created by statute in 1970 to improve the access of all Coloradoans to decent, affordable housing. Working with the State Housing Board, the Division:

- Provides State and Federal funding to private housing developers, housing authorities and local governments to increase the inventory of affordable housing.
- Offers Section 8 rental assistance statewide through local housing authorities and non-profit service organizations.
- Certifies all factory/manufactured structures built in or shipped to Colorado, and approves multifamily construction in counties with no construction codes.

This document is intended to solicit applications for grant and loan funding in support of projects and programs that will help achieve DOH's mission. DOH encourages the production and preservation of adequate, safe, decent and affordable housing for lower-income households that cannot afford housing supplied by traditional private market approaches. DOH works in partnership with local governments, housing authorities, for-profit and not-for-profit developers to provide financial support and technical assistance that increase the availability of housing.

B. <u>FUNDING SOURCES:</u> DOH uses a combination of Federal and State funds to assist in housing development projects and programs. Due to the limited nature of DOH funds, the application process is highly competitive.

DOH funding comes primarily from two U.S. Department of Housing and Urban Development (HUD) Programs:

- Community Development Block Grant program (CDBG) for use in **non-entitlement** areas only; and
- HOME Investment Partnerships program (HOME) for use throughout the state.

In addition, DOH has State funds available through the following statewide programs:

- Housing Development Loan Funds (HDLF); and
- Housing Development Grant funds (HDG).

DOH structures the funds awarded as grants or loans. DOH will underwrite each project to assess the need for gap funds and whether a project can support debt. Generally, non-profits are granted funding and for-profit entities are loaned funding. In order for DOH to consider grant funding to a project presented by a for-profit, the following minimum criteria must be applied:

1) The for-profit must be partnered with an unrelated non-profit entity;
2) DOH will grant funds to the non-profit partner. The non-profit partner must then loan the funds to the for-profit partner and/or the property owner; and
3) The non-profit partner shall have a right-of-first-refusal upon the sale of the real estate and/or transfer of the ownership entity.

The above criteria are the minimum criteria for DOH to consider a grant for a project presented by a for-profit and should not limit the partners from expanding the terms of their partnership. A preference will be given for projects exceeding these minimum criteria with things such as:

1) Non-profit is the property manager;
2) Non-profit is the general partner/managing member of the ownership entity; and/or
3) Non-profit is included in the cash flow distribution of the ownership entity.

C. <u>LOCAL CONTRIBUTION:</u> Applicants must leverage DOH funds with financing from other private and public sources.

While DOH does not have a required minimum local financial match from applicants, DOH expects some local contribution in the form of funding and/or in-kind contributions. In HUD entitlement areas, DOH funding may not exceed the local entitlement financial contribution, including grants, loans and other direct contributions such as land donations and fee reductions or waivers.

For a list of HUD entitlement areas in Colorado, visit:
http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/entitlement

D. <u>PROJECT TYPE & AFFORDABILITY:</u> DOH's priorities for funding are outlined in the Department of Local Affairs Consolidated Plan. Although DOH supports mixed-income developments that include unrestricted market-rate units, DOH funds must be targeted toward units that are restricted to households at or below 60% Area Median Income (AMI) for rental projects and are at or below 80% AMI for homeowner projects.

The types of projects DOH funds include:

1. Rental and homeownership;
2. Multifamily and single family;
3. New construction and acquisition with or without rehabilitation (HOME funded projects must meet local building code after rehabilitation or at acquisition if no rehabilitation is being done.);
4. Tenant Based Rental Assistance (TBRA); and
5. Homeownership programs such as downpayment assistance (DPA) and single family owner-occupied rehabilitation (SFOO).

A Use Covenant must be recorded to ensure the long term affordability of the projects and programs DOH funds. The length of the affordability period required with DOH funding is outlined below by project and program type.

Rental Housing Development (new construction, acquisition and/or rehabilitation)
The DOH affordability term will run concurrently with the HUD required term of affordability. If the DOH affordability term exceeds the HUD required term, DOH may not monitor for compliance after the expiration of the HUD affordability term based on historical performance and need.

- The minimum affordability term for new construction is 30 years.
- The minimum affordability term for acquisition with or without rehabilitation is 30 years.
- The affordability term may be set in conjunction with the project's permanent funding at the discretion of DOH.

For Sale Housing Development (new construction, acquisition and/or rehabilitation)

- If funding is granted to the homebuyer, then the minimum affordability requirement for is 30 years.

- If funding is lent to the homebuyer, then the minimum affordability would be set in accordance with DOH's Revolving Loan Fund Guidelines.

