PROGRAM GUIDELINES
Rental Housing Development Assistance Program (RHDA)

City of Austin
Austin Housing Finance Corporation

I. PURPOSE

The purpose of the Rental Housing Development Assistance (RHDA) Program (the "Program") is to implement the Strategic Housing Blueprint. Austin's Strategic Housing Blueprint is a multifaceted, integrated approach to creating and preserving affordable housing. Subject to the requirements and limitations of the sources of program funding, RHDA provides financing for the acquisition, rehabilitation, or new construction for affordable rental housing projects. Financing is provided to both for-profit and non-profit developers, including CHDOs

This document outlines the framework of guidelines within which the RHDA program operations are carried out. RHDA Program Guidelines undergo an annual review with any necessary revisions made prior to the next application deadline; however, additional revisions can be initiated by the NHCD Director/AHFC Treasurer at any time. RHDA Program Guidelines are not intended to address every circumstance that may be encountered in the development process, nor are they intended to be a verbatim restatement of all regulatory requirements. Omission of any federal or local regulatory requirements in these RHDA Program Guidelines does not relieve the City of Austin, AHFC, or the recipient of RHDA Program funds from their respective obligations as may be required by the funding source involved. RHDA Program guideline changes required as the result of federal, state or local regulatory or legal requirements may be implemented immediately by the NHCD Director/AHFC Treasurer.

The Austin Housing Finance Corporation (AHFC) reserves the right to fund projects at a lower amount than requested, and the right to deny applications that do not coincide with the City's Action Plan goals and the Strategic Housing Blueprint.

II. TERMS OF FINANCING

A. Funding Sources

The program is funded by federal funding sources such as HOME (Home Investment Partnership Program) and CDBG (Community Development Block Grant) and local funding sources such as General Obligation Bonds, the Housing Trust Fund, and other targeted local funds.

B. Loans

Assistance through the RHDA Program is provided primarily through loans made to the Applicant/Borrower. All loans are secured by a Deed of Trust or other acceptable collateral. Assistance generally will be non-recourse with recovery rights limited to the encumbered collateral and any income therefrom. Applications will be reviewed and underwritten and recommendations will be made as to eligibility, fund source, loan amount and associated terms and conditions on a case-by-case basis. Under no circumstances shall financing be used for any reason or cost other than for direct costs associated with and approved by the program.

At its sole discretion, the AHFC may consider renegotiation of loan terms and conditions if by doing so increases the creation of the number of affordable rental housing units, and/or achieves a more favorable interest rate on any superior loan. Under no circumstances will the Program consider a request to renegotiate loan terms and conditions if equity is anticipated to be taken from the project that will not be used directly in the project itself or places AHFC in a lesser lien position without resulting in a reasonable and direct affordable housing benefit.

i. **Amortized Loans:** The loan is fully-amortizing and requires repayment over terms up to forty (40) years or more at interest rates ranging from 0% per annum to rates that will typically be lower than market lending rates in effect at the time the loan is made, plus allowable fees. Interest rates and terms on RHDA loans are determined by cash flow projections for projects and can be negotiated within the parameters of RHDA underwriting criteria.

ii. **Deferred Payment Loans:** Subject to RHDA restrictions, Deferred Payment Loans (DPLs) are provided at interest rates ranging from 0% per annum to rates that will typically be lower than market lending rates in effect at the time the loan is made, plus allowable fees. The loan term may vary based on the funding source(s) used for the project, but typically will be for a period of forty (40) years or ninety-nine (99) years. DPLs are contingent upon compliance with the terms and conditions of the loan agreement and deed restrictions for the required period. Should the property cease to be used as affordable housing during the loan term (or Affordability Period) as required under the Loan Agreement, the Note will remain in place until the sale, refinance, or other disposition of the property, at which time the principal, fees and any accrued interest will be due and payable.

iii. **Deferred Forgivable Loans:** Subject to RHDA restrictions, Deferred Forgivable Loans (DFLs) are provided at 0% per annum interest rates and, as the name suggests, are forgiven at the termination of the loan term (Affordability Period). The loan term will be for a period of forty (40) years or ninety-nine (99) years. DFLs are contingent upon compliance with the terms and conditions of the loan agreement and deed restrictions for the required period. Should the property cease to be used as affordable housing during the loan term (or Affordability Period) as required under the Loan Agreement, the Note will remain in place until the sale, refinance, or other disposition of the property, at which time the principal and any fees will be due and payable.

