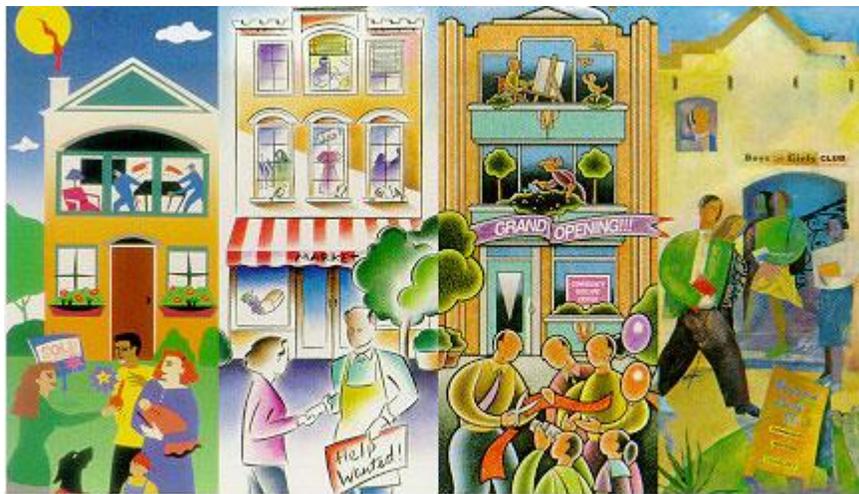


City of Bremerton and Kitsap County Community Development Block Grant



C • D • B • G

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2015 CDBG/HOME POLICY PLAN

CDBG/HOME POLICY PLAN

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COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

WHAT IS THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM?

The Community Development Block Grant Program is a source of funds used in the local community to provide decent housing, suitable living environments and economic opportunities primarily for low and moderate income households.

The City of Bremerton is designated as an Entitlement Community by the Department of Housing and Urban Development (HUD) and receives federal funds in the form of Community Development Block Grant (CDBG). Kitsap County, with the cities of Port Orchard, Poulsbo and Bainbridge Island, is also designated as an Entitlement Community and receives a separate allocation of CDBG funds. Kitsap County and the City of Bremerton together form a consortium and receive an allocation of HOME Investment Partnership Program (HOME) funds. Through an interlocal agreement between the County and the City, 42% of the annual allocation of HOME funds is designated for the City and the remaining designated for the County.

CDBG and HOME funds are allocated annually through a competitive grant process. Projects funded are included in the annual Action Plan submitted to HUD. Projects funded must address needs identified in the Consolidated Plan, which is updated every five years.

CDBG FUNDS

WHAT ARE CDBG FUNDS?

The Community Development Block Grant (CDBG) program is a flexible program that provides communities with funding to address a wide range of unique community development needs. The program is authorized by Title I of the Community Development Act of 1974. Funds are used to assist in the development of decent housing, create suitable living environments, and expand economic opportunities primarily for persons of low and moderate income. All projects funded with CDBG must meet one of the three national objectives:

1. Principally benefit low and very low income households;
2. Reduce or prevent slum and blight; or,
3. Meet an urgent need (emergency or natural disaster)

WHO IS AN ELIGIBLE APPLICANT/RECIPIENT?

Eligible applicant/recipients include:

- City or County governments
- Public and private nonprofit organizations (501(c)3)
- Section 301(d) small business investment companies
- Local development corporations
- Private for-profit organizations may implement certain economic development and microenterprise activities.
- Faith based organizations
- Additionally, applicants must:

- Demonstrate an active governing body or board of directors with skills and experience to provide leadership and direction to the agency.
- Demonstrate the legal, financial, and programmatic ability to administer the proposed program/project; and,
- Meet the County/City requirements for contracting agencies such as insurance requirements, audit and financial requirements.

WHAT ARE ELIGIBLE ACTIVITIES?

Eligible activities are defined in the CDBG program regulations at 24 CFR 570.201 and 570.207. A list of some of the activities follows:

- Acquisition of real property by purchase, lease or donation
- Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements
- Code enforcement in deteriorated or deteriorating areas
- Clearance, demolition and removal and rehabilitation of buildings and improvements
- Removal of material and architectural barriers
- Public services (including labor, supplies and materials) including but not limited to those concerned with employment, crime prevention, child care, health, drug abuse, education, energy conservation, welfare or recreation needs
- Planning activities
- Assistance to Community Based Development Organizations (CBDO) to carry out projects
- Assistance to carry out economic development projects
- Housing services such as housing counseling and energy auditing
- Assistance to facilitate and expand homeownership opportunities for low and very low income people
- Lead based paint hazard evaluation and reduction

The following activities are generally **not eligible** for CDBG funding:

- New residential housing construction, except in special circumstances
- Regular government operations
- Buildings such as city halls, police stations, or other buildings primarily for the general conduct of government (except for the removal of architectural barriers)
- Income payments such as payments to individuals or families for food, clothing, or rent, except in certain circumstances
- Political activities
- Vehicles and Equipment

Note: The above lists are not comprehensive. For a complete list of eligible or ineligible activities refer to CDBG regulations in 24 CFR 570.201 and 570.207

Appendix D provides additional information designed to assist you in defining the eligibility and national objective that your activity meets and the type of information you will need to provide in your application.

WHAT IS THE SECTION 108 LOAN GUARANTEE?

The Section 108 Loan Guarantee Programs for the City of Bremerton and Kitsap County have been deactivated due to budget and funding cuts

Section 108 is a loan guarantee provision of the CDBG program. Section 108 provides communities with a means of leveraging their CDBG funds to obtain additional financing resources for economic development, public facilities, large-scale physical development projects and housing rehabilitation. Local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocation to cover the loan amount as security for the loan. The decision to award a Section 108 loan to a particular project is made by HUD.

Section 108 Loan Guarantee funds may be used for activities described in 24 CFR 570.703 provided such activities meet the general requirements of the CDBG program as described at 24 CFR 570.200. Eligible activities are defined in the CDBG program regulations at 24 CFR 570.201 and 570.207. Eligible activities include, but are not limited to:

- Acquisition and rehabilitation of real property;
- Specific relocation assistance;
- Clearance, demolition and removal activities;
- Site preparation;
- Specific economic development activities;
- Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities; and
- Specific construction of housing by non-profit organizations.

HOME FUNDS

WHAT ARE HOME FUNDS?

The HOME Program was created by the National Affordable Housing Act of 1990 (NAHA). The Housing and Community Development Act of 1992 and the Multifamily Property Disposition Act of 1994 made important changes to the Program. The intent of the HOME Program is to:

- Expand the supply of decent, safe, sanitary, and affordable housing;
- Strengthen the abilities of state and local governments to provide housing;
- Expand the capacity of nonprofit community based housing development organizations; and,
- Leverage private sector participation in financing affordable housing.

Beneficiaries of HOME funds – homebuyers, homeowners or tenants – must have incomes below 80% of the area median income. The HOME program also requires a match of 25% or greater in other non-federal funds for projects. For more information on specific requirements of the HOME program see **Appendix E**.

WHAT ARE ELIGIBLE ACTIVITIES?

The Eligible activities are defined in the HOME program regulations at 24 CFR 92.205. A list of some of the activities follows:

- Rehabilitation of residential property where property is fully repaired
- New construction of residential property
- Acquisition of residential property
- Rental assistance payments to tenants
- Relocation associated with an eligible HOME project
- A small part (up to 5%) of the annual HOME allocation may be used to help pay the operating expenses of designated Community Housing Development Organizations (CHDOs) within the guidelines established by HUD

The following activities are generally **not eligible** for HOME funding:

- Project reserve accounts, except for the initial 18 months of a HOME assisted new construction project
- Emergency home repair programs
- Public housing units
- Commercial properties
- Shelters, unless they meet Section 8 Housing Quality Standards and otherwise can be considered rental housing
- Project based tenant assistance

Note: The above lists are not comprehensive. For a complete list of eligible or ineligible activities refer to HOME regulations in 24 CFR 92.205

ALLOCATION PROCESS

HOW ARE FUNDS ALLOCATED?

The City of Bremerton and Kitsap County, in conjunction with the Affordable Housing Grant Program and Homeless Housing Grant Program, and Consolidated Homeless Grant Program conduct a competitive funding application process. A single application is made available in May of each year and a public process is used to determine funding allocations. This process is detailed in the Citizen Participation Plan (Appendix A). The public is encouraged to participate in the process and its end product: the submission of an annual Action Plan to the Department of Housing and Urban Development.

HOW MUCH MONEY IS AVAILABLE?

The amount of CDBG and HOME funds available for the annual application cycle is determined by the amount appropriated in the federal budget and HUD's formula allocation for that year. The City and County estimate funds available based on prior year's allocations and includes the estimates in the Notice of Funding Availability (NOFA) for the year. Applicants should request a minimum of \$10,000 per application. Grant awards will typically not be awarded for less than \$10,000 except at the discretion of the Grant Recommendation Committee.

The amount of funds available for Section 108 Loans is five times the current CDBG allocation, less any outstanding loans. The amount is included in the NOFA separately for the County and City. Please note, at this time the City of Bremerton and Kitsap County Section 108 Loan Guarantee Programs are inactive due to funding cuts.

FORMS OF ASSISTANCE

Kitsap County: Funds will be provided in the form of a grant except HOME projects obtaining tax credits may be provided a loan. Loan terms will be negotiable and be determined at the time of underwriting review.

City of Bremerton: Funds will be provided in the form of a grant except awards of \$200,000 or more of CDBG and/or HOME (cumulative and including awards from multiple years) for a single project site will trigger a loan for the following types of activities:

- Acquisition of land and/or buildings
- Rehabilitation
- New construction
- Direct homeowner assistance

Loan term will be for a maximum of 40 years. All loans will be interest bearing at 3% annual interest rate and will not be forgivable. Other loan terms will be evaluated on a project by project basis during the subsidy layering review and included in the written agreement and loan documents.

WHAT IS THE DISTRIBUTION OF CDBG AND HOME FUNDS?

The CDBG and HOME programs allow certain set-asides to further specific program goals. The City and County set additional funding targets to help meet local objectives. The following is the distribution for Kitsap County and the City of Bremerton (local targets in italic):

CDBG

- Public Service Projects - 15% max
- Planning & Administration – 20% max
 - *Planning applications not accepted due to insufficient funding*
- Capital Projects – 65%
 - *Economic Development – 10% of capital*
 - *City of Bremerton Down Payment Assistance set-aside - \$20,000*

HOME

- Administration - 10% max
- Community Housing Development Organization (CHDO) Set-Aside – 15% min
- Capital Projects– 75%
 - *City of Bremerton Down Payment Assistance set-aside - \$30,000*

HOW CAN MY ORGANIZATION APPLY?

The annual application cycle begins in April with the publication of the Notice of Funding Availability and Policy Plan and commencement of a 30 day public comment period. At the end of the comment period, upon approval of the Policy Plan by the Kitsap Regional Coordinating Council (KRCC) and Bremerton City Council, the application is made available on-line. Interested organizations can find the application and all associated information on the County web site at http://www.kitsapgov.com/hs/block_grant_program/cdbg.htm, under Application Cycle, or on the City web site at <http://www.ci.bremerton.wa.us/display.php?id=864>. The schedule for the annual application cycle, including the due date for applications, is also available on the web site. Interested organizations may also contact Block Grant staff to

request to be placed on the City/County interested parties list to receive automatic notices about these programs.

WHEN WILL FUNDS BE AVAILABLE?

Funds for the programs' January 1 – December 31 program year are generally not available until spring or early summer of the program year. Timing is dependent on federal budget approval—which is often delayed—and how quickly HUD is then able to allocate funds to local jurisdictions. The County and City will not execute contracts with subrecipients until we have a contract from HUD. Once contracts are executed, CDBG and HOME funds can only be disbursed on a reimbursement basis.

POLICIES & REGULATIONS FOR USE OF FUNDS

CDBG and HOME funds are Federal funds. Use of Federal funds may affect the way your agency does business. If you are applying for Federal funds for the first time, you are strongly encouraged to familiarize yourself with the requirements. A Guidebook for recipients of CDBG and HOME funds can be found on the Kitsap County Block Grant Program web site at: http://www.kitsapgov.com/hs/block_grant_program/cdbg.htm ([click on Guidebook](#)) or on the City web site at <http://www.ci.bremerton.wa.us/display.php?id=1206> .

You may also contact the County or City Block Grant Staff for additional assistance.

A. GENERAL REQUIREMENTS

1. Consistency with applicable City, County, and/or State Codes and Policies

To be considered for funding, projects must be consistent with adopted codes and other applicable policies, plans and standards

Agencies that are currently receiving County or City CDBG or HOME funds, who are applying for funds, must be in compliance with all terms of their current agreement(s) and must not have outstanding audit findings, monitoring findings or concerns related to prior year's funding.

2. Contract Retainage for Federal Compliance

City/County will withhold up to 20% of the award amount included in the written subrecipient agreement until all federal compliance requirements are met.

All construction contracts between a subrecipient (ie: your agency) and contractor shall have 10% of payment retained until fulfillment of federal compliance is documented.

3. Definition of Income

Most CDBG and HOME funded projects use income to determine who is eligible for services or housing. Per HUD, income must be defined in one of two ways under the CDBG and HOME programs; subrecipients must select one method which it will use for the duration of each program/project (rental housing projects must use the Part 5 definition):

- Annual income as defined in 24 CFR 5.609, referred to as “**Part 5 annual income**”, or;
- Adjusted gross income as defined for reporting purposes under the **IRS Form 1040** long form (not IRS Forms 1040A or 1040EZ).

For more information on determining income see the Technical Guide for Determining Income and Allowances for the HOME program. This guide and can be downloaded from:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/library/modelguides/2005/1780

4. Project/Activity Delivery Costs

Block Grant staff costs directly related to carrying out a funded activity may be charged to the subrecipient grant award, reducing the amount available to the subrecipient. Project/Activity delivery costs will be charged back to capital projects only, for staff duties including but not limited to carrying out NEPA compliant environmental review, fulfilling Davis Bacon Certified Payroll review and enforcement, underwriting loans and housing inspections. For example, an agency is awarded \$50,000 for a capital project, block grant retains \$2,500 for completing the NEPA review, and the subrecipient agreement is written for \$47,500. Staff reports the full award of \$50,000 to HUD in the annual Action Plan.