Revolving Loan Fund Homeownership Programs (please see DOH's Revolving Loan Fund Program Guidelines for more detail)

- Single-family Owner-Occupied Rehabilitation – these funds are lent to the homeowner and must be repaid, so there is no long-term affordability and no use covenant. The funds return to the local agency operating the program and are re-lent to new homeowners (Please see DOH Program Income Guidelines).
- Down Payment Assistance – these funds are lent to the homebuyer and must be repaid in full so there is no use covenant (in accordance with HUD's HOME "Recapture" regulations). The home must remain the buyer's principle residence for 5-15 years, depending on the amount of funding they receive. Buyers who sell within that timeframe must repay their loans in full, up to the amount of net proceeds. The repaid funds go the local agency operating the program and are then re-lent to new homebuyers (Please see DOH Program Income Guidelines).

Assistance Per Unit	Affordability Period
$15,000 or less	= 5 years
$15,001 - $40,000	= 10 years
over $40,000	= 15 years

E. <u>CONSOLIDATED PLAN:</u> Each proposed project is evaluated using the DOH evaluation criteria below and to determine the project's priority level in the Annual Action Plan Goals. The current version of DOLA's Consolidated Plan and Annual Action Plan goals can be found at: http://www.colorado.gov/cs/Satellite?c=Page&childpagename=DOLA-Main%2FCBONLayout&cid=1251596453514&pagename=CBONWrapper

F. <u>QUESTIONS:</u> Contact the regional Housing Development Specialist for your region for assistance. They can provide a full range of technical assistance to applicants developing an affordable housing project or program. For a staff list by region, go to: http://www.colorado.gov/cs/Satellite?c=Page&childpagename=DOLA-Main%2FCBONLayout&cid=1251595082735&pagename=CBONWrapper.

Evaluation Criteria

The Housing Development Specialist is responsible for underwriting the project or program to assess the need for funding. The Development Specialist prepares a Pro/Con document for each submitted application. The Pro/Con is designed to provide information in an objective format to assist staff and the State Housing Board in making a funding recommendation. The following criteria are evaluated to assess the need for funding:

A. MINIMUM APPLICATION THRESHOLDS: Applicants are expected to submit complete applications. DOH may return applications if not complete at submission. The following are the minimum threshold requirements for a complete application:

Criteria Description
A. Demonstrate need by means of:
1. Third party market study, and
2. Local housing needs assessment and strategic plan, and
3. Local government supporting documentation substantiating the need and expressing support for the proposal.
4. All three are necessary except under special circumstances based on local conditions.
B. Administrative Capacity: Adequate overall management capability as demonstrated by:
1. No unresolved financial audit findings. *(A-133 Audits required for all entities receiving more than $500,000 of Federal funds in the entity's fiscal year.)*
2. Compliance plan to ensure that Federal and State regulations and reporting will be met, including but not limited to:
a) Davis Bacon Wages, as applicable.
b) Section 3 and MBE/WBE, as applicable.
c) Fair Housing.
d) Uniform Relocation Act, as applicable.
e) Lead Based Paint and other environmental hazards, as applicable.
3. Property Management Experience
a) Property Management plan that ensures rent and affordability compliance.
b) Tax Credit compliance, as applicable.
4. Applicant Monitoring Record
a) Monitoring finding resolution for onsite visits,
b) Issues with quarterly compliance reports have been resolved.
5. Applicant reporting and pay requests are timely and accurate
a) Applicant is current with all DOH required reporting.
b) Pay requests must be timely, accurate, and current before processing a new grant.
6. Previous project experience not required although additional information will be required.
C. Completed Application;
1. Legal notice published.
2. Documents signed.
3. Required documents submitted (see application checklist).
4. Complete projects budget, including sources and uses.
D. Project Readiness to Proceed;

1. Third party capital needs assessment for rehabilitation projects (not required if applicant can demonstrate in-house capacity and experience to perform needs assessment).
2. Confirmed local political support (letter).
3. Local financial support,
4. Expected planning and zoning approval within 90 days of State Housing Board approval,
5. Substantial amount of other funds committed. All other funds applied for or in the application process with the expectation of commitment within 90 days from the State Housing Board approval,
6. Construction and/or acquisition start date.
7. Construction cost estimate.
8. Relocation and/or replacement housing required relocation plan and budget submitted.
E. Energy Performance Standards (see G below in the Evaluation Criteria)
F. Project Affordability Period (see D above in the Application Overview)
G. Consolidated Action Plan Annual Funding (see E above in the Application Overview)

B. **MANAGEMENT CAPACITY:** DOH evaluates each applicant's capacity to fulfill the objectives of the project by evaluating similar projects that the applicant has completed. Applicants should use the narrative section to describe the management capacity of their organization, including skills and knowledge of key program staff and project consultants.