iv. **Interest Only Deferred Payment Loans:**_Subject to RHDA restrictions, Interest Only Deferred Payment Loans (IDPLs) are provided at interest rates ranging from 0% per annum to rates that will typically be lower than market lending rates in effect at the time the loan is made, plus allowable fees. These loans are structured such only interest payments are made periodically and the principal amount is repaid at the end as a balloon payment. The loan term may vary based on the funding source(s) used for the project, but typically will be for a period of forty (40) years or ninety-nine (99) years. IDPLs are contingent upon compliance with the terms and conditions of the loan agreement and deed restrictions for the required period. Should the property cease to be used as affordable housing during the loan term (or Affordability Period) as required under the Loan Agreement, the Note will remain in place until the sale, refinance, or other disposition of the property, at which time the principal, fees and any accrued interest will be due and payable.

v. **Interest Only Deferred Forgivable Loans:** Subject to RHDA restrictions, Interest Only Deferred Forgivable Loans (IDFLs) are provided at 0% per annum interest rates and, as the name suggests, the principal amount is forgiven at the termination of the loan term (Affordability Period). The loan term will be for a period of forty (40) years or ninety-nine (99) years. DFLs are contingent upon co but interest is paid periodically, in compliance with the terms and conditions of the loan agreement and deed restrictions for the required period. Should the property cease to be used as affordable housing during the loan term (or Affordability Period) as required under the Loan Agreement, the Note will remain in place until the sale, refinance, or other disposition of the property, at which time the principal and any fees will be due and payable.

C. Liens

AHFC shall place a lien on the property for which a loan has been made. With very few exceptions, AHFC will agree to subordinate its lien position through the use of a Subordination Agreement executed by the Borrower, the Senior Lender/Lienholder, and AHFC. The lien shall remain in effect until all loan terms and conditions have been fulfilled. A release of lien will be issued upon full repayment of the loan and/or fulfillment of all contractual terms. A release of Lien shall not be provided in the event the borrower/developer fails to comply with the terms and conditions of the Loan Agreement.

D. Project Proceeds

If Borrower sells any portion of the subject property during the affordability period or acts as the lessor on a long-term lease for a RHDA-assisted property, a portion of the net proceeds on the sale or long-term lease would be considered project proceeds and must be tracked and handled according to the project proceeds requirements AHFC has established for the project. Net operating income generated from rent revenues or other income, with the exception of any project proceeds resulting from the long-term lease or sale of the property, is not considered Project Proceeds.

The AHFC Program Administrator may determine on a project-by-project basis whether the Borrower will be allowed to retain project proceeds or must be returned to pay down the loan balance. . Any Project Proceeds that AHFC allows a borrower to retain must be used for eligible or other housing activities to benefit families earning 50% or less than the adjusted MFI in effect for the Austin-Round Rock-San Marcos, TX MSA. Affordable housing activities may include: emergency repairs, project operating costs and reserves, operating expenses, and homebuyer counseling. Borrowers are subject to Project Proceed Reporting and an Annual Risk Analysis to determine audit requirements for Project Proceeds.

E. Program Income

For federally-funded projects, Program Income is defined as gross income received by the recipient or a sub recipient directly generated from the use of the federal funds. When program income is generated by an activity that is only partially assisted with federal funds, the income shall be prorated to reflect the percentage of federal funds used. Program Income must be tracked and handled according to the Program Income requirements AHFC has established for the project.

III. PROJECT ELIGIBILITY REQUIREMENTS

A. Eligible Projects

Eligible projects may include acquisition, rehabilitation, or construction projects for the development of affordable rental housing. For rehabilitation projects, funds may be used to make essential repairs or improvements to meet local code or federal Uniform Physical Condition Standards (UPCS); come into compliance with federal requirements of Section 504 or the Americans with Disabilities Act; abatement of lead-based paint or abatement of asbestos; essential energy-related repairs or improvements; and repair or replacement of major housing systems in danger of failure. Projects assisted must be operated and maintained on a long-term basis in accordance with these program guidelines and contractual requirements based on applicable federal and local regulations.

AHFC also issues Private Activity Bonds and these are typically used in conjunction with non-competitive Low Income Housing Tax Credits awarded by the Texas Department of Housing and Community Affairs. RHDA funding requests that propose to use a bond issuer other than AHFC will be denied.