5. Commitment and Timely Expenditure of Funds

In order to meet regulatory requirements the City and County have established the following policies for CDBG and HOME funded projects:

a. COMMITMENT:

- Organizations awarded CDBG or HOME funds must enter into a written agreement with the County/City during the award year (i.e. Funds awarded for 2014 must have an agreement executed by Dec. 31, 2014).
- In certain circumstances a conditional commitment of funds may be made for Capital projects that do not have all project funds committed at the time of recommendation. If after 18 months of conditional commitment (from the beginning of the program year, January 1) all funds have been committed, the subrecipient will enter into a formal written agreement with the Block Grant Program. If all project funding has not been secured within the 18 months the conditional commitment will be canceled and the funds will be allocated in the next funding round.

b. TIMELY EXPENDITURE OF FUNDS:

- CDBG Public Service funding must be fully spent by December 31st of the award year.
- Projects using HOME funds to acquire vacant land must be under construction within 12 months of the commitment date.
- Organizations must begin drawing funds within one year of the contract execution date (date the contract was signed by County/City Mayor) and at least **annually** thereafter.

c. DEOBLIGATION OF FUNDS:

- Organizations unable to meet these requirements will lose their funding; funds will be allocated to another eligible project.

6. On-going Restrictions for CDBG & HOME Funded Capital Projects

HUD requires that facilities acquired, constructed or improved with CDBG and/or HOME funds be “publicly owned” and that the public interest be protected. The interest will be secured, when appropriate, through a lien on the property recorded as a deed of trust, explaining the sale and change of use provisions that accompany CDBG/HOME assisted real property. The specific terms and conditions of the public interest security agreements will vary depending on the type of project assisted.

B. HOME FUNDING - SPECIFIC REQUIREMENTS

1. For more information on specific rules and requirements of the HOME program, including determining whether your project is eligible, please see **Appendix E HOME Eligibility Requirements and Program Rules**.

C. CDBG FUNDING - SPECIFIC REQUIREMENTS

1. For more information on specific rules and requirements of CDBG, including meeting a National Objective, please see Appendix D **CDBG Eligibility & Program Requirements**.

D. FINANCIAL MANAGEMENT

1. Uniform Administrative Requirements

Agencies which are governmental entities must comply with the requirements and standards of:

- OMB Circular No. A-87, “Principles for Determining Costs applicable to Grants and Contracts with State, Local and Federally recognized Indian Tribal Governments”
- OMB Circular A-128 “Audits of State and Local Governments”
- 24 CFR Part 85 “Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments” (certain sections)

Non-governmental agencies, acting as subrecipients, must comply with the requirements and standards of:

- OMB Circular No. A-122, “Cost Principles for Non-Profit Organizations” or OMB Circular No. A-21, “Cost Principles for Educational Institutions”
- OMB Circular A-133 “Audits of Institutions of Higher Education and Other Nonprofit Institutions”
- 24 CFR Part 84 and OMB Circular A-110 “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals or Other Non-Profit Organizations”.

2. Audit Requirements

Private non-profit agencies expending \$500,000 or more in federal funds annually (whether CDBG / HOME alone or CDBG / HOME in conjunction with other federal funds) must have an annual audit conducted by an independent auditor in accordance with OMB A-133 Audit Standards for Private Non-Profit Organizations. Agencies are responsible to meet this audit requirement.

Agencies that do not meet the \$500,000 threshold mandatory A-133 audit are encouraged to obtain an annual audit if their operating budget is \$100,000 or greater. Smaller agencies are encouraged to obtain at least a third-party annual financial review. Block Grant staff will review financial information closely for all agencies submitting application.

E. PROCUREMENT

Any subrecipient using CDBG or HOME funds to purchase goods or services must have a formalized written procurement procedure in place prior to contracting for any goods or services. Procurement requirements are contained in 24 CFR Part 85 for governmental entities and 24 CFR Part 84 for Non-Profits, Institutions of Higher Education and Hospitals. Additional information on procurement requirements can be found in Section E of the CDBG/HOME Guidebook on the Kitsap County or City of Bremerton Block Grant Program web sites.

F. ENVIRONMENTAL REVIEW

1. Environmental Review (24 CFR Part 58)

All CDBG/HOME projects must have a NEPA compliant environmental review process completed before **any** funds, including funds committed from other sources, can be spent on the project. Additional information on environmental review requirements can be found in Section F of the CDBG/HOME Guidebook on the Kitsap County or City of Bremerton Block Grant Program web sites.

The costs associated with conducting a NEPA compliant environmental review for Capital CDBG and HOME funded projects may be charged to the grant award as project costs (HOME) or activity delivery costs (CDBG). Cost will vary depending on the level of review and complexity of the project and include staff time, cost of publishing required legal ads and printing costs. The cost of any studies required to complete the environmental review (i.e. Phase I Environmental Site Assessment, Geotechnical Report, Cultural Site Assessment, etc.) will be in addition to the costs associated with preparation of the NEPA environmental review and will be the responsibility of the subrecipient.

G. EQUAL OPPORTUNITY & ACCESSIBILITY

1. Fair Housing and Equal Opportunity

All CDBG/HOME projects must comply with all of the following Federal laws, executive orders and regulations pertaining to fair housing and equal opportunity:

- a. Title VI of the Civil Rights Act of 1964: No person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving Federal assistance on the basis of race, color or national origin (24 CFR Part 1).
- b. The Fair Housing Act: Prohibits discrimination in the sale or rental of housing, the financing of housing or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap or familial status (24 CFR Part 100-115).
- c. Equal Opportunity in Housing: Prohibits discrimination against individuals on the basis of race, color, religion, sex or national origin in the sale, rental, leasing or other

disposition of residential property, or in the use or occupancy of housing assisted with Federal funds (24 CFR Part 107).

- d. Age Discrimination Act of 1975: Prohibits age discrimination in programs receiving Federal financial assistance (24 CFR Part 146).
- e. For more information on eliminating discrimination visit www.hud.gov/offices/fheo/progdesc/title8.cfm

2. Handicapped Accessibility

CDBG and HOME funded projects are subject to the following regulations governing the accessibility of Federally-assisted buildings, facilities and programs.

- a. Americans with Disabilities Act: Provides comprehensive civil rights to individuals with disabilities in the areas of employment, public accommodations, state and local government services and telecommunications. The Act requires certain buildings or other facilities that receive Federal funds to be designed, constructed or altered in accordance with standards that insure accessibility to and use by physically handicapped people.
- b. Section 504: Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted programs on the basis of handicap

Additional information on equal opportunity and accessibility can be found in Section G of the CDBG/HOME Guidebook on the Kitsap County or City of Bremerton Block Grant Program web site.

H. LABOR STANDARDS & CONSTRUCTION

1. Equal Opportunity for Employment and Contracting

CDBG and HOME funded projects are subject to the following regulations governing employment and contracting opportunities.

- a. Equal Employment Opportunity: Prohibits discrimination against any employee or applicant for employment because of race, color, religion, sex or national origin. Provisions to effectuate this prohibition must be included in all construction contracts exceeding \$10,000 (41 CFR Part 60).
- b. Section 3 of the Housing and Urban Development Act of 1968: Requires that, to the greatest extent feasible, opportunities for training and employment arising from CDBG or HOME funded projects will be provided to low-income persons residing in the program service area.
- c. Minority/Women's Business Enterprise: Outreach to minorities and women in contracting for services (24 CFR 85.36(e)).

2. Labor Requirements

CDBG and HOME projects must comply with certain regulations on wage and labor standards. Pursuant to the Davis-Bacon Act, federal wage rates apply to most (but not all) construction projects over \$2,000. Applications that involve construction must consider Davis-Bacon wage rates in the budget. The costs associated with the review of Certified Payrolls and compliance with DBRA requirements may be charged to the grant award as project costs (HOME) or activity delivery costs (CDBG). Cost will vary depending on the complexity of the project

- a. Davis-Bacon and Related Acts: Ensures that mechanics and laborers employed in construction work under federally assisted contracts are paid the Federal prevailing wage for the locality.

- b. Contract Work Hours and Safety Standards Act: Provides that mechanics and laborers employed on federally assisted construction jobs are paid time and one-half for work in excess of 40 hours per week.
- c. Copeland (Anti-Kickback) Act: Governs the deductions from paychecks that are allowable.

More information on Davis Bacon requirements can be found in Section I of the CDBG/HOME Guidebook on the Kitsap County or City of Bremerton Block Grant Program web sites.

3. **Lead-Based Paint Hazard (24 CFR Part 35)**

Housing built before 1978, assisted with HOME or CDBG funds, is subject to the Lead-Based Paint Poisoning Prevention Act. The law imposes requirements related to:

- Disclosure of known hazards and what has been done to reduce them;
- Treatment, relocation during treatment, and ongoing inspection of units.

Project feasibility is an important consideration for housing with lead-based paint. Recipients of CDBG or HOME funds will need to be aware of the potential for additional time and cost associated with lead-based paint hazards. Information on Lead-Based Paint requirements can be found in Section I of the CDBG/HOME Guidebook on the Kitsap County or City of Bremerton Block Grant Program web sites.

4. **Compliance with Codes & Standards for Rehabilitation and New Construction**

- a. All capital projects funded with CDBG or HOME must comply with local building and fire codes.
- b. All HOME funded Rehabilitation projects must comply with the Rehabilitation Standards adopted by the Kitsap County & City of Bremerton Block Grant Program.
- c. All rental housing units purchased and/or rehabilitated with CDBG or HOME must pass a Uniform Physical Conditions Standards inspection.
- d. All housing must comply with the applicable accessibility requirements for persons with disabilities.

I. **REPORTING & MONITORING**

All programs and projects funded with CDBG or HOME funds will be required to submit quarterly reports. Reports will be provided by the Block Grant Program and may be submitted electronically. Annual on-site monitoring is conducted by staff for all open contracts. A monitoring checklist is used by staff to review compliance with the requirements of the written agreement and federal regulations. Agencies will be contacted at the end of the program year to schedule the monitoring visit.

J. **ACQUISITION & RELOCATION**

1. **Uniform Relocation Assistance & Real Property Acquisition (49 CFR Part 24)**

These regulations apply to any federally-assisted project involving acquisition, demolition or rehabilitation. Proposals for CDBG and HOME funded projects that are likely to cause displacement of people or businesses are discouraged. Any project that is likely to cause displacement must include relocation assistance payments in the budget and be consistent with the federal Uniform Relocation Act. Projects which trigger this regulation must follow the Anti-displacement and Relocation Assistance Plan included in **Appendix F**. If your project includes acquisition, rehabilitation or demolition you are strongly urged to discuss the requirements with Block Grant staff before entering into any legally binding agreements.

- 2. Minimizing the Loss of Low and Very Low Income Dwelling Units (24 CFR Part 42)**
Any CDBG/HOME proposal that would directly result in any occupied or vacant occupiable low and very low income dwelling units being (1) demolished, or (2) converted to a use other than as low and very low income housing must include a realistic plan to provide replacement housing within three years of the commencement of the demolition or rehabilitation relating to conversion. Projects which trigger this regulation must follow the Anti-displacement and Relocation Assistance Plan included in **Appendix F**.

CITIZEN PARTICIPATION PLAN

HUD requires a Citizen Participation Plan be adopted by jurisdictions receiving CDBG and HOME funds. The plan details the process used by the County and the City in development of the Consolidated Plan and annual application cycle which results in the Action Plan submission to HUD. The Kitsap County/City of Bremerton Block Grant Program Citizen Participation Plan can be found in **Appendix A**.

CONSOLIDATED PLAN

WHAT IS THE CONSOLIDATED PLAN?

The Consolidated Plan rolls the planning, application and performance reporting requirements of several programs run by HUD into one process and one document. In our community the Consolidated Plan covers CDBG (Community Development Block Grants) and HOME (grant for affordable housing) programs jointly for the City of Bremerton and Kitsap County. The plan covers a 5-year period.

The Consolidated Plan requires a jurisdiction to identify all of its housing and community development *needs*, and then develop a *long-term strategy* for meeting those needs. A key part of the strategy is setting priorities. The Plan identifies priority housing needs, non-homeless special needs, homeless needs, economic development and community development needs.

The Consolidated Plan also indicates what *programs* and *resources* will be used over the 5-year planning period. The plan contains objectives and strategies to address the identified needs and estimates the resources needed to fund activities to address the different needs.

WHAT ARE THE KEY PARTS OF THE PLAN?

A. Housing & Community Development Needs Assessment

This is the part of the Plan that has U.S. Census Bureau information and other information which presents a picture of the jurisdiction. People are the focus of the "Needs" section of the plan. The emphasis is on the human side of housing and

community development including the needs of homeless people, people with special needs and those who are low-income.

B. The Housing Market Analysis

This part of the Plan describes the physical “bricks and mortar,” side of housing – the supply side of housing. It looks at what housing exists. When the housing conditions in this part of the plan are lined up with human needs in the previous part of the plan, a clear picture of what must be done should emerge.

C. The Strategic Plan

The Strategy is the part of the Consolidated Plan where the County and City sets out how it intends to use its CDBG and HOME funds from HUD’s Department of Community Planning and Development over the next five years. The strategy must declare what priority the local government will give to the various housing and community development needs identified earlier in the Consolidated Plan; the activities designed to respond to those needs; and the different geographic areas where needs exist.

D. Annual Action Plan

The Action Plan is the one-year plan a jurisdiction must have to show how it is carrying out its long-term Strategic Plan. It shows how the jurisdiction will spend its CDBG and HOME money in the upcoming year. Kitsap County and the City of Bremerton use an annual application process through which funds are competitively awarded.

Note: The Objectives & Strategies from the Consolidated Plan are included in **Appendix C**. The full text of the Consolidated Plan is available on both the County and City of Bremerton web sites and also available upon request.

GLOSSARY

A Glossary of terms has been included in **Appendix G**.

Appendix A

Citizen Participation Plan (Updated 4/16/2014)

CITY OF BREMERTON AND KITSAP COUNTY CITIZEN PARTICIPATION PLAN

Introduction

Kitsap County and its consortium cities of Port Orchard, Poulsbo and Bainbridge Island receives both Community Development Block Grant (CDBG) and Home Investment Partnership (HOME) funds. The City of Bremerton receives Community Development Block Grant funds as its own entitlement, and HOME funds through its membership in a Consortium with Kitsap County. Both the City of Bremerton and Kitsap County are committed to assuring opportunities for citizen involvement in decisions concerning activities taking place within their communities.

Each year the City of Bremerton and Kitsap County are eligible to receive CDBG and HOME funds. There are specific rules and regulations governing the allocation and use of the funds, including provisions for citizen involvement in decision making. In order to facilitate citizen involvement, both jurisdictions adopt a Citizen Participation Plan.