C. **DEVELOPER FEES:** Developer fees as a percentage of total development costs shall not exceed the following limits:

≤51 units	15%
>51 units	12%

For the purpose of determining the gap funding needed, the calculation of the developer fee shall exclude:

1) Land and buildings;
2) Developer fees;
3) Consultant fees; and
4) Project reserves.

D. **COST EFFECTIVENESS:** Four (4) separate assessments are made to determine the Cost Effectiveness Rating:

1. Cost per Person
2. Externalities
3. Rent Savings
4. Leveraging

For more information, see Appendix 1, DOH Cost Effectiveness Rating Policy.

E. **COST CONTAINMENT GUIDANCE:** These general standards represent current indicators of modest housing, excluding public areas such as hallways, stairwells and common rooms.

SUGGESTED SIZE LIMITS	
Unit Type	Unit Size
Studio or Efficiency	500 SF
One Bedroom	700 SF
Two Bedroom	900 SF
Three Bedroom	1,200 SF
Four Bedroom	1,500 SF
Five Bedroom	1,700 SF

F. **VISITABILITY:** To be the most cost effective, DOH requires applicants to consider visitable features during the earliest stages of new project design, starting with site planning. For rehabilitation projects, incorporating all visitability standards may not be either financially or physically feasible, but some visitable features may still be incorporated. Applicants may also choose to make their units easily adaptable to these standards. Adaptable dwelling units are pre-engineered to accommodate, at a commercial cost, all of the following exterior and interior visitable features. Incorporation of Visitability Design Features within a proposed project does not in and of itself assure approval of an application.

Visitable dwelling units have the following exterior features:

1. At least one step-free or accessible entrance.
2. Located on an accessible route that complies with ANSI A117.1-1998, section 4.8
3. Building lot that has a maximum slope not to exceed 1:12.
4. Building and unit entrance doors with a minimum net clear opening of thirty-two (32) inches when the door is open ninety (90) degrees, as measured between the face of the door and the opposite stop.
5. Main floor bathroom is wheelchair accessible.

G. **ENERGY STANDARDS:** DOH developed the following energy standards in effort to encourage energy efficient affordable housing to decrease energy consumption and ultimately provide a financial benefit for low-income households.

For single family and low-rise (up to 3 stories) housing projects:
Projects funded shall substantially meet Low-Water Landscaping (e.g. Denver Water Board Standards), and

One of the following (listed in order of preference):

- Enterprise Community Partners, Green Communities Criteria
- U.S. Green Building Council, LEED for Homes, Silver or above
- The most recently released International Energy Efficiency Codes (IECC)
- U.S. Environmental Protection Agency, Energy Star 2011 for New Homes
- U.S. Green Building Council, LEED for Homes, Certified
- U.S. Environmental Protection Agency, Energy Star for New Homes

For commercial and residential projects above 3 stories:
Projects funded shall substantially meet Low-Water Landscaping (e.g. Denver Water Board Standards), and

One of the following (listed in order of preference):

- Enterprise Community Partners, Green Communities Criteria
- U.S. Green Building Council, LEED for New Construction version 2.2 or later, Silver or above
- The most recently released International Energy Efficiency Codes (IECC)
- U.S. Green Building Council, LEED for New Construction version 2.2 or later, Certified

DOH may consider an alternate standard or waive the DOH energy standards for just cause.

H. **COST RANGES:** DOH uses the following criteria to evaluate each application. The cost ranges are a benchmark to assess whether a project is being built to modest standards or whether there are site conditions, market standards, or design considerations that necessitate higher or lower development costs. All development criteria that fall outside of the parameters of the various ranges must be explained.

RENTAL NEW CONSTRUCTION

Project Assessment Criteria for Rental New Construction	**Range**
Total Development Cost	$135 – $210
Hard Cost per Sq. Ft.	$110 – $160
Soft Cost per Sq. Ft.	$35 – $50
Land Cost per Unit	$5,000 to $20,000
Annual Operating Expenses/Unit (PUPA)	$3,700 - $4,700
DOH Subsidy per unit	$4,000 - $10,000
Debt Coverage Ratio	1.15 – 1.30
Tax Credit Sales Price	.85 - .95
Cost per Person Housed Rating	1 – 10
Externality Rating	1 – 10
Rent Savings Rating	1 – 10
Leveraging Rating	1 – 10
Total of Effectiveness Ratings	1 – 40
Replacement Reserve/Unit	$300 ($250 for seniors)
Operating Reserve	4-6 month debt and operating costs
Affordability Period	30 years minimum