B. Minimum Requirements for Projects

- **i.** Located within the corporate City-limits of Austin.
- **ii.** Projects must consist of one (1) or more residential units.
- **iii.** Units must be used for residential purposes only.
- **iv.** New construction projects must be certified for and meet the City of Austin's S.M.A.R.T. Housing™ requirements.
- **v.** Rehabilitation projects must have a minimum of one (1) condition that violates either the City's Housing Code or federal Uniform Physical Condition Standards (UPCS).
- **vi.** All assisted units must be made available to households with Housing Choice Vouchers from the Housing Authority of the City of Austin and the Housing Authority of Travis County. Property owners are not required to adjust the rent amount for unassisted units.
- **vii.** The project must be owned, developed or sponsored by a for-profit or non-profit organization in good standing with the City of Austin/AHFC/ or other local governments as applicable. Good standing is determined by review of developer's history of completing projects on time and within budgeted amounts.
- **viii.** If applicable, projects must meet HUD Environmental Review requirements.

C. Acquisition, Rehabilitation, and New Construction

Assistance is limited no more than 50% of per unit cost At least 10% of all units in the project must be designated as RHDA-assisted. Assisted units may be fixed or floating units.

Acquisition of land Acquisitions must include existing units or vacant land that will facilitate the new construction of units. Assistance can be provided for the acquisition of land or existing residential properties, only if the acquisition price is equal to or less than the fair market value of the property.

Acquisition of property Funds may be used to make repairs or improvements to the property such that the property will:

- **i.** meet local code or federal Uniform Physical Condition Standards (UPCS);
- **ii.** come into compliance with federal requirements of Section 504 of the Rehabilitation Act of 1974, as amended,
- **iii.** comply with the Americans with Disabilities Act,
- **iv.** have been treated for identified lead-based paint hazards in properties constructed prior to 1978;
- **v.** have proof that asbestos has been handled appropriately;

vi. have energy-saving repairs or improvements made and major housing systems repaired or replaced.

New construction Cost per unit must be reasonable and compatible with prevailing rate for affordable housing.

D. Eligible Costs

Through the Program, applicants may receive financing for acquisition, rehabilitation or new construction of rental housing projects. The successful applicant will be required to provide an accounting of expenditures made with funds on such periodic basis, as shall be determined by the AHFC or the City of Austin, to ensure that the expenditures are made in satisfaction of public purposes. RHDA funding may be used for the following as long as it is specifically related to the project:

i. **Hard Costs** such as acquisition of undeveloped land for a specific project, acquisition of existing structures, site preparations or improvement including demolition, securing buildings, and construction materials and labor.

ii. **Soft Costs** include predevelopment costs such as architectural and engineering fees (including specification and job progress inspections), financing costs, credit reports, title insurance, recording costs, transaction taxes, appraisals, environmental reviews, builders' or developers' fees, marketing costs, and management fees.

iii. **Developer Fee** A Developer Fee is compensation to the developer for the time and risk involved to develop the project. It is typically based on the size of the project, the total development cost and the risk associated with the project. The maximum developer fee allowed by AHFC is 15% of total project costs. AHFC may require a lower percentage for the developer fee if the developer also holds an ownership stake in the project or stands to profit from managing the property. Project Management fees (i.e., those paid out on a monthly basis while the project is underway) are considered a part of the Developer Fee.

E. Ineligible Costs

i. Facilities considered to be homeless shelters are not eligible.

ii. While the following list of ineligible items is not intended to be all inclusive, RHDA funding ***may not*** be used for the repair or construction of: wet bars; barbecue pits; bathhouses; burglar bars; carpeting for kitchen, bathrooms, or patios; window treatments (*e.g.* draperies, shades, curtains, mini blinds); dumbwaiters; fireplaces (except repairs to existing); flower boxes; garage door openers; greenhouses; hot tubs or Jacuzzis; mobile homes; outdoor fireplaces or hearths; patios or decks (except repairs of existing); photo murals; swimming pools or swimming pool decks; television antennae; tennis courts; and permanently affixed kitchen appliances (appliances designed to be freestanding are acceptable). AHFC reserves the right to disallow other project costs deemed nonessential to furthering the purpose of the project.

iii. Generally speaking, luxury items will be found ineligible, and AHFC reserves the right to disallow other project costs deemed non-essential to furthering the purpose of the project. Also, the RHDA program will not reimburse for any sales taxes paid on materials or labor.

IV. APPLICATION REVIEW PROCESS

Program assistance is made available through the review and evaluation of information outlined in the **RHDA** Application. Projects are evaluated according to the application evaluation criteria and established AHFC procurement policies and procedures in place at the time of **a**pplication. Subject to available funds, projects determined to be the most responsive **to** Austin City Council policy directives, the current fiscal year's **City of Austin** Action Plan **submitted to U.S. Department of Housing and Development**, and which achieve the goals and initiatives detailed in the Austin Strategic Housing Blueprint may be selected and approved to receive assistance.