Beginning in 2011, Kitsap County and the City of Bremerton Block Grant Programs joined with the Homeless Housing Grant Program and Affordable Housing Grant Program to develop a combined funding & application process. The combined process includes a single application for funds, a single Grant Recommendation Committee (GRC) process and funding recommendation. Funding recommendations are approved by the Kitsap Regional Coordinating Council (KRCC) for County CDBG/HOME funds and by the Bremerton City Council for City CDBG/HOME funds.

Purpose

The purpose of the Citizen Participation Plan is to provide an on-going mechanism to ensure widespread citizen participation whereby all citizens have an opportunity to fully express their needs and wishes for community improvement. Special efforts will be made to encourage participation by:

- Low- and moderate-income persons, particularly those living in slum and blighted areas.
- Residents of predominately low- and moderate-income neighborhoods.
- Minorities and non-English speaking persons, as well as persons with disabilities.

This plan provides opportunities for representation of all of the citizens of Kitsap County and the City of Bremerton by allowing them to have a voice in the decision-making process and giving them greater power and control over activities taking place within their communities.

Annual Allocation Process / Action Plan Submission

Together the entitlement jurisdictions conduct a competitive annual process to determine allocation of CDBG and HOME funds. The public is encouraged to participate in the process and its end product—the submission of an annual Action Plan to HUD.

A. Notice of Funding Availability & Application

In April of each year a notice will be published in the newspaper of record to announce funding availability and provide an opportunity for comment on the CDBG/HOME Policy Plan. This notice will begin a 30-day comment period on the Policy Plan (including the

Citizen Participation Plan) and include the date and time of public hearings to take citizen comments. Notifications will also be sent to any agency or organization who requests to be placed on our interested parties email list.

Notifications will also be available to any agency or organization who signs up on the Kitsap County Block Grant web site to receive notices. To sign up go to: http://www.kitsapgov.com/hs/block_grant_program/Application_Cycle.htm and at the top of the page click on the link to receive text or email updates. This link will take you to the Kitsap County Electronic Notification System where you can sign up.

Upon approval of the Policy Plan by the Kitsap Regional Coordinating Council and Bremerton City Council, information about the application and mandatory technical assistance session will be available from:

Kitsap County Block Grant Division
345 6th Street, Suite 400, Bremerton, WA 98337-1873.
http://www.kitsapgov.com/hs/block_grant_program/Application_Cycle.htm or by contacting
Bonnie Tufts at btufts@co.kitsap.wa.us or by phone at 360-337-4606

and

City of Bremerton, Community Development Block Grant
345 6th Street, Suite 600, Bremerton, WA 98337-1873
<http://www.ci.bremerton.wa.us/display.php?id=864>.
or by contacting Marie Vila at marie.vila@ci.bremerton.wa.us or by phone at 360-473-5375

Applications will be made available in a format accessible to persons with disabilities upon request.

Application submittal instructions and due date are included in the Notice of Funding Availability (NOFA). Applications must be submitted online and require access to the internet.

B. Technical Assistance

At least one mandatory technical assistance session will be held for those interested in applying for funding. During the session, staff will provide information to citizens concerning who can apply for funds, funds expected to be available, the range of activities that may be undertaken, priorities for funding, application submission requirements, the application deadline, and how decisions concerning funding will be made. The date and time of the technical assistance session(s) will be published in the NOFA, included in the schedule posted on the web sites.

In addition to the mandatory Technical Assistance described above, City and County Block Grant staff is also available by appointment for one-on-one Technical Assistance to provide guidance to citizens and organizations regarding specific project considerations.

At any time, any citizen may contact the City or County Block Grant Divisions for technical assistance or general information in relation to programs described in this Plan. The Department will help citizens understand CDBG and HOME funded programs, the procedures for submitting proposals, the Citizen Participation Plan and other program requirements so they can effectively participate in CDBG and/or HOME programs and the funding process.

C. Application Review & Grant Recommendation Committee Process

Applications will be reviewed by Block Grant Staff to determine compliance with technical requirements including eligibility for CDBG and/or HOME funds. Applications which are found not eligible for CDBG or HOME funds or Homeless Grant Program or Affordable Housing funds, will be disqualified and the applicant will be notified. Eligible applications will be reviewed and evaluated by staff for organizational and financial capacity and will also be provided to a Grant Recommendation Committee (GRC) for consideration. The GRC will review all proposals, interview applicants and develop recommendations for funding based on how they address needs & objectives identified in the 2011-2015 Consolidated Plan and/or Homeless Housing Plan, organizational and financial capacity of the organization to carry out the program/project, project feasibility, and funding availability.

There are two Grant Recommendation Committees. The Services GRC reviews applications for public services. The Capital GRC reviews housing capital improvements, economic development and CHDO operating applications. Both GRCs play an integral role in the allocation of CDBG and HOME federal funds according to the needs of the community. While all GRC members must be well-versed in the needs of the community and be willing to participate in all the activities relevant to the GRCs, each individual GRC seeks members who demonstrate specific skills and experience.

- The Services GRC seeks members who have experience in one or more of the following capacities: background working with non-profit community service providers as an employee, volunteer, board member or consumer; background with homeless programs; grant experience, project management, compliance monitoring and/or practical experience with HUD regulations.
- The Capital GRC seeks members who have experience in one or more of the following areas: affordable housing; construction or project management; mortgage lending; housing development; economic development; real estate; or architecture.

Each GRC will be comprised of 8 members as follows:

- Two members representing the City of Bremerton and appointed by the Mayor and approved by the Bremerton City Council
- Three members appointed by Kitsap County Commissioners.
- Three members, one each appointed by the cities of Bainbridge Island, Port Orchard, and Poulsbo

Applicant interviews will be conducted with the GRC. Applicants will have the opportunity to present their project and the GRC will have an opportunity to ask questions. At the conclusion of interviews the GRC will formulate a funding recommendation for approval by the KRCC and the Bremerton City Council.

GRC members serve a one year term, but can be re-appointed to serve successive terms.

D. Funding Recommendations & Action Plan

Organizations submitting applications will be notified whether or not the GRC has recommended their proposal for funding. The notification will include the date, time and place of the public hearings, during which the recommendations will be considered by the Kitsap Regional Coordinating Council and the Bremerton City Council.

All projects approved for funding will be included in each jurisdiction's Action Plan. A summary of each Action Plan will be published in the newspaper of record and on the City's and County's websites. The summaries will describe the contents and purpose of the Action Plans, and include a list of locations where copies of the entire proposed plans may be examined. Citizens will be provided a period of at least 30 days to review and comment on the plans. Comments or views of citizens will be considered at the public hearings, and a summary of any comments or views not accepted and the reasons therefore, will be attached to the final Action Plan which will be submitted to HUD.

The City of Bremerton and Kitsap County Block Grant staff will submit their Action Plans, including the projects proposed to be funded, to HUD no later than November 15th of each calendar year.

Five Year Consolidated Plan

The Consolidated Plan is the result of a process set forth by the Department of Housing and Urban Development (HUD) to provide a planning and application process for the CDBG and HOME programs within a single document. The Kitsap County HOME Consortium is required to submit the Consolidated Plan for the HOME participating jurisdiction (which consists of Kitsap County and the City of Bremerton). The Consolidated Plan is available online at:

- http://www.kitsapgov.com/hs/block_grant_program/Plans.htm
- <http://www.ci.bremerton.wa.us/display.php?id=790> (scroll down for a link to the documents)
- A printed copy may be requested from the Kitsap County or City of Bremerton Block Grant Divisions

There are a number of specific elements in the 5-Year Consolidated Plan, including:

- **Needs Assessment:** an assessment of housing needs (primarily of low and moderate income people) and needs of homeless people;
- **Housing Market Analysis:** an analysis of the City of Bremerton's and Kitsap County's housing market;
- **Strategic Plan:** a discussion of the City of Bremerton's and Kitsap County's priority needs to establish goals and objectives for implementing strategies which address housing and community development activities;
- **Citizen Participation Plan**
- **Annual Action Plan:** describes the activities that will be undertaken to address priority needs utilizing HOME and CDBG grant funds during the upcoming program year; and
- **Consolidated Annual Performance and Evaluation Report (CAPER):** describes how funds were used in activities that provided benefits to low and moderate income individuals and families during the previous program year.

Governments, service providers, citizens, and non-profit/for-profit agencies are encouraged to identify needs and priorities, assist in the development of strategies, and to participate in the annual allocation process. The following are specific opportunities for citizens to participate in the development of the information to be incorporated in the Consolidated Plan, which is updated every five years:

1. At least one community meeting will be held to obtain the views of citizens, public agencies, and other interested parties concerning housing and community development needs,

including non-housing community development needs and priorities during development of the plan.

2. The City of Bremerton and Kitsap County Block Grant staff will specifically consult with appropriate social service agencies regarding the housing and community development needs and priorities of children, elderly persons, persons with disabilities, homeless persons and other persons served by such agencies.
3. The City of Bremerton and Kitsap County Block Grant staff will coordinate with the Bremerton Housing Authority (BHA) and Housing Kitsap to encourage participation of residents of public and assisted housing and other low-income residents of targeted revitalization areas, in the process of developing and implementing the Consolidated Plan.
4. Agencies working with low- and moderate-income persons, particularly those living in slum and blighted areas and residents of predominately low- and moderate-income neighborhoods, minorities, non-English speaking persons, and persons with disabilities will be contacted to encourage participation in the development of the Consolidated Plan.

Amendments to the Annual Action Plan

Citizens will be notified and have an opportunity to comment on any substantial amendments proposed to the Annual Action Plan.

Substantial Amendments will be published in the City's and County's newspaper of record and be subject to a 30-day public comment period to allow for comment prior to implementation of the proposed amendment. Substantial Amendments may be forwarded for review by the appropriate GRC prior to submission to the KRCC or the Bremerton City Council for final approval. Comments or views of citizens will be considered at the public hearing, and a summary of any comments or views not accepted and the reasons therefore, will be attached to the substantial amendment of the final Action Plan which will be submitted to HUD. Substantial amendments include:

- Changes in the use of CDBG or HOME funds from one eligible activity to another
- Adding a new activity
- A substantial change to the purpose, scope, location or beneficiaries of the project as defined in the application for funds and approved by the GRC.

CDBG or HOME activities awarded funds which have a substantial change in the purpose, scope, beneficiaries, location or budget will be evaluated by Block Grant Staff and may be required to submit a new application for funding in the next application cycle.

Projects not expending their full CDBG or HOME award will not trigger a substantial amendment. These funds will be re-obligated to new projects during the following year's regular application cycle.

Minor Changes: Any request for a change in the amount to be expended on a program or project budget line item, or a minor change to the purpose, scope, location or beneficiaries of the project as defined in the application for funds, shall not be considered a Substantial Change requiring citizen notification and Annual Action Plan amendment; however, prior written approval of these changes must be obtained from the appropriate Block Grant Administrator.

Minor project changes may need to be formalized as an amendment to the sub-recipient Agency's contract with the City or County. The Agency will submit a written request for change to the Block Grant Administrator stating the specific reasons for the requested increase or decrease in funding, or change in purpose, scope, location or beneficiaries. All requests will be reviewed, and approved or denied by the Block Grant Administrator.

Performance Reports

1. Both the Kitsap County Block Grant Division and City of Bremerton Block Grant Division will prepare and submit a Consolidated Annual Performance and Evaluation Report (CAPER) to HUD no later than March 31st of each year for the previous calendar year.
2. The CAPER will be made available for public review. Notice of Availability will be published in the newspaper of record and copies will be available on the County's and City's websites:
 - Kitsap County: http://www.kitsapgov.com/hs/block_grant_program/Reports.htm
Copies are also available at the Kitsap County Block Grant Program Office, 345 6th Street, Suite 400, Bremerton, Washington.
 - City of Bremerton: <http://www.ci.bremerton.wa.us/display.php?id=788>: scroll down to the year and CAPER file desired.
3. Citizens will be provided a period of at least 15 days to review and comment on the CAPER. Comments or views of citizens will be considered in the report, and a summary of any comments or views not accepted and the reasons therefore, will be attached to the CAPER and submitted to HUD.

Public Hearings

By law, public hearings are required in order to obtain the public's view and to provide the public with the City's and County's responses to public questions and proposals. A public hearing is held in May for the approval of the next year's Policy Plan. A second hearing is held in November to review the proposed use of funds and adopt the Annual Action Plan.

Notification of the public hearings and of 30-day comment periods will be published in the newspaper of record and will afford citizens, public agencies, and other interested parties a reasonable opportunity to examine the proposed plans and to submit comments.

Kitsap County public hearings will be held during the regular meeting of the Kitsap Regional Coordinating Council in the meeting chambers of the Norm Dicks Government Center. KRCC meeting times and agendas can be obtained at <http://www.kitsapregionalcouncil.org/>

City of Bremerton public hearings will be held during Bremerton City Council meetings, which are held every first and third Wednesday of the month, at 5:30 pm in the meeting chambers of the Norm Dicks Government Center. Bremerton City Council agenda may be obtained at <http://www.ci.bremerton.wa.us/display.php?id=580>.

Public Comments

Interested persons may submit comments in writing during the public comment periods, or orally at the public hearings. Written comments should be directed to:

Kitsap County Block Grant Program
345 6th Street, Suite 400
Bremerton, WA 98337

City of Bremerton
345 6th Street, Suite 600
Bremerton, WA 98337

Complaints

All written citizen complaints will be referred to the appropriate person(s) or agencies for action. Under normal circumstances, the Block Grant Division will respond to the person making the complaint within 15 days. All complaints and responses will be kept on file.

Resources

Newspaper of Record: Notification will be placed in the following newspaper under Legal Notices at least ten days before a public meeting is held concerning a program described in this plan:

Kitsap County Block Grant – The Kitsap Sun
City of Bremerton Block Grant – The Kitsap Sun

Notices may also be published on City and County websites, as follows:

Kitsap County Block Grant Division:

http://www.kitsapgov.com/hs/block_grant_program/Legal_Ads.htm

City of Bremerton Block Grant Program:

<http://www.ci.bremerton.wa.us/display.php?id=788>

The notice will indicate when and where the public meeting will be held. Meetings are often held at the following location:

Norm Dicks Government Center, 1st Floor Meeting Chambers
345 6th Street
Bremerton, WA 98337

Appendix B

Requirements for Section 108 Loan Guarantee

SECTION I – GENERAL GUIDELINES

A. Introduction

Section 108 is the loan guarantee provision of the U.S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program. Section 108 enables grantees to leverage their CDBG funds by borrowing up to five times their CDBG allocation. Section 108 loans provide long term, low-cost financing with flexible terms. The funds are available year-round, on a non-competitive basis and for a wide variety of uses.