RENTAL ACQUISITION/REHABILITATION

Project Assessment Criteria for Rental Acquisition/Rehabilitation	**Range**
Total Development Cost	$100 – $180
Hard Cost per Sq. Ft.	$80 – $140
Soft Cost per Sq. Ft.	$20 – $40
Annual Operating Expenses/Unit (PUPA)	$3,700 - $4,700
DOH Subsidy per unit	$2,000 - $10,000
Debt Coverage Ratio	1.15 – 1.30
Tax Credit Sales Price	.85 - .95
Cost per Person Housed Rating	1 – 10
Externality Rating	1 – 10
Rent Savings Rating	1 – 10
Leveraging Rating	1 – 10
Total of Effectiveness Ratings	1 – 40
Replacement Reserve/Unit	$300 - $350
Operating Reserve	4-6 month debt and operating costs
Affordability Period	30 years minimum

RENTAL REHABILITATION ONLY

Project Assessment Criteria for Rental Rehabilitation	**Range**
Total Development Cost	$40 – $140
Hard Cost per Sq. Ft.	$30 – $105
Soft Cost per Sq. Ft.	$10 – $35
Annual Operating Expenses/Unit (PUPA)	$3,700 - $4,700
DOH Subsidy per unit	$2,000 - $10,000
Debt Coverage Ratio	1.15 – 1.30
Tax Credit Sales Price	.85 - .95
Cost per Person Housed Rating	1 – 10
Externality Rating	1 – 10
Rent Savings Rating	1 – 10
Leveraging Rating	1 – 10
Total of Effectiveness Ratings	1 – 40
Replacement Reserve/Unit	$300 - $350
Operating Reserve	4 – 6 month debt and operating costs
Affordability Period	30 years minimum

HOMEOWNERSHIP

Cost Criteria for Homeownership	Owner-Occupied Rehab	Downpayment Assistance	Subdivision Development
Household Income	See DOH RLF Guide	See DOH RLF Guide	50% - 80% AMI
Land Cost per Unit	N/A	N/A	Up to $10,000
Maximum DOH Subsidy per Unit	See DOH RLF Guide	See DOH RLF Guide	Up to $10,000
Program Overhead limits	$500 - $2,500	0 - $1,500	See Developer Fee limits in C above
Project Delivery limits	$1,500 - $5,000	$500 - $2,000	See Developer Fee limits in C above
Minimum Homebuyer Investment	N/A	See DOH RLF Guide	$1,000 or 1% of purchase price, whichever is greater
Maximum Sales Price	See DOH RLF Guide		
Housing Codes	See DOH RLF Guide		

The DOH Revolving Loan Fund guide can be found at http://dola.colorado.gov/doh-application.

Application Process

Please use forms found at http://dola.colorado.gov/doh-application. Different types of projects require different supporting documents – please refer to the **application checklist attached to the application** for the specific documents for your project/program type.

A. Before submitting an application, complete the following requirements:

1. Secure local political and financial support.
2. Secure site control.
3. Secure local government planning and zoning approval.
4. Identify all sources and secure commitments for primary sources of funding.
5. Submit a third-party professional market study for all new construction projects.
6. Ensure the applicant's board of directors has passed a resolution authorizing the agency to apply to DOH for funds and designated which officers have signatory authority.
7. Publish a pre-application legal notice (see Attachment C of the Application) and conduct a public meeting, if requested. If a project receives CDBG funds, a post-award legal notice will also be required.
8. We also recommend that applicants contact their region's Housing Development Specialist before applying

B. Public Meeting Information: Members of the public may request a public meeting for additional information about the project. The applicant may arrange appropriate meeting time, date and location in a public or private office that is accessible for persons with disabilities and convenient for the public, especially the households who would directly benefit from the proposed development. The applicant should notify local elected officials (i.e. councilperson, commissioner) and must post notice of the public meeting in places of communication (i.e. post office, newspaper, websites, library, community bulletin boards). **Please note a public notice and public hearing may be required for use of Federal funds as a part of HUD Environmental Review process to attain a Federal Release of Funds (ROF). Consult your DOH Development Specialist for more information.**

The public meeting shall have a sign-in sheet and there must be a written record of questions/ comments raised by persons in attendance at the public meeting, along with the applicant's response. The applicant shall include the results of the public comment process in the Narrative section of the application.

C. HUD Environmental Review: Before any Federal funds can be obligated, expended or drawn down from the State, the grantee must complete the appropriate HUD environmental review, submit it to the DOH, and receive a Release of Funds (ROF) letter from the State. The DOH application is designed to help applicants identify any potential issues ranging from flood plains to properties with historical significance prior to beginning the HUD environmental review process. Applicants are encouraged to contact their regional Housing Development Specialist with any questions.

For more information, consult Appendix 2.