The City of Austin/AHFC reserves the right to determine project eligibility and the fund source to be used for any proposed project. Funding decisions will be based on a variety of factors, not just application scores.

A. <u>Application Submittal</u>

Applications for funding will be received on a continuous basis. Upon receipt of an application, staff will send a letter to the applicant acknowledging the receipt and informing the applicant of the projected process dates. On a quarterly basis, all applications received prior to the quarterly deadline will be processed and reviewed for completion and to ensure that the proposal achieves the threshold score. In the event that an application is incomplete or does not meet the threshold score, staff will coordinate with the applicant to resolve any deficiencies. Within two weeks of the quarterly deadline, all complete applications that achieve the threshold score will be posted to the City website. Staff will send all applicants a letter informing them of the status of their application, either that it has been posted and will proceed through the review process or that it will not proceed through the process and may be resubmitted for a future review once deficiencies are resolved.

B. <u>Application Components</u> The complete application is comprised of five components plus all required attachments.

1. Applicant Information Form
2. Project Summary Form
3. Development Schedule
4. Development Cost Schedule
5. Operating Pro Forma

C. <u>Required Attachments</u> The applicant is required to submit the following attachments to the application for the purpose of evaluating each development proposal. The attachments are grouped under four major categories – Applicant Entity, Development Team, Project Proposal and Property.

i. APPLICANT ENTITY

a. **Introduction :** Brief description of the applicant entity and any relevant experience
b. **Certificate of Status** : Issued by the Texas Secretary of State certifying that the applicant has filed for registration and is in existence as an entity within the State of Texas
c. **Applicant Capacity** Curriculum Vitae for all principals of the applicant entity highlighting relevant experience in the development of affordable housing noting the following elements:

- project management,
- market analysis,
- site selection and control,

- planning and construction,
- design, architecture and engineering,
- legal and accounting,
- federal funding rules and
- Other funding source rules (e.g. Low Income Housing Tax Credits).

d. **Statement of Confidence**: If the CV of any principal of the applicant team includes any development outside the territorial boundaries of the City of Austin, an endorsement of the applicant entity or principal member issued by the appropriate department of the jurisdictional government, must include:

- The total number of units provided by the identified development and the number of units at each level of affordability
- References to the timeliness of the project and if the schedule adhered to the proposed timeline
- References to the cost estimate of the project, the public investment in the project, and the number of times the applicant requested funds for the project

e. **Financial Capacity:** Provide narrative information on recent, similar, and successful experience in affordable housing development. Include experience using multiple fund sources and previous working history with the Austin Housing Finance Corporation, if any.

<u>If developer is a non-profit</u>

- Federal IRS certification granting non-profit tax-exempt status
- Certified financial audit for most recent year - Include the auditor's opinion and management letters
- Board resolution approving the proposed project and authorizing the request for funding

<u>If developer is a for-profit</u>

- Current financial statement
- Proof of sufficient reserves or a line of credit available, if necessary, to complete the proposed project

ii. DEVELOPMENT TEAM

a. List of persons or entities anticipated to be involved in the project (i.e. lenders, attorneys, accountants, architects, engineers, general contractor, sub-contractors, consultants);
b. Include contact information and indicate if any person or entity involved is <u>certified by the City of Austin</u> as a minority or women-owned business enterprise **(MBE/WBE),** or if any of the entities are also **non-profit** organizations.
c. Curriculum Vitae for all members of the Development Team highlighting relevant experience in the development of affordable housing

iii. PROPERTY MANAGEMENT TEAM

a. Provide Curriculum Vitae for the Property Management Team highlighting experience in the management of affordable rental housing.
b. Provide Compliance Reports issued by the NHCD or its representative, citing no open violations for properties located in the City of Austin and managed by the Property Management team.
c. If the CV includes developments outside the territorial boundaries of the City of Austin, please attach a Compliance Letter stating the number of properties managed by the team, number of years of management and citing no violations, issued by the appropriate department of the jurisdictional government.

iv. PROJECT PROPOSAL

a. Project Description: Applicants shall provide a brief project description to include the following details:

- Describe the proposed tenant population, income levels, and services, if any, to be provided to or made available to residents.
- Indicate the number of units reserved for Housing Choice Voucher holders (Section 8).
- Indicate the number of units that are or will be made accessible and adaptable for persons with mobility, sight or hearing disabilities.
- Demonstrate the Project's compatibility with current Neighborhood Plan.
- Summarize the key financials of the project, clearly indicating the total project cost, the amount and intended use of AHFC funds being requested, and the amount(s) and provider(s) of other funding and the status of those funding commitments.
- If the property is occupied by residents at the time of application submission, specify that along with the following additional information: Include details on the type of structure (multi-family or single-family), number and size of units in square feet.
- Indicate whether the project meets the requirements of the City's Vertical Mixed-Use (VMU) Ordinance, or is in a Planned-Unit Development (PUD) or Transit Oriented Development (TOD).