HUD provides a full faith and credit guarantee of notes issued by public jurisdictions and sold to private investors. In turn, public jurisdictions are required to pledge CDBG funds as collateral for the loans. These funds are not escrowed and grantees may continue to use CDBG funds as planned. Additional collateral is also required, which provides a safeguard to reduce the risk to CDBG funds. Collateral may be project-based such as a lien on real property or based on other types of security unrelated to the Section 108 project. In most cases, Section 108 loans do not count against a community's bonding authority and are not used to determine credit worthiness of the community by private credit rating agencies.

The Loan Program is administered by the Kitsap County Block Grant Program for County funds and by the City of Bremerton Block Grant Program for City funds. All loans require approval from the Kitsap Regional Coordinating Council and Board of County Commissioners for County loans, or the Bremerton City Council for City loans.

B. Section 108 Loan Program Criteria

Eligible Applicants:

- Private companies;
- Governments,
- Public agencies;
- Non-Profit institutions;
- For-Profit and Not-for-Profit owners of multi-family projects.

All projects must be located in Kitsap County and for projects using City funds the project must be located in the City of Bremerton.

Eligible Activities:

- Economic development activities eligible under the CDBG program including assistance to for-profit businesses.
- Acquisition of real property;
- Rehabilitation of publicly owned real property;
- Clearance, demolition, and removal on acquired or rehabilitated public property (including environmental cleanup);
- Site preparation including construction, reconstruction, or installation of public improvements related to property acquired or rehabilitated using Section 108 funds or for economic development purposes;
- Acquisition, construction, reconstruction or installation of public facilities;
- Housing rehabilitation eligible under CDBG;
- Housing construction as part of community economic development (in limited circumstances);
- Relocation costs;
- Debt service reserves; and
- Payment of interest on the guaranteed loan and issuance costs of public offerings.

Meeting a National Objective:

- CDBG regulations apply to the Section 108 loan guarantee program. All projects must either:
 - ✓ Principally benefit low and moderate income persons;
 - ✓ Aid in the elimination or prevention of slum and blight; or
 - ✓ Meet an urgent need of the community

C. Projects Eligible for Section 108 Loans

1. Economic Development Projects:

Examples of economic development projects include loans made to a for-profit business, development of a business or industrial park, construction or reconstruction of infrastructure to support business, or implementation of a redevelopment project. In each of the following examples the project must create new job opportunities for low and moderate income persons. Examples include:

- a. **Business Loans** – funding provided to a local firm for expansion of its operations.
- b. **Business/Industrial Park** – funding provided to purchase real estate for the development of a business or industrial park.
- c. **Redevelopment Project** – funds could be used for the acquisition, relocation, rehabilitation of buildings, and clearance of site(s) for redevelopment purposes.

2. Housing Projects:

Examples of housing projects that are eligible for Section 108 loans include rehabilitation, acquisition of sites for new development, homeownership, etc. All housing type activities must be affordable to low and moderate income persons and be eligible under CDBG.

3. Community Development:

Large scale public facilities and infrastructure type projects may be undertaken with Section 108 loan funds. These projects must benefit the low and moderate income population of the area in which they are intended to serve. Examples of Community Development projects include:

- a. **Parks & Recreation** – funds may be used for the expansion of an existing park facility or the development of a new facility.
- b. **Streetscape Improvements** – funds may be used to provide loans/grants for building façade improvements, streetscape work such as tree planting, walks, curbs, signage, etc.
- c. **Infrastructure Improvements** – for the construction or reconstruction of roads, streets and public utilities.
- d. **Public Facilities** – funds may be used for purchase, rehabilitation or construction of public facilities which principally benefit low/mod income persons.

D. How The Program Operates

1. Maximum Commitment Amount

An entitlement entity (County or City) may apply for up to five times the public entity's latest CDBG entitlement amount, minus any outstanding Section 108 commitments or principal balances on Section 108 loans. This amount is published annually in the Application.

2. Financing Source

Section 108 obligations are financed annually through underwritten public offerings in which fixed rate notes are sold to private investors. To ensure marketability of Section 108 notes HUD provides a 100% full faith and credit guarantee to investors. Financing between public offerings is provided through an interim lending facility established by HUD. Although HUD coordinates the funding process, it does not have a direct role in the flow of funds.

3. Security

Security for the loan guarantee includes a pledge by the public entity of its current and future CDBG funds. The CDBG funds are not escrowed and may continue to be used as planned. Additional security is also required, which provides a safeguard to reduce the risk to CDBG funds. The additional security requirements will be determined on a case-by-case basis.

4. Loan Repayment

The maximum repayment period for a Section 108 loan is 20 years. Interim loan interest payments are due quarterly on the first day of the months of February, May, August, and November. On permanent loans, principal payments are due once a year on August 1 and interest payments are due twice a year on August 1 and February 1. HUD has the ability to structure the principal amortization to match the needs of the project and borrower.

5. Prepayment

Investors buying the Section 108 notes are guaranteed the timely payment of principal and interest for a ten-year period. Technically, the borrower cannot prepay the loan during this period. However, by guaranteeing the income stream to the investor through a deposit of funds with a Fiscal Agent, the borrower is defeasing or voiding the Section 108 obligation. Interim loans may be prepaid at any time without penalty. Jurisdictions do have the options of remaining in the interim financing facility for the term of the loan.

6. Interest Rates

Interest rates on interim borrowing are priced at the three-month London Interbank Offered Rate (LIBOR) plus 20 basis points (0.2%). Interest rates on obligations sold in public offerings will be determined by market conditions at the time but generally will be slightly lower than yields on Federal agency securities (e.g. Fannie Mae and Freddie Mac) with comparable terms.

7. Financing Fees

The only financing fees of the Section 108 program are those related to issuance of the Section 108 notes, such as fees to the underwriters and the Fiscal Agent and any other expense related to the offering. Total financing fees will generally be one-half to one percent (0.5% - 1.0%) of principal. No additional maintenance fees are charged for permanent Section 108 notes. Interim loans are charged a \$100 quarterly fee.

8. Regulations

All CDBG program regulations such as citizen participation, Davis-Bacon, and relocation/displacement compliance must be met. The environmental assessment must be completed prior to incurring or expending any project costs.

SECTION II – UNDERWRITING STANDARDS & GUIDELINES

A. Underwriting Standards & Guidelines

Kitsap County and The City of Bremerton Block Grant Programs have developed standards for financially underwriting and evaluating the eligibility of potential projects for Section 108 loan financing. The size and scope of certain proposed projects will dictate the level of review required. The staff and consultant costs associated with the financial review and underwriting will be charged to the applicant. After an initial review of a project for eligibility an Application must be submitted to be considered for the Section 108 loan. At that time an agreement between the jurisdiction (County or City) and the applicant will be executed and include a scope of work and budget to complete the application review and processing of submission to HUD.

B. Objectives of Financial Review

The objectives of the financial review of each application are the same as the HUD *Guidelines and Objectives for Evaluating Project Costs and Financial Requirements* that are found in Appendix A to Part 570 of the Federal Regulations. These objectives are to ensure:

- Project costs are reasonable;
- Sources of project funding are committed;
- To the extent practicable, Section 108 funds are not substituted for non-federal financial support;
- Project is financially feasible;
- To the extent practicable, the return on the owner's equity investment will not be unreasonably high (in the case of a loan to a private firm); and
- To the extent practicable, the Section 108 loan funds are disbursed on a proportional basis with other finances provided to the project.

The City and County will also be evaluating projects using the following criteria:

- Is the project feasible and is it supported by market studies, engineering studies, housing studies, feasibility studies, etc.;
- Is the project site/location suitable for this project;
- What is the capacity and capability of the project development team;
- Does the project meet the eligibility criteria of the Section 108 loan program;
- What is the public benefit to be derived from the project; and
- What are the sources of loan repayment.

C. Application

Applications for Section 108 loans are accepted year round. If you are interested in submitting an application you must first meet with the County or City to determine the eligibility of your project. For projects within the City of Bremerton please contact Marie Vila at 360-473-5375 or Marie.Vila@ci.bremerton.wa.us . For projects in Kitsap County please contact Bonnie Tufts at 360-337-4606 or btufts@co.kitsap.wa.us

Appendix C

Consolidated Plan Objectives & Strategies

HUD Program Goal: Decent Housing – including:

- Assisting homeless persons to obtain affordable housing;
- Assisting persons at risk of becoming homeless;
- Retaining the affordable housing stock;
- Increasing the availability of affordable permanent housing for low-income and moderate-income families.
- Increasing the supply of supportive housing which includes structural features and services to enable persons with special needs to live in dignity and independence; and
- Providing affordable housing that is accessible to job opportunities.

Housing Objectives

- H-1 Improve and preserve the quality of affordable housing in the Consortium, including both owner occupied and rental housing, serving low-income households.*
- H-2 Provide a range of affordable housing types and densities while emphasizing high quality development, proximity to transportation and services, adequate public infrastructure and efficient use of land.*
- H-3 Promote fair housing for all members of the community without discrimination on the basis of race, color, religion, sex, national origin, familial status, disability or sexual orientation.*
- H-4 Expand homeownership opportunities for low-income homebuyers.*
- H-5 Promote credit counseling and homeownership financing counseling to discourage predatory lending practices, promote financial education, and provide equal financial opportunities to all.*
- H-6 Expand housing opportunities through an increase in the supply of decent, safe, and affordable rental housing, rental assistance and supportive housing with services.*
- H-7 Evaluate, and when present reduce, lead based paint hazards.*
- H-8 Improve the safety and livability of low-income neighborhoods.*

Housing Strategies

1. **Acquisition and New Construction:** The Consortium will support land acquisition, development and construction of new affordable housing units. Housing constructed on
 - the land may be rental or ownership. Ownership housing to target very low-income and
 - low-income, households; rental housing to target extremely low-income and very low-income households. (H-2, H-4, H-6)
2. **Energy Efficiency Measures:** Preserve and improve energy efficiency of affordable housing units through weatherization and other efficiency measures. (H-1, H-7)
3. **Fair Housing:** The Consortium will provide for fair and equal housing opportunities for all persons through the following activities:
 - Conduct an annual Fair Housing educational seminar for housing providers, real estate professionals and lenders. (H-3)
 - Provide no-cost fair housing educational resources and referral. (H-3)
 - Update the Kitsap County & City of Bremerton Analysis of Impediments to Fair Housing. (H-3)
4. **Homebuyer assistance:** The Consortium will support assistance to very low-income and low-income homebuyers to subsidize the purchase of a home. (H-4)
5. **Mixed-Income Projects:** Support mixed-income housing projects that include affordable units through targeted use of funds for units which will be occupied by households with incomes at or below 80% AMI. (H-2, H-4, H-6)
6. **Multi-Family Rental Rehab:** The Consortium will support acquisition and rehabilitation of existing multi-family rental housing. (H-1, H-6)
7. **Neighborhood Improvement:** Implement housing and neighborhood improvement programs through targeted neighborhood programs, education, housing rehabilitation and related services, and other public improvement projects. (H-8, H-2)
8. **Owner-occupied Single-Family Rehab:** The Consortium will use CDBG funds to provide owner occupied housing rehabilitation assistance in the form of major rehabilitation loans, emergency repair loans, and home safety repair grants. (H-1, H-7)
9. **Preservation of Housing:** Support the preservation of affordable single family housing through purchase and rehabilitation of homes in low-mod areas. Special consideration will be given to projects addressing foreclosed and abandoned properties and blighting conditions. (H-1, H-8)

10. **Rental Assistance:** The Consortium will consider support of a tenant based rental assistance program to address the high number of households on Section 8 Housing Choice Voucher wait lists and the large number of households who cannot afford fair market rent. (H-6)
11. **Revitalization:** Identify slum and blight areas and assess for revitalization. (H-8)
12. **Shared Housing:** Support shared housing programs that match low-income people in need of affordable housing with those who have housing to offer or share. (H-2, H-6)

Special Needs Objectives 91.215(e)

- SNH-1 Increase the supply of permanent supportive housing for special needs populations*
- SNH-2 Preserve existing special needs housing.*
- SNH-3 Improve access to services for those in special needs housing.*
- SNH-4 Improve housing accessibility and safety in both new and existing housing.*
- SNH-5 Reduce barriers to stable housing by encouraging collaboration among service providers.*

Special Needs Strategies

1. **ADA Improvements:** Modify and improve homes occupied by the frail elderly and persons with permanent physical disabilities. These modifications and improvements will be focused on improving the safety and accessibility of the home and meeting ADA standards. (SNH-4)
2. **Community-wide Housing Initiatives:** The Consortium will work collaboratively with service providers, housing providers, and other governmental agencies to reduce barriers to housing through (SNH-5):
 - Active participation in, and support of, the Kitsap Continuum of Care and Kitsap Housing Coalition.
 - Efforts to implement a streamlined intake system in Kitsap County.
3. **Develop Supportive Housing:** Develop and construct special needs and supportive housing. Activities may include the purchase of land, site development and construction. Services should be integral to the housing. (SNH-1)

4. **Preserve Supportive Housing:** Preserve supportive and special needs housing through funding of supportive services and rehabilitation of existing facilities. The housing must be owned and operated by a public agency or a private nonprofit and be occupied by the special needs population. Skilled care facilities are also eligible for assistance. (SNH-2)
5. **Transit Oriented Housing:** Locate housing intended for special needs groups in proximity to public transportation and services required by the special needs group occupying the housing. Where possible provide supportive services as a resident service on site. (SNH-3)

Homeless Objectives

- HH-1 Provide well targeted efforts toward those people who would become homeless without intervention.*
- HH-2 Delivery of temporary, emergency services and shelter to homeless as stabilization efforts to permanently house these individual begins.*
- HH-3 Services and housing aimed at providing stable, permanent living conditions in which an individual or family may thrive.*
- HH-4 Ensure a safe, decent and affordable housing inventory in our community, to appropriately house people with wide range of needs.*

Homeless Strategies

1. **Affordable Housing:** Build, create, preserve, and maintain more affordable housing across the spectrum for all low and moderate income persons, as a key piece in the community's continuum of housing. (HH-1, HH-3; HH-4)
2. **Alternatives to traditional Emergency Shelters:** Explore short term solutions to supplement the low supply of emergency shelter such as: safe park, tent city, pieces of home, and others, as listed in the Homeless Housing Plan. (HH-2)
3. **Create Housing First Units:** Create Housing First units for priority homeless populations such as veterans, women, and families, youth, reentry, and chronic homeless. (HH-2; HH-3; HH-4)
4. **Discharge Planning:** Provide discharge planning for those individuals being released from institutions including correctional facilities, hospitals, homeless programs and foster care. (HH-1)
5. **Economic Independence:** Provide education and training to support economic independence through living-wage jobs, including literacy programs, financial

education and credit/debt counseling, employment and job training, ESL and basic education. (HH-1; HH-3; HH-4)