D. Application Cycles: All application cycles are competitive. DOH accepts applications by the 1st of every month throughout the year as follows:

- **Monthly:** Rental acquisition, rehabilitation, and new construction
- **July 1st:** Single-family Owner-occupied (SFOO) housing rehabilitation programs
- **September 1st:** Community Housing Development Organization (CHDO) operating funds
- **November 1st:** Down payment assistance (DPA) programs (including Homeownership subdivision development)

E. Application Submittal Instructions

1. The application and spreadsheets are available by contacting a Housing Development Specialist or at http://dola.colorado.gov/doh-application.
2. Submit one (1) original and two (2) copies of the application form and attachments.
3. Submit one (1) copy of all supporting documents (See application checklist in the application).
4. In the case of multi-jurisdictional applications for CDBG funds, an executed Intergovernmental Agreement must be submitted, designating a lead governmental agency as the applicant and administrator of any award.

5. Submit applications to:

   Ms. Antoinette Johns
   Colorado Department of Local Affairs
   Division of Housing
   1313 Sherman Street, Room 500
   Denver, Colorado 80203

F. **<u>Staff Reviews</u>**: Three (3) separate DOH staff reviews are completed prior to the presentation of an application to the State Housing Board for a funding recommendation.

1. Housing Development Specialist (1st week of month)

   - The Housing Development Specialist completes the DOH Underwriting Checklist, drafts the Pro/Con and the DOH Housing Development Analysis, in preparation for staff review.

2. Developer Pro/Con Meeting (2nd week of the month)

   - At this meeting, the full development staff is briefed on an application by the assigned Housing Development Specialist. Development staff comments are used to determine how to proceed with each application. Generally, this discussion results in additional questions for the applicant.

   - If an application is ready to proceed, the Housing Development Specialist and Asset Manager ("AM") will complete the Analysis Spreadsheet and present a joint recommendation at the Full DOH Staff Pro/Con Meeting.

3. Full Staff Pro/Con Meeting (4th week of the month)

   - The Director, Housing Development team and Asset Management team all participate in the Full Staff Pro/Con Meeting. The assigned Housing Development Specialist distributes a final version of the Pro/Con and the proforma to staff and provides a brief overview of the project including a funding recommendation. Each DOH staff member in attendance is provided an opportunity to ask questions and provide feedback regarding the funding recommendation for each project.

   - A consensus on the funding recommendation is completed by the DOH staff at this meeting. This funding recommendation is communicated to the applicant by the Housing Development Specialist. Applications may receive a full, partial or no funding recommendation from the full DOH staff. Applicants with full or partial funding recommendations are instructed to prepare for the State Housing Board hearing. Applicants with a no funding recommendation may appear before the State Housing Board or continue to work with their assigned Housing Development Specialist to attempt to create a more successful application.

G. Application Processing Timeline:

Activity	Timeline
Application Submission	1st of the month (see Section D above)
DOH staff verification and underwriting	1st-4th weeks *
Applicant begins process for environmental Release of Funds (ROF) clearance	Ongoing
DOH Development Staff Review	2nd Tuesday of the month
DOH Full Staff Review (the Pro/Con Meeting)	4th Monday of the month
State Housing Board	2nd Tuesday of the following month (ie 2nd month)
Decide funding award amount and source	2nd week of the 2nd month
Award Letter, Press Release and Handoff to Asset Management	4th week of the 2nd month
Contract Specialist drafts contract	1st week of the 3rd month
Grantee signs contract and returns to DOH	3rd week of the 3rd month
DOLA Executes Contract	End of 3rd month, approximately 90 days
Process Payment Request	Two weeks after request received (if ROF letter has been issued)

*DOH staff may extend the review period, depending on the project's readiness to proceed.

H. State Housing Board Review: The State Housing Board (SHB) meets the second Tuesday of every month. The list of State Housing Board members can be found on the DOH website. If DOH staff makes a recommendation for funding, applicants will present their project to the SHB:

1. Prepare to give a three-to-five minute presentation on the project/program, highlighting the need for the project, proposed timelines and benefits to the community.
2. The SHB will ask project specific questions of the applicant and of DOH staff.
3. After considering the SHB's recommendation and staff analysis, the final funding decisions are made by the Director of DOH and/or the Executive Director of the Department of Local Affairs.

After the Award

Once the State Housing Board has reviewed the application, the applicant will receive a letter from the Executive Director of the Department of Local Affairs which includes the award amount, source of funding, environmental review status and any other conditions to

funding. The Housing Development Specialist then "hands off" the project once it has been approved to the DOH Asset Manager (AM) for your region and the AM Contract Specialist. The AM Contract Specialist ensures the contract is drafted and executed. After the Contract has been fully executed, the DOH AM will monitor the grantee for performance and review all requests for payment to ensure compliance with the contract terms.