6. **Existing Emergency Shelters:** Support the operations of existing Emergency Shelters. (HH-2)
7. **Flexible Housing:** Create more units that can be used for families to transition in place from emergency shelter to transitional or permanent housing, including in combination with Housing First model. (HH-2; HH-3)
8. **Foreclosure/Eviction Prevention:** assistance through financial and basic skills counseling, mediation in housing courts, and provide housing alternatives such as community land trust ownership and homeshare rental models. (HH-1)
9. **Gap Assistance:** Provide assistance to those in need to prevent eviction and foreclosure, including support of basic services such as food provision, transportation, utility and housing costs, etc. (HH-1; HH-4)
10. **Hygiene Center:** Build a hygiene center with supportive services to address the immediate and everyday needs of the homeless and chronically homeless. (HH-2)
11. **Innovative Housing Models:** Explore housing models that are intrinsically more sustainable as affordable units, such as Community Land Trust, Homeshare, etc. (HH-1; HH-4)
12. **New Emergency Beds:** Create new emergency shelter beds for priority and underserved homeless populations such as veterans, women, and families, youth, reentry, and chronic homeless. (HH-2)
13. **Permanent Supportive Housing:** Continue to support the operations and plan for future need through preservation, acquisition and development of Permanent Supportive Housing for our community's special needs individuals, including physically, mentally, and developmentally disabled, disabled veterans, and chronic substance abusers. (HH-3; HH-4)
14. **Supportive Services:** Enhance the effectiveness of homeless prevention strategies and homeless emergency response through delivery of a continuum of supportive services. (HH-1; HH-2; HH-3; HH-4)
15. **Transitional Housing:** Continue to support transitional housing as a key piece of our community's response to homelessness, but with an eye to finding a permanent housing solution as soon as possible. (HH-2; HH-3)
16. **Unconditional Housing:** Convene a task force to research "Unconditional

Housing” and how this will fit into our homeless housing plan. Recommendations from this task force integrated into the 2011 update of the Kitsap Homeless Housing Plan. (HH-3; HH-2; HH-4)

HUD Program Goal: A Suitable Living Environment – which includes:

- Improving the safety and livability of neighborhoods;
- Eliminating blighting influences and the deterioration of property and facilities;
- Increasing access to quality public and private facilities and services;
- Reducing the isolation of income groups within areas through spatial de-concentration of housing for lower income persons and the revitalization of deteriorating neighborhoods;
- Restoring and preserving properties of special historic, architectural, or aesthetic value; and
- Conserving energy resources and use of renewable energy resources.

Community Objectives – Public Services

PS-1 Support the provision of services providing basic needs to low income and special needs individuals and families in crisis.

PS-2 Ensure access to programs that promote prevention and early intervention related to a variety of social concerns which can cause long-term instability.

PS-3 Increase self-sufficiency and independence for low-income and special needs populations.

Community Strategies – Public Services

1. **Childcare Services:** Assist with childcare services for target income working families either in conjunction with existing programs or through new childcare facilities. (PS-1, PS-3)
2. **Crisis Intervention:** Support crisis intervention services. (PS-2)
3. **Disabled Services:** Assist social services providers with services for persons with disabilities. Services may include recreation programs, advocacy services, home meal/visitation programs, job training, transportation, and health services, among others. (PS-1, PS-3)
4. **Domestic Violence and Abuse Services:** Support services that prevent and mitigate effects of domestic violence, physical and sexual abuse through counseling and education. (PS-1, PS-2)

5. **Health Services:** Assist in the provision of health services (including oral, mental health and substance abuse issues) to residents. These services may include referrals, counseling, screening, education and outreach, health programs, or medical services. (PS-1, PS-2)
6. **Homeless Services:** Provide supportive services to all homeless populations, including Job Training & Employment, Substance Abuse Treatment/Detoxification, Health Care (Medical, Dental, Mental), Case management/Life skills/credit counseling, Education, Housing Placement. (PS-1, PS-2, PS-3)
7. **Housing Services:** Support and expand programs facilitating housing stability through technical assistance, housing counseling, debt counseling, credit management, rights of the consumer and fair housing referral and other services such as matching households with sustainable housing, with a focus on alleviating community's inventory of vacant and foreclosed properties. (Meets Housing Objective H-5, funded under Public Service)
8. **Human Services:** Support social services programs, including case management, that meet the basic human needs of low-income persons with an emphasis on meeting priority needs.(PS-1, PS-2)
9. **Information and Referral, Outreach and Advocacy:** Support efforts to provide information on existing services to those in need of services and to refer individuals in need of services. (PS-1, PS-2)
10. **Self sufficiency programs:** Support programs providing education allowing individuals and families to help themselves make live-improving changes toward self-sufficiency, such as literacy programs, financial education, life-skills training, employment skills training, and other programs. (PS-3)
11. **Senior Services:** Assist with the provision of senior services to the elderly and frail elderly. Such services may include nutrition programs, home-delivered meal programs, transportation, health services, shared housing programs and other forms of assistance. (PS-1, PS-3)
12. **Single Point of Entry:** Support the implementation of a single point of entry for information, referral and access to services. (PS-2)
13. **Transportation Services:** Expand programs enabling low income residents access to services, facilities and employment through support of transportation programs and subsidies. (PS-3)
14. **Youth Services:** Support a variety of youth services, including recreation, mentoring, education and nutrition services for the community's target income young

people. Support may include direct assistance or fee waivers for target income groups. (PS-1, PS-3)

Community Objectives – Public Facilities & Infrastructure

PF-1 Improve the infrastructure and physical environment of the Consortium’s Low- and Moderate-Income areas.

PF-2 Enhance the quality of life through creation and improvement of recreational spaces and public facilities in Low-Mod areas.

PF-3 Increase self-sufficiency and independence for low-income and special needs populations.

PF-4 Improve and increase when needed, public facilities which serve the needs of low-income and special needs populations.

Community Strategies – Public Facilities & Infrastructure

1. **Removal of Barriers:** Provide suitable access to public facilities in the cities and County by removing architectural barriers. Remove barriers to the safe travel of persons with disabilities that exist in the public right-of-way, as identified in community-wide plans. (PF-3)
2. **Right-of-way Improvements:** Make improvements to the public right-of-way to improve appearance and extend useful life where deteriorating infrastructure contributes to blighting conditions.
3. **Eliminate Slum & Blight:** Address slum and blight by targeting housing rehabilitation, neighborhood revitalization programs, and code enforcement to designated areas (PF-1)
4. **Recreational Facilities and Upgrades:** Participate in funding the construction and expansion of recreational facilities, including public parks and recreational facilities to serve low and moderate income persons in Low-Mod area neighborhoods (PF-2).
5. **Transportation Access:** Increase transportation access for special needs populations (PF-3)
6. **Public Facilities:** Construct and/or improve public facilities that provide programs and services addressing the needs of low income and special needs populations (PF-2, PF 4).

7. **Urgent Need:** Meet urgent Community Development needs, which pose a serious and immediate risk to public health or safety.

HUD Program Goal: Expanded Economic Opportunities – which includes:

- Job creation and retention;
- Establishment, stabilization and expansion of small businesses (including microbusinesses)
- The provision of public services concerned with employment;
- Availability of mortgage financing for low-income persons at reasonable rates using non-discriminatory lending practices;
- Access to capital and credit for development activities that promote the long-term economic and social viability of the community; and
- Empowerment and self-sufficiency for low-income persons to reduce generational poverty.

Economic Objectives

- E-1 Increase the number of applicants for living wage jobs.*
- E-2 Expand economic opportunities for very low- and low-income residents and reduce the number of persons with incomes below the poverty level.*
- E-3 Increase employment opportunities for low-income persons.*
- E-4 Support business development and expansion to create more jobs.*

Economic Strategies

1. **Education and Training Opportunities:** Work with and support Kitsap County community colleges and technical schools in matching training programs to major Kitsap County employer needs (E-1).
2. **Local Small Business Consortium:** Support local small business development consortium to carry out networking, collaborative and strategic efforts to expand economic opportunity to low income individuals throughout Kitsap County.
3. **Incumbent Worker Training:** Support and expand incumbent worker training to low-income workers to improve job security and improve opportunities for advancement (E-2, E-4).

4. **Career Pathways Programs:** Support the expansion of Career Pathways programs. These programs are a series of connected education and training programs and support services that enable individuals to secure employment within a specific industry or occupational sector, and to advance over time to successively higher levels of education and employment in that sector (E-2).
5. **Local Hiring and Disadvantaged Business Policy:** Where required, the County and City will assure implementation of federal policies for the hiring of small and local businesses (“Section 3”), and the employment of minority and women owned businesses. The County and City will encourage these practices when not required (E-2).
6. **Job-Training and Preparation Services:** Support job training, preparation, retraining, incumbent training, and employment search services for low-income persons (E-3).
7. **Job Creation:** Participate in providing infrastructure or facilities to provide for business expansion or development to offer employment opportunities throughout the County (E-4).
8. **Small Business Funding:** Provide capital (loan or grant) to small businesses to expand capacity and create or retain jobs for low income persons (E-4).
9. **Small/Micro Business Assistance:** Provide technical assistance, advice, and business support services (including assistance in developing business plans, securing funding, conducting marketing, etc.) to new and expanding businesses (E-4).
10. **Small Business Development:** Support small business development programs through program and capital funding (E-6).

Appendix D

CDBG Eligibility Requirements & Program Rules

CDBG NATIONAL OBJECTIVES AND ELIGIBILITY REQUIREMENTS

Every CDBG activity must meet a national objective and must be eligible in order to be funded and each CDBG subrecipient agency must be able to demonstrate eligibility based on data collected. The following information is provided to assist you in defining the eligibility and national objective that your activity meets and the type of information you will need to gather from the population you serve to provide to the City or County Block Grant offices. Specific regulations that govern the CDBG program are available the Block Grant office.

What are the National Objectives? (Benefit Criteria)

An eligible CDBG activity must either

I. Principally benefit low and very low income

- A. Area Benefit
- B. Limited Clientele
 - 1. At least 51% of beneficiaries are low or very low income persons/households
 - a. Presumed Benefit
 - b. Agency Requires Client Information
 - c. Income Eligibility Requirement (Direct Benefit)
 - d. Nature/location
 - 2. Removal of Architectural Barriers
 - 3. Assistance to Owners of Microenterprises
 - 4. Employment Support Services
- C. Housing Activities (Residential)
- D. Job Creation or Retention - Economic Development

II.Reduce or Eliminate Slum or Blight

- A. Area Basis – Slum or Blight areas are designated by the County or City. At this time only the City of Bremerton has designated Slum and Blight areas. Please contact the City of Bremerton Block Grant office for a map and additional information.
- B. Spot Basis – Slum and Blight may be targeted in an undesignated area for conditions that are detrimental to public health and safety. Please discuss with City or County Block Grant staff.

III.Meet an Urgent Need

- A. Urgent Need would be a natural disaster or federally declared disaster.

NOTE: The vast majority of CDBG activities funded are designed to benefit low and very low income persons and households.

How Does A Project Meet a National Objective?

I. Principally benefit low and very low income

To meet this national objective, an applicant must document that the proposed project will benefit predominantly low and very low income persons or households. A low income person/household is one whose annual income does not exceed 80% of area median income -- a very low income person/household is one whose annual income does not exceed 50% of the area median income. HUD Income Limits for Bremerton/Kitsap County are included in the Application each year. There are several different ways that CDBG activities can benefit low and very low income persons:

A. AREA BENEFIT

Some CDBG assisted activities, such as parks, neighborhood facilities, community centers and streets, serve an identified geographic area. These activities generally meet the low and moderate income principal benefit requirements if 51% of the residents in the activity's service area are low and moderate income. However, in some communities, they have no or very few areas in which 51% of the residents are low and moderate income. For these grantees, the CDBG regulations authorize an exception criterion in order for such grantees to be able to undertake area benefit activities.

However, in some communities, there are very few or no areas in which 51% of the residents are low and moderate income. For these grantees, such as Kitsap County, the CDBG regulations authorize an exception criterion in order for such grantees to be able to undertake area benefit activities. Currently the exception percentage for Kitsap County is 43.27%.

Please contact the City or County Block Grant office for maps and more information on documenting your service area and determining eligibility under Area Benefit

Applicants must:

- Attach a map with the boundaries of the project's service area delineated (the surrounding geographic area in which all or most of the people benefiting from the project reside).
- Explain why that particular geographic area is the service area for the project;
- Indicate on the map residential and commercial areas within the service area boundary; and
- Provide documentation that 51%(City) or 43.27%(County) or more of the residents within the service area are low and very low income persons/households utilizing the most recent census data as provided by HUD. Please contact the City or County Block Grant office for maps and more information on documenting your service area.

B. LIMITED CLIENTELE

An activity which benefits a limited clientele, at least 51% of whom are low or very low income persons/households. There are four types of activities in this category:

1. Presumed Benefit -- An activity may benefit one of the following groups who are presumed by HUD to be principally low and very low income: abused children, battered spouses, elderly persons, handicapped persons, homeless persons, illiterate persons, migrant farm workers and persons living with HIV/AIDS.

Applicants must:

- Demonstrate that the facility or service is designed for and used predominantly by one of the groups identified above.
- Demonstrate that your clientele meets HUD's definition for the presumed group you serve, for example, homeless individuals must meet HUD's definition and documentation requirements at https://www.onecpd.info/resources/documents/HomelessDefinition_RecordkeepingRequirementsandCriteria.pdf

2. Require documentation on family size and income in order to show that at least 51 percent of the clientele are low income – This means your program can serve low and moderate income clientele if at least 51% of your clientele are low income. Agencies must keep information on client income and family size which can document whether or not 51% or more of the clientele are persons whose family income does not exceed HUD's published low income limits for Kitsap County.

Applicants must:

- Provide documentation of the total number of clients/households served in the prior year (if this is an existing service);
- State what percent of the clients/households served in the prior year were low or very low income (or met criteria that are stricter);
- Provide a copy of the income qualification criteria that were used to screen clients and to determine the percent that were low and very low income;
- Provide a copy of the client intake form highlighting the questions regarding family size and income levels; and
- Agree to maintain documentation of the client's incomes for the CDBG contract period.

3. Income Eligibility Requirements (Direct Benefit) -- This means that the agency uses income screening to limit the benefits of the CDBG funded activity to only those persons who are low and very low income. For example, a housing counseling program would screen potential clients and use the CDBG funds to pay for the counseling only of those who are income eligible.

Applicants must:

- Screen clients by family size and income;
- Provide a copy of the income qualification criteria that were used to screen clients to determine low and very low income status;
- Provide a copy of the client intake form highlighting the questions regarding family size and income levels; and
- Describe how the program/project would limit the benefits of the CDBG funded activity exclusively to low and very low income persons/households.

4. Nature/Location of Activity Allows Conclusion of Primarily Low and Very Low Income Benefit -- This means that the activity is of such a nature and in such a location that it may be concluded that the clientele will be primarily low and very low income; for example, free childcare in an assisted housing project.

Applicants must:

- Explain how the nature, and if applicable, the location of the proposed project, establishes that it is used primarily for low and very low income persons.

In addition to the four activities described above, the following activities may qualify under the limited clientele national objective.

- **Removal of Architectural Barriers**

A project which removes material or architectural barriers which restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately owned non-residential buildings, facilities and improvements, and the common areas of residential structures containing more than one dwelling unit is considered a limited clientele activity.

Note: This refers to the removal of existing barriers. It does not apply to new construction.

- **Assistance to Owners of Microenterprises**

When assistance is to be provided to a microenterprise (a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise) the owner must qualify as low or moderate income. Note: for microenterprise projects under the limited clientele national objective justification, the low income threshold applies only to the owner, there are no income requirements for the workers the owner employs.

- **Employment Support Services.**

If CDBG assistance is only provided for training or supportive services (peer support programs, counseling, child care, transportation, and other similar services) to assist business(es), the percentage of low and moderate income persons assisted may be less than 51% if the proportion of the total cost borne by CDBG funds is no greater than the proportion of the total number of persons assisted who are low or moderate income. For example: A new business moves into town and begins an on-site day care program for workers. The total cost of the day care is \$10,000. There are 40 children, 3 of which meet qualifications as low and moderate

income. The maximum amount chargeable to the CDBG program is \$750.00. ($\$10,000/40 = \$250 \times 3 = \750).

Applicants must:

- Maintain data documenting the total cost of the service, Screen clients by family size and income; and provide a copy of the client intake form highlighting the questions regarding family size and income levels;

C. Housing Activities

These are activities providing or improving permanent residential structures which are or will be occupied by low and very low income households. It does not include group homes or shelters for the homeless, which are considered limited clientele activities.

Applicants must:

- Maintain a copy of the written agreement with each landlord or developer receiving CDBG assistance indicating the total number of dwelling units in each multi-unit structure assisted and the number of those units which will be occupied by low and moderate income households after assistance.
- Maintain records on the total cost of the activity, including both CDBG and non-CDBG funds.
- Document criteria used to screen households for family size and income eligibility.
- For rental housing, maintain records on rent charged (or to be charged) after assistance for each dwelling unit in each structure assisted.

D. Job Creation or Retention Activities

These are economic development activities which are designed to create or retain permanent jobs, where at least 51% of the jobs, computed on a full-time equivalent basis, can be documented to employ low and very low income persons for the geographic area where it is located. **There are very specific elements of this national objective. Please contact the Community Development staff to discuss your project prior to submitting an application.**

II. REDUCE OR ELIMINATE SLUM OR BLIGHT

An activity may meet the national objective of reducing or eliminating slum and blight, instead of benefiting low and very low income people. Currently, there are two designated slum and blight areas in the City of Bremerton. There are two different ways that CDBG activities can meet this second national objective.

Area Basis A project must be located in an area defined as a slum or blighted area under state or local law; the conditions which qualified the area as slum or blight must be on record; and the project must specifically address one or more of these conditions.

Spot Basis A CDBG project to eliminate slum and blight on a spot basis (for example, outside of a locally designated slum or blighted area) must be limited to activities necessary to eliminate specific conditions posing a threat to the public health or safety. The health or safety hazard must be identified, and the scope of the project must be limited to correcting the hazard.

III. MEET AN URGENT NEED

Use of this category is extremely rare. It is designed only for activities that alleviate emergency conditions. Urgent need activities must meet the following qualifying criteria.

- The existing conditions must pose a serious and immediate threat to the health or welfare of the community;
- The existing conditions are of recent origin or recently became urgent (generally, within the past 18 months);
- The recipient is unable to finance the activity on its own; and
- Other sources of funding are not available.

An example of an activity that would qualify under the urgent Needs National Objective: Our County is hit by an earthquake within the last month and does not have any other resources to demolish severely damaged structures which pose a danger to occupants of neighboring structures.

CDBG FUNDING - SPECIFIC REQUIREMENTS

1. Reversion of Assets/ Change-of-Use Restrictions

All recipients must agree to restrict the use of the property, which was acquired and/or improved using CDBG funds, to the intended purpose for which the funds were awarded. The restriction will be based on the dollars invested and follow the guidelines in the chart below. This is to ensure compliance with HUD requirements and to ensure continued public benefit.

| Activity | Dollar Threshold* | Minimum Years Restricted |
|--|--|---------------------------------|
| Rehabilitation or Acquisition of existing facilities or housing (including homeownership assistance) | Less than \$15,000 \$15,000 - \$40,000 Greater than \$40,000 | 5 Years 10 Years 15 Years |
| New Construction or Acquisition of land for new construction | Any \$ amount | 20 Years |

* Dollar threshold is per facility, or if housing, per unit for single family housing

Reversion of assets provisions require agency to transfer to the City or County any CDBG funds on hand at the time of expiration of the subrecipient agreement, any accounts receivable attributable to the use of CDBG funds, and any non-expendable personal property that was purchased with CDBG funds

2. Restriction on Assessments

CDBG funds may not be used for public improvement projects where a portion of the projects is to be financed by assessments to area property owners, unless the project is structured such that CDBG funds are used to pay the assessments of all low and very low income property owners. The analysis of incomes of affected persons must be done ahead of time and submitted as part of the application for CDBG funds.

3. Guidelines for Economic Development Projects (24 CFR 570.209)

City and County will utilize the guidelines provided at 24 CFR 570.209 relative to project costs and financial requirements and standards for evaluating public benefit.

4. Supplanting (24 CFR 570.207)

Federal regulations prohibit using CDBG funds to supplant (replace or substitute for) local funds for public services or ongoing responsibilities of general local government. The intent of this federal regulation is to prevent local government from using the availability of federal CDBG dollars as an excuse to reduce local funding commitment.

Appendix E

HOME Eligibility Requirements & Program Rules

HOME ELIGIBILITY REQUIREMENTS AND PROGRAM RULES

The HOME Program was created by the National Affordable Housing Act of 1990 (NAHA) to promote the following objectives:

- Provide decent and affordable housing to lower-income households,
- Expand the capacity of nonprofit housing services,
- Strengthen the ability of local governments to provide housing, and
- Leverage private-sector participation.

What are Eligible HOME - Funded Activities?

- **Homeowner Rehabilitation:** HOME funds may be used to assist existing owner-occupants with the repair, rehabilitation or reconstruction of their homes.
- **Homebuyer Activities:** Participating jurisdictions may finance the acquisition and/or rehabilitation or new construction of homes for homebuyers.
- **Rental Housing:** Affordable rental housing may be acquired and/or rehabilitated, or constructed.

What are Eligible HOME Costs?

- **Developmental Hard Costs:** HOME funds may be used for the actual cost of constructing or rehabilitating housing. Eligible costs include demolition of existing structures and improvements to the project site that are in keeping with improvements of surrounding, standard projects, and costs to make utility connections.
- **Acquisition Costs:** HOME funds may be used for the costs of acquiring improved or unimproved real property.
- **Related Soft Costs:** HOME funds may be used for other reasonable and necessary costs incurred by the owner and associated with the financing or development (or both) of new construction, rehabilitation, or acquisition of housing assisted with HOME funds. These costs include, but are not limited to:
 - Architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups;
 - Costs to process and settle financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees
 - for recordation and filing of legal documents, building permits, attorney fees, private appraisal fees and fees for an independent cost estimate, builders or developer fees;
 - Costs of a project audit;

- Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants;
- Costs for new construction or substantial rehabilitation, the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project run up and which may only be used to pay operating expenses, reserve for replacements and debt service.
- **Relocation Costs:** HOME funds may be used for the costs of relocation payments and other relocation assistance for permanent or temporarily relocating individuals, families, businesses, non-profit organizations, and farm operation where assistance is required.
- **CHDO Operating Expenses**
- **Total HOME Assisted costs:** HOME funds may be used to pay for all expenses from developmental hardcosts through CHDO operating expenses.
- **Total Number of HOME Assisted Units:** HOME funds may be used to pay for the costs of the total number of units that will be assisted with HOME funds.
- **HOME Costs per Unit:** HOME funds may be used for the total HOME costs divided by the total number of HOME assisted units.

What Is a Community Development Housing Organization (CHDO)?

A CHDO is a private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves. A CHDO must meet certain requirements pertaining to their:

- Legal status;
- Organizational structure; and
- Capacity and experience

HOME program rules require that a minimum of 15% of HOME funds be set-aside for CHDOs. These funds can be used by the CHDO for HOME activities where the CHDO acts as the developer, sponsor and/or owner of the housing.

For more information on becoming a CHDO please contact the County or City Block Grant office.

Program Rules

The HOME Program has specific program rules that applicants should be aware of when contemplating applying for funds. Some applicable program rules include but are not limited to:

1. HOME Project Completion

Recipients of HOME funds will have 4 years from the commitment date (contract date) to complete projects. Project completion means that all construction work and title

transfer (if applicable) is completed and the final draw of HOME funds has been disbursed.

Rental Housing: Within six months from the date of project completion, if a HOME assisted rental unit remains unoccupied, the Block Grant office will provide to HUD information about current marketing efforts, and if appropriate, an enhanced plan for marketing the unit so that it is leased as quickly as possible. Within 18 months from the date of project completion, if efforts to market the unit are unsuccessful and the unit is not occupied by an eligible tenant, HUD will require repayment of all HOME funds invested in the unit.

Homeownership Housing: HOME assisted homeownership housing must have a ratified sales contract with an eligible homebuyer within 9 months of the completion of construction or rehabilitation, or it must be converted to rental housing. If converted, this rental housing must comply with all provisions of 24 CFR 92.252. If an unsold homebuyer unit is not converted to rental housing, the HOME funds must be repaid.

2. Affordability Period restrictions for HOME funded projects

To ensure that HOME investments yield affordable housing over the long term, HOME imposes rent and occupancy requirements over the length of an affordability period. The length of the affordability period depends on the amount of the HOME funds in the property and nature of the activity funded. Affordability periods range from 5 to 20 years and follow the guidelines in the chart below.

| Homeowner/Homebuyer Activities | |
|--|--------------------------------|
| HOME assistance provided per unit | Period of Affordability |
| Under \$15,000 | 5 years |
| Between \$15,000 to \$40,000 | 10 years |
| Over \$40,000 | 15 years |

| Rental Housing Activities | | |
|--|---|-------------------------------------|
| Activity | Dollar Threshold** | Minimum Affordability Period |
| Rehabilitation or Acquisition of existing housing | Less than \$15,000/unit \$15,000 - \$40,000/unit Greater than \$40,000/unit | 5 Years 10 Years 15 Years |
| Refinance of a Rehabilitation project | Any \$ amount | 15 years |
| New Construction (including land acquisition) or Acquisition of new housing. | Any \$ amount | 20 Years |

3. HOME Resale/Recapture Provisions

For HOME, the Participating Jurisdiction (County or City) will designate in the subrecipient contract whether Resale or Recapture (24 CFR 92.294(a)(5)) will be used for maintaining affordability for each HOME assisted property. Additionally, deed restrictions must be recorded on the property to ensure the affordability.

4. HOME Assisted Rental Housing

The HOME Program requires that all households who occupy HOME units be low income. Property owners and operators must develop policies and procedures which address:

- Admission & Tenant Selection (including an Affirmative Marketing Plan)
- Lease Provisions & Occupancy

At initial occupancy and during the period of affordability Block Grant staff will monitor the project for compliance with HOME requirements. The monitoring will include inspections of HOME assisted units and the property overall, review of policies and procedures, project financial information and tenant files.

5. CHDO Certification

A Community Housing Development Organization (CHDO) must meet certain statutory requirements under the HOME program to be designated as a CHDO. CHDO activities must involve acquisition, construction or rehabilitation, and sale (homebuyer or rental) of housing to eligible households. To be a CHDO, an organization must have

“demonstrated capacity for carrying out activities assisted with HOME funds.” There are two ways to meet this requirement:

- Hire experienced key staff members who have successfully completed similar projects; or
- Hire a consultant with the same type of experience and a plan to train appropriate key staff members of the organization.

Kitsap County/ City of Bremerton Block Grant Programs are required to certify that an organization qualifies as a Community Housing Development Organization (CHDO) each time it commits CHDO set-aside funds to the organization. CHDO certification will be required before a commitment of set-aside funds is made.

6. Underwriting, Subsidy Layering Review & Developer Capacity Analysis

Kitsap County and the City of Bremerton, using guidelines it has established, will document that when HOME funds are used in combination with other government assistance in a project, no more subsidy is invested than necessary. Staff will also conduct a review of developer capacity and project fiscal soundness. A Conditional Commitment of funds will be made until all other project funding has been secured and documented.

7. Leveraging

The City of Bremerton requires leveraging of HOME funds for homeownership housing projects. For every \$1 of HOME funds committed, the project sponsor must show leveraged funding of \$2 from other sources.

8. HOME Match Requirements

The HOME program requires a match of 25% for every HOME dollar spent. Block Grant staff is responsible for ensuring that the HOME Consortium is meeting this requirement. Staff will work with agencies to identify sources and levels of HOME match required on a project basis. The match requirement may be met in several ways:

- A. Non-Federal Cash or Cash Equivalent – acceptable sources of cash match include:
 - a. Local or state general revenues
 - b. Housing Trust Funds
 - c. Foundations, donations
 - d. State appropriations
 - e. HFA reserves that are not federal funds (e.g. bond proceeds)
 - f. The interest rate subsidy achieved by the exemption of state or local taxes
 - g. Present value of the interest subsidy for loans made at rates below market
- B. Value of waived taxes, fees or charges associated with the project;
- C. Value of donated land or real property;
- D. Cost of infrastructure improvements associated with the project;

- E. A percentage of the proceeds of single or multi-family housing bonds issued by state or local government;
- F. Value of donated materials, equipment, labor and professional services;
- G. Sweat equity;
- H. Direct costs of supportive services to residents of the project;
- I. Direct cost of homebuyer counseling to families purchasing homes with HOME assistance.