A. <u>CONTRACT:</u> The AM Contract Specialist creates the contract and legal documents governing the award. ***Do not obligate any DOH funds or have any work done prior to the contract execution date.*** *Before CDBG and HOME funds can be obligated, expended, or drawn down from the State, the grantee must complete and submit the HUD environmental review for each project. This process allows for the release of Federal funds (ie Release of Funds [ROF]). See C above in the Application Process for more information.* The Contract includes the following:

1. **<u>Main Contract*</u>** contains the primary Federal and State regulations which govern the project. Please read carefully and have reviewed by legal counsel prior to signing as all contract documents are legally binding.

2. **<u>Special Provisions</u>*** contains additional laws that govern the contract.

3. **<u>Signature Page*</u>** to be signed by an officer who is authorized to enter into legally binding contracts.

**** The above documents are State-approved templates and may not be altered.***

4. **<u>Statement of Work</u>** describes the details of the project such as income and rent limits of the beneficiaries, monitoring, reporting and compliance requirements, budget line items, and the length of the contract.

5. **<u>Income and Rent Limits</u>** provides income and rent limits that may govern the affordability of your project. These figures are updated annually by HUD.

6. **<u>Project Performance Plan</u>** contains the milestones and outcomes needed for successful completion of the project, including:
   - areas of responsibility for both grantees and DOH
   - dates when reporting and other documentation (i.e. recorded documents) are required
   - timelines for any construction or rehabilitation work to be completed

7. **<u>Affidavit of Legal Residency</u>**

Federal and State laws require Grantees to verify lawful presence of beneficiaries of public funds. The requirements to ensure lawful presence vary by the funding sources used to finance projects, as follows:

Federal HOME Investment Partnership or Community Development Block Grant Programs

If the funding is HOME or CDBG, the Welfare Reform Act does not require a non-profit charitable organization to determine, verify or otherwise require proof of

lawful presence. If the managing member is a non-profit or if the general partner of a LIHTC ownership entity is a non-profit, this also applies. If the funding is provided to a for-profit, government, or quasi-government entity, all adult family members will have to sign **a Declaration of Residency** form.

State of Colorado funds (HDG and HDLF)
If the funding is State of Colorado Housing Development Grant (HDG) funds or Housing Development Loan Funds (HDLF) Grantees must confirm that any individual natural person 18 years of age and older is lawfully present in the United States pursuant to CRS 24-76.5-101, et seq., when each individual applies for public benefits
by requiring the applicant to:

a) produce:
   1.) a valid Colorado driver's license or a Colorado identification card, issued pursuant to Article 2 of Title 42 CRS; or
   2.) a U S military or a military dependent's identification card; or
   3.) a US Coast Guard Merchant Mariner card; or
   4.) a Native American Tribal Document; or
   5.) a document as described in 2.1.2 and 2.1.3 in the Colorado Department of Revenue's Rules for Lawful Presence section on Identification.

b) and execute an **Affidavit of Legal Residency** stating:
   1.) That he or she is a United States citizen or legal permanent resident; or
   2.) That he or she is otherwise lawfully present in the US pursuant to Federal law.

8. **Use Covenant** secures DOH's interest in the long-term affordability of its units and the entire property. This deed restriction document must be recorded with the legal description of the property. The recorded Use Covenant must be returned to your AM prior to funds being released.

9. **Federal Funding Accountability and Transparency Act (FFATA)** - Grantees that receive a grant of $25,000 or more must complete HUD's data report form and return with the executed Contract.

B. CONTRACT EXECUTION: First, the Grantee reviews, signs three originals of the contract and returns the original contracts to the State. Once the contract is returned, the contract is circulated through the Department of Local Affairs internal contract execution process, which includes the DOH Contract Reviewer, the Executive Director of DOLA and the Controller for DOLA. After the contract has been fully executed, the AM will mail an original copy of the contract to the Grantee.

C. COMPLIANCE: Each contract contains certain requirements for compliance that will be reported to the AM in the form of quarterly reports, monitoring visits and closeout reports. It is the Grantee's responsibility to read through the contract documents and request technical assistance when topics such as procurement or relocation are unclear.

1. The AM monitors the project during the term of the contract and at its completion to ensure the Grantee's performance with the terms of the contract.

2. The AM provides technical assistance to the Grantee upon requests for fund reimbursements, quarterly reports, monitoring and other State and Federal requirements.

3. A Project Close Out report is required from the Grantee at the completion of the project. The Project Close Out report is used to verify compliance with the contract terms and to report necessary data to other State and Federal agencies, such as the US Department of Housing and Urban Development (HUD).

4. DOH reviews the impact and performance of every funded affordable housing effort through its regular monitoring of project and programs through the collection and review of data concerning the type, style and amount of housing along with information on the households served. This information is used to improve DOH program/project performance and to provide relevant data to State and Federal officials.