9. Market Assessment Requirement

All Homebuyer and Rental housing development projects (includes acquisition, rehabilitation, new construction, down payment assistance) awarded HOME funds will be required to have a Market Assessment. It must be completed by the applicant (or consultant hired by the applicant) and submitted at the time of application for funding or before the commitment of funds. Block Grant Program staff will review the Market Assessment to determine:

- If a need for the type and number of housing units has been convincingly demonstrated;
- If the developer/program will be able to sell the planned homebuyer units prior to the six-month deadline;
- If the developer/program will be able to lease-up the planned rental units as expected, e.g. within the timeframe specified in the project pro-forma;
- If the development will adversely impact existing affordable housing developments.

10. Site and Neighborhood Standards

HOME funded rental projects that are newly constructed are subject to a site and neighborhood standards [24 CFR 92.202(b)] review by the Block Grant Program to determine that:

1. Site is adequate for proposed purpose
2. Project and location furthers compliance with fair housing laws
3. Site is not in an area of minority concentration – if the site is in an area of minority concentration, the Block Grant Program will determine that one or more of the following is true:
 - a. The project will not increase significantly the proportion of minorities
 - b. Sufficient comparable housing opportunities exist outside the area for minorities based on analysis of HUD-assisted housing
 - c. Proposed project is necessary to meet overriding housing need that cannot otherwise be met
 - d. Proposed project is integral to a neighborhood preservation strategy or integral to revitalization area strategy.
4. Project promotes greater choice of housing opportunities and avoids undue concentration of assisted persons
5. Proposed site is not seriously detrimental to family life
6. Proposed site is comparably accessible to broad range of services and facilities
7. Travel and access to jobs from proposed site is not excessive.

Long Term Affordability

One of the purposes of the HOME Program is to increase the supply of affordable housing units. To ensure that HOME investments yield affordable housing over the long term, HOME imposes rent and occupancy requirements over the length of an affordability period. The length of the affordability period depends on the amount of the HOME funds in the property and nature of the activity funded. Affordability periods range from 5 to 20 years. Deed restrictions must be recorded on the property to ensure the affordability

Homebuyer activities will use either Resale or Recapture (24 CFR 92.294(a)(5) for maintaining affordability for each HOME assisted property. Kitsap County and City of Bremerton will designate in the subrecipient agreement (contract) the method to be used.

Rental housing activities will carry rent and occupancy restrictions during the period of affordability. Affordability restrictions remain in force regardless of transfer of ownership.

Homebuyer Projects

Homeownership housing projects assisted with HOME must meet the affordability described below, as per 92.254(a)(4). The affordability period begins after project completion, and is based on the amount of HOME investment per unit

If a program or project does not meet its affordability requirements through change in ownership, change in use, or other failure to adhere to contractual obligations, Resale or Recapture provisions are triggered in order to continue the HOME investment to its intended recipient. Either Resale or Recapture is set forth in each project/program's contract.

Resale for Homebuyer Projects

All HOME assisted homebuyers subject to Resale provisions must meet the following during the Period of Affordability, which will be recorded in a restrictive covenant and shall be required of the original and any subsequent buyer of the subject property during the term of the Period of Affordability:

1. The homebuyer must enter into restrictive covenant outlining resale requirements.
2. Subject property must be homebuyer's principal residence at all times during the Period of Affordability.
3. Property is sold to an income qualified homebuyer with an income within the range of 51% and 80% of Area Median Income. The property must be sold at a price that is "affordable to a reasonable range of low-income buyers." The sales price shall be set such that the amount of Principal, Interest, Taxes and Insurance does not exceed 30% of the new buyer's annual income. The Kitsap County Block Grant Program must approve the resale price.

4. The owner shall receive a fair return on their investment. Fair Return on Investment means the total homeowner investment which includes the total cash contribution (excluding standard maintenance) plus the approved capital improvements as described below:
 - a. The cost of any capital improvements, documented with receipts provided by the homeowner, including but not limited to:
 - i. Any additions to the home such as a bedroom, bathroom, or garage;
 - ii. Replacement of heating, ventilation, and air conditioning systems;
 - iii. Accessibility improvements such as bathroom modifications for disabled or elderly, installation of wheel chair ramps and grab bars, any and all of which must have been paid for directly by the Owner and which were not installed through a federal, state, or locally-funded grant program; and
 - iv. Outdoor improvements such as a new driveway, walkway, retaining wall, or fence.
 - b. All capital improvements will be visually inspected to verify their existence.
5. The **Housing Price Index (HPI)** of the **Federal Housing Finance Agency** will be used as the index to determine fair return on investment. The percentage of change as calculated by the HPI projects what a house purchased at a point in time would be worth today if it appreciated (or depreciated) at the average rate for all homes in the areas. The calculation shall be performed for the Bremerton-Silverdale Metropolitan Statistical Area (MSA).
6. Calculating Fair Return on Investment: Calculating the Fair Return to the original homeowner would be as follows:
 - Step 1: Owner cash contribution at closing + capital improvements x HPI% change= fair return on initial & capital investments
 - Step 2: The results are then added to the owner's cash contribution + capital improvements to get the total return to the original homebuyer at sale.

Recapture for Homebuyer Projects

All HOME assisted homebuyers subject to Recapture provisions must meet the following during the Period of Affordability, which will be recorded in a restrictive covenant and shall be required during the term of the Period of Affordability:

1. The homebuyer must enter into restrictive covenant outlining recapture requirements.
2. The PJ will record a lien on the property securing the asset until expiration of the Period of Affordability.
3. The homebuyer may sell the home at any time during the Period of Affordability, to any willing buyer, and at the price the market will bear.

4. In the event of voluntary or involuntary sale during the Period of Affordability, the PJ will recapture the HOME investment as follows:
 - a. The owner shall receive a fair return on their investment: portion of HOME funds recaptured will be based on shared net proceeds (down payment and any capital improvements, excluding standard maintenance, since purchase).
Net Proceeds = [Sale Price] – [Non-HOME Debt] – [Closing Costs]
 - b. A third party appraisal will determine fair market value.

Housing Homeownership Requirements

The HOME program requires that for all HOME assisted homeownership projects:

1. All of the HOME funds will benefit families whose incomes are at or below 80% of the area median income.
2. The assisted housing will be the owner's principal residence.
3. The purchase price of the property or the appraised value of a property already owned, after rehabilitation will be less than 95 percent of the median area purchase price. The 2013 HOME Final Rule 24 CFR 92.254(a)(2)(iii) is amended to eliminate the use of the 203(b) limit and to change the methods for determining 95% of area median purchase price. HUD will determine and issue limits that represent 95% of the area median purchase price separately for newly constructed and existing single family housing units. Kitsap County Block Grant Program will use the HUD-issued limits.
4. All homebuyers that receive HOME assistance or purchase a unit developed with HOME funds must receive housing counseling. The Block Grant staff will review the housing counseling policies of subrecipients and owner/sponsor developers of homeowner housing to determine compliance with this requirement.
5. A subsequent low-income purchaser of a HOME-assisted homeownership unit may assume the existing HOME loan and recapture obligation entered into by the original buyer when no additional HOME assistance is provided to the subsequent homebuyer.
6. *City of Bremerton* HOME funded homeownership projects are capped at \$30,000 per unit.
7. Subrecipients administering homebuyer assistance programs must have and follow written policies for:
 - a. **Underwriting:** Underwriting standards for homeownership assistance must address housing debt, overall household debt, the appropriateness of the amount of assistance, recurring household expenses, assets available to acquire the

- housing, monthly expenses of the household and financial resources available to the household to sustain homeownership.
- b. **Predatory lending:** (HUD will issue guidance on preventing predatory lending)
 - c. **Refinancing:** The refinancing policy must address refinancing loans to which HOME loans are subordinated to ensure that the terms of the new loan are reasonable.

Rental Housing Requirements

Rental housing projects which include HOME assisted units must meet the affordability described in 92.252(e), the affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership.

At least 20% of HOME assisted rental units must be occupied by families who have annual incomes that are 50% or less of AMI. Properties with 5 units or less are exempt from this rule. Additionally the Block Grant Program must ensure that 90% of the total households served under all County/City funded HOME rental programs have incomes that do not exceed 60% of the AMI. The remaining households must not exceed 80% of AMI.

Minority and Women Owned Businesses

The HOME program requires the encouragement and use of minority and women owned business enterprises in the implementation of HOME program activities.

Affirmative Fair Housing Marketing Plan

All Home-funded programs, including downpayment assistance programs, must follow an affirmative marketing plan. The specific affirmative marketing procedures to be used will depend on the type and size of the program or project. The Kitsap County-City of Bremerton HOME Consortium has an Affirmative Fair Housing Marketing Plan that clearly state what actions owners/managers must take to provide information to, and otherwise attract, eligible persons in the housing market who are unlikely to apply without special outreach. The extent of the affirmative marketing activities typically varies depending on the size of the property.

Kitsap County-City of Bremerton HOME Consortium staff will evaluate the success of the affirmative marketing actions every year for each project. Owners and managers are required to retain certain records so staff can evaluate its results. Affirmative Marketing will be reviewed during annual on-site monitoring.

Priorities for Use of HOME funds

The City of Bremerton will give priority to HOME projects located in the Anderson Cove and Downtown designated Blight Zones. Please contact the City for a map of these areas. In the absence of qualified, viable projects that fit the City's vision, the City Council may elect to set aside HOME funds for a future use, including for a City-initiated affordable housing project.

The County does not have priority areas for the use of HOME funds.

Property and Construction Issues

A. Compliance with Codes and Standards

For all projects, the Block Grant office is primarily responsible for ensuring compliance with Federal requirements and meeting both project and program goals. This is the case no matter what cost is funded under the HOME Program.

1. Acquisition of existing housing (no rehab. or construction) 24 CFR 92.251(c)

Housing acquired with HOME funds must be inspected for health and safety at the time of title transfer. Block Grant staff will conduct an inspection using established standards. Any deficiencies will be noted and a date for correction and re-inspection will be communicated to the owner. HOME funds will not be disbursed for the acquisition until the project passes the inspection.

2. Rehabilitation of housing 24 CFR 92.251(b)

For any HOME-funded rehabilitation work, the housing must meet the ***Kitsap County/City of Bremerton Housing Rehabilitation Standards*** and County or applicable City Building Code.

The Rehabilitation Standards address the following:

- **Health & Safety** – the rehab. standards specify the life threatening deficiencies that must be addressed immediately if a housing unit is occupied.
- **Remaining Useful life of major Systems** – An estimate of the remaining useful life of major system must be completed. Major systems include structural support, roofing, exterior cladding, weatherproofing (e.g., windows, doors, siding, gutters), plumbing electrical and heating, ventilation and air conditioning.
 - **Major systems for rental housing** - This must be done with a capital needs assessment for projects with 26 or more units. If the remaining useful life is less than the affordability period, the Block Grant Program will require replacement reserve deposits to ensure that the project's major systems and physical needs can be adequately maintained and addressed throughout the affordability period.

- **Major systems for homeownership housing** – upon project completion, major systems must have a useful life of at least five years.
- **Lead based paint requirements**, in accordance with 24 CFR Part 35.
- **Accessibility requirements**, as applicable, in accordance with Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and the Fair Housing Act.
- **Disaster mitigation standards**, in accordance with State and local requirements.
- **Rehabilitation work must comply with local codes, ordinances, and zoning requirements.**
- **Uniform Physical Conditions Standards (UPCS)**

3. New construction of housing 24 CFR 92.251(a)

All new housing projects constructed with HOME funds must have project specific material and methods or “construction specifications” for the project. The specifications and design plans will be reviewed by Block Grant staff to ensure that the amenities and aesthetic features of the project are in keeping with modest housing of similar type in the community. Projects will be required to obtain the necessary development permits from the jurisdiction where the project is located and copies of the signed-off permit & certificate of occupancy will be required for final reimbursement of funds.

All new construction work must meet the International Code Council’s International Residential Code or International Building Code, whichever is applicable, and disaster mitigation standards in accordance with State and local requirements. In addition projects must meet the applicable accessibility requirements in accordance with Section 504 of the Rehabilitation Act, the Americans with Disabilities Act and the Fair Housing Act.

Block grant staff will review and approve written cost estimates, construction contracts and construction documents. In addition, staff will conduct construction progress and final inspections to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents.

4. Newly Constructed or Recently Rehabilitated Housing 24 CFR 92.251(c)(1)

Housing that has been newly constructed or rehabilitated within one year of the date of commitment of HOME funds must meet the applicable property standards

[92.251(a)] for new construction and [92.251(b)] for rehabilitation. The Block Grant office will document compliance based on a review of approved building plans and certificates of occupancy and a property inspection that is conducted no earlier than 90 days before the commitment of HOME funds.

5. All Other Existing Housing – Rental

For all other housing (housing not recently rehabilitated or newly constructed) that will be acquired (without rehabilitation) for rental housing, the property must meet the applicable standard for rehabilitation at 92.251(b). The Block Grant office will document compliance based upon a current inspection that is conducted no earlier than 90 days before the date of commitment of HOME assistance. If the property does not meet these standards, it cannot be acquired with HOME funds unless it is rehabilitated to meet this standard.

6. All Other Existing Housing – Homeownership (Downpayment Assistance)

Block Grant staff will utilize Housing Quality Standards to ensure that existing housing acquired for homeownership is decent, safe, sanitary, and in good repair. Once HUD issues guidance on replacing HQS with the UPCS, staff will use the UPCS to perform inspections.

7. Manufactured Housing Property Standards [24 CFR 92.251(e)]

Newly constructed manufactured housing and housing that replaces an existing substandard unit must be on a permanent foundation. For all rehabilitated manufactured housing, the foundation and anchoring must meet all applicable State and local codes and other requirements.

All new construction of manufactured housing must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280.

All new manufactured housing must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned (or leased for a period at least as long as the affordability period) by the manufactured housing unit owner.

Existing manufactured housing that is rehabilitated with HOME funds must meet the property standards applicable to rehabilitation, as outlined in 92.251(b).

8. On-going Property Standards for Rental Projects [24 CFR 92.251(f)]

Properties must be maintained to meet all applicable State and local codes. Housing will be inspected using UCPS as the standard (replaces HQS). Housing must be free of all health and safety defects and any life-threatening deficiencies

identified during inspection must be corrected immediately. Housing must also meet the lead-based paint requirements in 24 CFR part 35.

Lead Based Paint

All housing funded with HOME and/or CDBG constructed before 1978 must comply with lead-based paint regulations at 24 CFR Part 35. The purpose of the regulation is to identify and address lead-based paint hazards before children are exposed to lead.

Appendix F

Anti-Displacement & Relocation Assistance Plan

Anti-displacement and Relocation Assistance Plan

INTRODUCTION

- Applicants for federal funds must comply with the **Uniform Relocation Assistance and Real Property Acquisition Policies Act** of 1970, referred to as URA. URA regulations, at 49 CFR Part 24, apply to any federally-assisted project involving acquisition, demolition or rehabilitation.
- The URA protects all persons who are displaced by a federally assisted project, regardless of their income. This is in contrast to Section 104(d) which only protects displaced persons whose income is at or below 80% of the area median income. The URA also protects businesses located in a building acquired, demolished or rehabilitated with federal funds.

REAL PROPERTY ACQUISITION

- A. When acquisition of real property is the result of a voluntary proposal which has been submitted by an owner in response to a public invitation or solicitation for offers, it is referred to as voluntary acquisition. In contrast, acquisition of property by the local government entity which is not voluntarily offered for sale is referred to as involuntary acquisition. Voluntary Acquisition must adhere to the following procedures:
 - a) Determine if the housing unit is a low/moderate income dwelling unit and if so contact the Block Grant Program office.
 - b) Clearly advise the owner that in the event negotiations fail to result in an agreement the property will not be acquired.
 - c) Arrange for a full independent narrative appraisal of the property by a qualified appraiser.
 - d) Inform the owner of what the agency believes to be fair market value of the property and that the agency does not have the authority to acquire the property by eminent domain. (HUD Guideform **Notice of Voluntary Arms Length Transaction** is available from the Block Grant Office)
- B. All acquisitions must go through real estate escrow. The escrow agent must be a neutral third party to the acquisition.
- C. All acquisitions must have title insurance.
- D. All acquisitions will need a notice of some kind. All occupants are entitled to timely notice explaining whether or not they will be displaced.
 - Occupants to be displaced must be informed of their eligibility for relocation assistance and the nature of the assistance.

- Occupants not to be displaced must be informed of the terms and conditions under which they may occupy the property upon completion of the project.

NOTICES

- **General Information Notice (GIN):** Informs occupants of a possible project and of their rights under URA. Stresses that the household should not move at this time.
- **Move-in Notice** informs households moving into potential projects after the application that may be displaced and that they will not be entitled to assistance.
- **Notice of Non-Displacement** informs households who will remain in the project after completion of the assisted activity of their rights and of the terms and conditions of their remaining at the property.
- **Temporary Relocation Notice** informs households who will be temporarily relocated of their rights and of the conditions of their temporary move.
- **Notice of Eligibility** informs households to be displaced of their rights and levels of assistance under federal law.
- **90 and 30 Day Notices** informs displaced households of the day by which they must vacate the property.

PLANNING FOR RELOCATION UNDER URA

- A. Minimizing Displacement: It is the policy of the Kitsap County and City of Bremerton Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) Programs to minimize displacement of people or businesses as a result of activities assisted with CDBG or HOME funds. This means:
- a) Considering whether displacement will occur and how this would affect the feasibility of the project.
 - b) Identifying potential relocation workload and resources early.
 - c) Assuring, whenever possible, that residential occupants of buildings to be rehabilitated are offered an opportunity to return.
 - d) Planning rehabilitation projects to include “staging” where this would minimize displacement.
- B. Relocation Assistance for Displaced Residents
Relocation is defined as the permanent movement of occupants/tenants, required as a result of a CDBG or HOME activity. Federal regulations require that if any individuals, families, businesses or farms are displaced the subrecipient must:
- a) Inform the person(s) that they may be displaced and generally describe the relocation payment(s) for which they may be eligible, the

basic conditions of eligibility, and the procedures for obtaining payment(s).

- b) Inform the person that they will not be required to move without at least 90 days advance written notice and that the person to be displaced cannot be required to move permanently unless at least one comparable replacement dwelling unit has been made available.
- c) Inform the person that they will be given reasonable relocation advisory services, including referrals to replacement properties, help in filing payment claims, and other necessary assistance to help them relocate.
- d) Provide the person with a description of their right to appeal any determinations for assistance under the Uniform Relocation and Real Property Acquisition Act (49 CFR, Part 24).
- e) Assure that those persons who are required to relocate receive their full replacement housing payments, moving, and related expenses.

C. Rights of Residents who Remain in the Project

- a) Remaining Households must be offered affordable Housing.
 - Tenants who are intended to remain in the project must receive the offer of a “suitable” unit which can be rented at an “affordable” price. Determining which tenants will be able to remain in the project is a key component of determining the feasibility of an occupied project.
- b) Temporary Relocation
 - Residents who will remain in the project after rehabilitation may be required to move temporarily during rehabilitation.
 - The temporary dwelling must be suitable and decent, safe and sanitary but not necessarily comparable.
 - In addition to the Notice of Non-displacement, the resident must, as a minimum, receive reasonable advance written notice of the date and approximate duration of the planned temporary move; information about the terms and conditions under which the tenant will be returning to when the project is completed; and reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary move.
- c) Permanent Moves Within the Project
 - Tenants may be allowed to remain in a project after rehabilitation, but not necessarily in the same unit.
 - Permanent moves within the same project must be to suitable, decent, safe and sanitary - but not necessarily comparable – units.

- In addition to the Notice of Non-displacement, the resident must, as a minimum receive reasonable advance written notice of the date of the planned move to an alternate unit and; reimbursement for all reasonable out-of-pocket expenses incurred in connection with the move.

SECTION 104(d) - REPLACEMENT OF HOUSING

Section 104(d) of the Housing and Community Development Act of 1974 as amended requires the one-for-one replacement of low/moderate income occupied or occupiable dwelling units which are demolished or converted to a use other than low/moderate income housing as a direct result of CDBG or HOME assistance. Under this section relocation assistance shall be provided in accordance with 24 CFR Part 42.350. One for one replacement of units shall be provided in accordance with 24 CFR Part 42.375.

All comparable replacement housing will be provided within one year prior to or three years after commencement of the demolition or conversion. Before entering into a contract committing the County to provide funds for an activity that will directly result in demolition or conversion, Kitsap County will require the applicant to publish a notice in the newspaper, and Kitsap County will submit to HUD, the following information in writing:

- 1) Description of proposed assisted activity;
- 2) The address, number of bedrooms and map of location of the lower income housing that will be lost as a result of the project;
- 3) Time schedule for start and completion of the demolition or conversion;
- 4) To the extent known, the address, number of bedrooms and map of the location of replacement housing that has or will be provided. If such data are not available at the time of the general submission, Kitsap County will identify the general location on an area map and information identifying the specific location and number of dwelling units by size shall be submitted and disclosed to the public as soon as it is available;
- 5) Basis for concluding replacement housing will remain a low-income unit for at least 10 years from the date of initial occupancy;
- 6) Information demonstrating that any proposed replacement of housing units, that are different in size from those units lost, is appropriate and consistent with housing needs and priorities identified in the Consolidated Plan.

DEFINITIONS

Comparable replacement dwelling unit: A unit that meets the criteria of 49 CFR 24.2(d)(1) through (6); and is available at a monthly cost for rent that does not exceed the “Total Tenant Payment” determined under 24 CFR Part 42 813.107.

Conversion: This term means altering a housing unit so that it is used for non-housing purposes; used for housing but no longer meets the definition of lower income dwelling unit; or used as an emergency shelter.

Lower-Income Dwelling Unit: A dwelling unit with a market rent (including utility costs) that does not exceed the applicable Fair Market Rent (FMR) for Section 8 existing housing established under 24 CFR part 888. However, the term does not include any unit that is owned and occupied by the same person before and after the assisted rehabilitation.

Vacant occupiable dwelling unit: a vacant dwelling unit that is in a standard condition; vacant dwelling unit that is in a substandard condition but is suitable for rehabilitation; or a dwelling unit in any condition that has been occupied (except by a squatter) at any time within the period beginning 3 months before the date of execution of the agreement by the recipient covering the rehabilitation or demolition.

Appendix G

Glossary

GLOSSARY

Administrative Expenses: Those expenses directly associated with the recipient's general administration of the CDBG or HOME program, such as salaries, supplies, equipment, accounting, phones, audits, benefits, travel and indirect costs.

Affordability: Affordability is achieved when a household's rent or mortgage payment, plus utilities, does not exceed 30% of the monthly income for the targeted income group as adjusted for household size.

Annual Action Plan: This document allocates one year's funding to specific projects and activities for the CDBG and HOME programs. It is submitted annually to HUD, 45 days prior to the start of the City's and County's fiscal year or no later than November 15 and is developed in accordance with federal regulations (24 CFR Part 91).

Architectural Barriers: Restrict mobility and accessibility of elderly or individuals with disabilities.

Benefit Criteria: A CDBG activity must either, principally benefit low or very low income persons reduce or prevent slums and blight or meet a recent urgent need. These three objectives are the Benefit Criteria.

Cash Flow: Gross income minus vacancy rate, operating expenses, reserves, debt service and taxes.

Grant Recommendation Committee (GRC): A group of eight citizens meeting specific qualifications, who develop funding recommendations for approval by the Kitsap Regional Coordinating Council (KRCC) and Bremerton City Council.

Citizen Participation Plan: This plan is prepared to facilitate and encourage public participation and involvement in the Consolidated Plan process and the City's and County's CDBG and HOME program, especially by low- and moderate-income persons. The plan identifies the public participation requirements as identified by federal regulations (24 CFR Part 91).

Committed Funds: Funds committed to a project by a project funding source. The award amount, terms and uses of the committed funds are documented in a letter to the applicant. A copy of this award letter is included with the application for CDBG/HOME funds.

Conditional Funds: Funds committed, with conditions, to a project by a project funding source. The conditions of the commitment, amount, terms, and uses are documented in a letter to the applicant. A copy of the letter is included with the application for CDBG/HOME funds.

Consolidated Annual Performance Evaluation Report (CAPER): This document reports on the progress in carrying out the Consolidated Plan and Annual Action Plan. The report is prepared annually by both the City and County in accordance with federal regulations (24 CFR Part 91). It is due to HUD no later than 90 days after the end of the program year or March 31.

Consolidated Plan: This document serves as the City's and County's application for CDBG and HOME funds. It sets forth the priorities and strategies to address the needs of primarily low- and moderate-income persons and areas in the county. It typically covers a five-year time period. It is submitted to HUD 45 days prior to the start of the program year or no later than November 15 and is developed in accordance with federal regulations (24 CFR Part 91).

Consultant Fees: Fees paid to a third party developer consultant for costs associated with implementation of a project.

Entitlement Community: A local jurisdiction that receives an allocation of Community Development Block Grant funds directly from HUD. All participating jurisdictions are entitlement communities; however, not all entitlement communities are participating jurisdictions.

Household: All persons occupying a housing unit. The occupants may be a family, as defined in 24 CFR 5.403; two or more families living together; or any other group of related or unrelated persons who share living arrangements, regardless of actual or perceived, sexual orientation, gender identity, or marital status.

Housing. Housing includes permanent housing units for sale or rent including; manufactured housing, permanent housing for disabled homeless persons, transitional housing, single-room occupancy housing, and group homes. Housing **does not** include emergency shelters or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, halfway houses, housing for students or dormitories.

Interlocal Agreement: Agreements made to ensure the cooperation of units of local government which form consortiums for the purpose of obtaining funding.

Low- and Moderate-Income Households (LMI): These are households earning less than 80% of the area median income (AMI). They are broken down into the following income designations:

- **Extremely Low-Income:** households with incomes less than 30% of the area median family income adjusted for household size.
- **Low-Income:** households with incomes between 31% and 50% of the area median income, adjusted for household size.
- **Moderate-Income:** households with incomes between 51% and 80% of the area median income, adjusted for household size.

Low- and Moderate-Income Area Neighborhood (LMA): In general, this is defined as census tracts or block groups where a minimum of 51% of the residents have low or moderate incomes (i.e. not exceeding 80% of the area median income).

Median Family Income: HUD releases income limits annually for its programs. Income limits are calculated using American Community Survey and Census data. Data for Kitsap County is based on the Bremerton-Silverdale Metropolitan Statistical Area (MSA). Incomes are indexed by household size.

Operating Support: Financial assistance used to supplement the day-to-day operations of a project.

Participating Jurisdiction: This term refers to cities, counties and consortia which receive an allocation of federal HOME funds directly from HUD.

Persons with Disabilities: This term means a household composed of one or more persons, at least one of whom is an adult, who has a disability. A person is considered to have a disability if the person has a physical, mental, emotional or developmental impairment that is expected to be of long-continued and indefinite duration and substantially impedes his or her ability to live independently.

Program Year: The program year for both the County and City CDBG and HOME programs is January 1 through December 31, which is the same as the County and City's fiscal year.

Project Management: Costs directly related to managing the project to the point of completion normally paid to a third party.

Project Soundness: The feasibility, sensibility, and effectiveness of the project to meet a defined community need and the organizational strength and capacity to bring the project to completion.

Proposed Funds: Funds which have been or will be requested from a potential project funding source.

Relocation Expenses: Those costs paid to households or businesses when temporary or permanent relocation becomes necessary.

Single family housing: One to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot.

Single room occupancy (SRO) housing: Housing (consisting of single- room dwelling units) that is the primary residence of its occupant or occupants. The unit must contain either food preparation or sanitary facilities (and may contain both).

Special Needs Housing: Housing for special needs populations who require special housing-related services. This is also referred to as supportive housing.

Special Needs Population: This population of people includes elderly and frail elderly; persons with mental, physical or developmental disabilities; persons with HIV/AIDS; persons with alcohol or drug addiction; victims of domestic violence; persons discharged from institutions (prison, jail, mental hospital, foster care).

Transitional housing: Housing that is designed to provide housing and appropriate supportive services to person, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children. It has as its purpose facilitating the movement of individuals and families to independent living within a time period that is set.

Uniform Physical Condition Standards (UPCS): Uniform national standards established by HUD pursuant to 24 CFR 5.703 for housing that is decent, safe, sanitary, and in good repair. Standards are established for inspectable items for each of the following areas: site, building exterior, building systems, dwelling units, and common areas.