Appendices

Appendix 1: DOH Cost-Effectiveness Rating
Appendix 2: Environmental Release of Funds

APPENDIX 1: DOH Cost Effectiveness Rating Calculations

DOH uses the following four criteria to assess funding requests: 1) cost per person housed, 2) externalities related to DOH funding priorities, 3) return of investment from rent savings, and 4) leveraging of funds. Together these criteria make the DOH Cost Effectiveness Rating. The maximum score is 40.

Step One: Cost per Person Housed

Calculate the cost per person housed by dividing the total development expense by the estimated number of people to be housed in the proposed development.

The number of people housed in the development is determined by multiplying the total number of bedrooms in family units by 1.5 people, plus one person for each efficiency or Single Room Occupancy (SRO). The following is an example:

14 bedrooms X 1.5 persons per bedroom = 21 persons

The total development expense for this project is $1,330,000. Divide this number by the number of persons housed by the development.

$1,330,000/21 = $63,333

The answer, $63,333, is the amount of development expense required to house one person for one year. To measure the total impact, divide this per person cost by the affordability period.

$63,333/30 = $2,111 per year

To evaluate the impact of cost per person housed, DOH uses the following scale - round down

Cost Per Person Housed = $2,111 /#6

$600	$5,500	$4,000	$3,500	$3,000	$2,500	$2,000	$1,000	$500	>$100
1	2	3	4	5	6	7	8	9	10

Step Two: Externalities

The five factors below are used to measure a housing development's consistency with DOH priorities. In this example, the externality total is +6.

Externalities Matrix - Each external factor below should be scored positively or negatively based on the measure indicated.	**+2**	**-2**
1. Site Location – Proposed housing development is either in a county with a population less than 175,000 or is within a quarter mile of a fixed rail station that is existing or under construction.	+2	
2.Special Needs Population - Households residing in the project will include a preference for persons coming from homelessness or with physical or mental disabilities or independent or assisted housing for seniors.		-2
3.Housing Demand - Counties with a greater than average growth in population or with vacancy rates below 4%.	+2	
4.Preservation of Existing Affordable Housing - The project would acquire and/or rehabilitate existing affordable rental housing.	+2	
5. Serving Persons with Extremely Low Incomes - The project would provide at least 5% of their rental units to persons with incomes below 30% AMI or the development has project based rental assistance.	+2	
Total (Net Positive or Negative Score) +6	**+8**	**-2**

The total score is then compared to the following range:
Externality Rating = #6

-10 -9 -8 -7 -6 -5 -4 -3 -2 -1 0 1 2 3 4 5 6 7 8 9 10
| | | | | | | | | | | | | | | | X | | | |

Step Three: Return on Investment from Rent Savings

The Return on Investment from Rent Savings evaluates DOH's investment in a project compared to the rent savings (i.e. difference between market rents and affordable rents). . The rent savings reduces the permanent debt a project can support through rents. This rent savings is also the amount of household income saved by a family or individual who is paying a reduced or subsidized rent instead of the average market rent.

The sources for average market rents include: The DOH Multifamily Vacancy & Rental Survey, the Denver Metro Apartment Vacancy & Rent Survey, current market area appraisals, HUD Fair Market Rents and/or other comparable rent sources. Proposed rents are taken from the operating proforma in the application. The difference between the "Average" and "Proposed" rents will be converted to the Annual Rent Savings per household.

The requested DOH subsidy amount will be used to calculate the per-unit subsidy amount and the return on investment. In other words, the return on investment equals the Savings per unit as a percentage of the DOH subsidy per unit.

The following example shows a DOH return on investment of 11%. The Annual Rent savings per unit ($1,020) is divided by the DOH Subsidy per unit ($9,000). Project based developments will score based on the percentage of the development with project based rental assistance.

Return on Investment from Rent Savings = 11% /#2

```
0%        10%       20%       30%       40%       50%
|         |X        |         |         |         |
0         2         4         6         8         10
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Step Four: Leveraging

DOH leverages its resources with private and public investors by using its funding to fill a financing gap for affordable housing developments. The leveraging ratio is created to show the amount of funds from other sources DOH is able to match or secure by its investment. This leveraging ratio is measured on a ten-point scale. One point is given for every two dollars leveraged up to a maximum of $20. For developments able to leverage more than $20 for every $1 from DOH, the scale is limited to a maximum score of 10.

In the example, DOH invests $126,000 and leverages an additional $1,204,000. This scores a 5 on the leveraging scale.

Leveraging = $1 DOH: $10 Other Sources

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$2        $4        $8        $12       $16       $20
|         |         |         |         |         X|
0         2         4         6         8         10
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APPENDIX 2: RELEASE OF FUNDS (ENVIRONMENTAL REVIEW)

A Grantee may not incur program costs for a Department of Local Affairs (DOLA) grant until there is a mutually executed contract and DOLA has issued an Environmental Release of Funds (ROF) letter. HUD regulations contained at 24 CFR Part 58, Section 58.22, prohibit a recipient and any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, from committing HUD assistance until DOLA has approved the recipient's request for release of funds (RROF) and related certification from the Grantee.

Contract activities **may not** be obligated prior to an executed contract. Grantees should become familiar with the environmental review guidelines section of the CDBG Guidebook. All of the necessary forms and instructions are found on the DOLA website at www.dola.colorado.gov/environmentalreview.

The ROF Process

During the application process, the Grantee should consult with DOH Development Specialist to determine the level of environmental review required for development. Grantee will fill out applicable environmental form from DOLA CDBG guidebook.

Local Government Grantees: Environmental review documents must be signed by a Chief Elected Official or Senior Staff member as the Responsible Entity/Certifying Officer (RE). All environmental documents are then submitted to DOLA's Environmental Compliance Officer for review and preparation of the Release of Funds (ROF) letter.

Non-local Government Grantees: Environmental review documents must be signed by DOLA's Environmental Compliance Officer as the Responsible Entity/Certifying Officer (RE).

- For projects that DO NOT require a publication (see below), DOLA will prepare the ROF letter.
- For projects that require a publication (see below), forms are sent to DOLA for review and signature, grantee coordinates with DOLA for publication process, and HUD will issue the ROF letter.

Type of ROF process required	Specific activity & Classification	DOLA form(s)	Publication required
Exempt	• CHDO Operating • Housing Needs Assessments • Housing counseling	N/A as stated in award letter	Not required
Categorically Excluded Projects Not Subject to CFR 58.5	ANY project previously approved under 24 CFR Part 58 (approved either by DOLA or HUD) within 3-5 years of current project. Current project/activity must be identical as project/activity previously approved.	Exhibit IV-B Categorical excluded activities not subject to CFR 58.5 Specifically (b)(7) - "Approval of	Not required

		supplemental assistance" (must include the environmental review record (ERR) for earlier project, project name, and ERR date.	
Categorically Excluded Projects Not Subject to CFR 58.5 (continued)	• Homeownership/ Downpayment Assistance • Tenant-based rental assistance (TBRA) • Relocation • Pre-development costs including: legal, consulting, developer and other costs related to obtaining site options, project financing, administrative costs and fees for loan commitments, zoning approvals, and other related activities which do not have a physical impact.	Exhibit IV-B Categorical excluded activities not subject to CFR 58.5 Exhibit IV-B.1 "Regulatory Checklist" (*grantee to keep a copy in project file, but does not need to submit to DOLA*)	Not required
Categorically Excluded Projects Subject to CFR 58.5 (when property location **is** known)	• Single Family Owner-Occupied Rehabilitation • Acquisition • Rehabilitation • New construction (for a 1-4 family dwelling or an individual action on a project of 5 or more units developed on scattered sites when the sites are more than 2,000 feet apart and there are not more than four units on any one site)	Exhibit IV-C "Categorical Excluded Activities Subject to CFR 58.5 …" Exhibit IV-C.1 "Statutory Checklist Instructions " Exhibit IV-E "Site Specific Environmental Clearance Checklist" (*grantee to keep a copy in project file, but does not need to submit to DOLA*)	No publication necessary for Categorically Excluded projects (unless something is triggered in the statutory checklist)
Categorically Excluded Projects Subject to CFR 58.5 (when property location is **NOT** known)	• Same as above	Exhibit IV-C "Categorical Excluded Activities Subject to CFR 58.5 …" Exhibit IV-C.1	After Statutory Checklist is completed, grantee must publish "Notice of Intent": • Publication runs 1

		"Statutory Checklist Instructions " Exhibit IV-C.4 "Sample Notice of Intent to Request Release of Funds" Exhibit IV-C.5 "Request for Release of Funds and Certification (RROF)"	day • 7-day local comment period • RROF must be submitted no sooner than the day following the 7-day comment period • 15-day State/HUD comment period • ROF letter issued. • From date of publication to date of ROF, minimum 25 calendar days.
Full Environmental Assessment (EA)	New construction (5+ units) Extensive rehabilitation that will substantially increase size and capacity of dwelling, and will require a change in land use	Exhibit IV-D "Environmental Assessment " Exhibit IV-D.1 "Environmental Assessment Instructions " Exhibit IV-D.2 "Combined Notice of Finding of No Significant Impact and Intent to Request Release of Funds (FONSI/ RROF)" Exhibit IV-D.3 "Request for Release of Funds and Certification (RROF)"	After EA is completed, grantee must publish "Combined Notice": • Publication runs 1 day • 15-day local comment period • RROF must be submitted no sooner than the day following the 15-day comment period • 15-day State/HUD comment period • ROF letter issued • From date of publication to date of ROF letter, minimum 33 calendar days.