b. **Market Analysis** Applicants should demonstrate the market need for proposed number and type of units, competition in the area and demand for tenant services provided, if any.

c. **City of Austin Good Neighbor Policy** In response to Austin City Council Resolution 20110113-040, a Good Neighbor Policy was developed to foster a broad community dialogue that includes stakeholders from neighborhoods to establish successful approaches for integrating low-income housing throughout the City. For more information, please see the **City of Austin Good Neighbor Guidelines.**

Prior to submission of a HODA Application, the developer must:

Research the applicable City of Austin Neighborhood Plan for the area in which the project is to be located. If no adopted neighborhood plan exists, then this step is omitted. Using written notice by letter or by flyer, notify: property owners with properties no less than 500 feet from the proposed development site; and registered neighborhood organizations whose boundaries include the proposed development site. Engage with neighborhood organizations whose boundaries include the proposed development site in order to provide current information about the project. Appoint a Single Point of Contact (SPOC) to serve as the liaison for exchanging information.

Submit with the completed HODA Application:

- The developer's communication plan for engaging stakeholders and neighborhood organizations.
- Documentation of written notice provided to property owners and neighborhood organizations.
- A signed City of Austin Good Neighbor Checklist

d. **S.M.A.R.T. Housing™** All new construction projects will be required to obtain S.M.A.R.T. Housing™ certification prior to loan application. S.M.A.R.T. Housing™ is not applicable to rehabilitation projects. The S.M.A.R.T. housing program certification letter must be submitted along with the application. Program details and contact information are available on NHCD's website.

e. **Memorandum of Understanding with the Ending Community Homelessness Coalition (ECHO)** If proposal includes Permanent Supportive Housing Units or Housing First Units – the applicant must specifically note if Housing First Units are proposed.

f. **Description of General Supportive Services**

- A description of the supportive services to be provided to residents and/or clients
- The number and types of residents/clients expected to be served annually
- Developer's experience and qualifications in providing the services to be offered, if services are offered by the developer
- Description of the organization(s) providing the services and a memorandum of understanding or some other type of agreement that indicates the relationship between the developer and service provider, if the services are provided by an external organization
- Resumes of key personnel who will be actively involved in the delivery of services including information on certifications, licenses, years of experience, and education

g. Financial capacity of the supportive services provider :

- Identify sources and amounts of funds that will be or are expected to be utilized to provide supportive services for 3 years

2. Include a supportive services budget which reflects current and anticipated funding and expenses associated with the provision of services for three (3) years

i. PROPERTY

a. Map of the property Attach a map generated by the City of Austin ArcGIS showing the location of the development in reference to the geographic priorities established in the Strategic Housing Blueprint, such as:

- High Opportunity Census Tracts
- Tracts at risk of Displacement or Gentrification
- Imagine Austin Centers and Corridors with 0.5 mile buffer

- High-Frequency Transit Stops with 0.25 mile walk
- Transit Stops with 0.75 mile walk
- Mobility Corridor with 0.5 mile buffer
- Healthy Food Access with 1 mile buffer
- 100 year Flood Plain

b. **Real Estate Appraisal** Acquisition of land or existing residential properties are eligible only if the acquisition price is equal to or less than the fair market value of the property. Applicants should provide one of the following to demonstrate fair market value of property.

- a pre-construction appraisal on the property to be acquired, conducted less than six months prior to receipt of a funding application by AHFC;
- an appraisal for comparable properties within the same neighborhood, conducted less than six months prior to receipt of a funding application by AHFC or
- a tax assessment (less than one year old) for the property or for comparable properties within the same neighborhood

c. **Zoning Verification Letter** Include a letter from the City of Austin's Planning and Zoning Department (PZD) verifying that the current zoning of the site for the proposed project is compatible with the anticipated use, or include documentation verifying that a request to change current zoning has been submitted to PZD. Should the project be approved for funding, the appropriate zoning must be in place prior to execution of loan documents

d. **Proof of Site Control**

- Include evidence of site control such as a warranty deed or a current earnest money contract, and provide a real estate appraisal or current tax documentation that substantiates the value of the property.
- If there are existing structures, provide documentation from the taxing authority or another third-party source indicating the year the structure was built.

e. Phase I Environmental Assessment

- Applicants must provide a Phase I Environmental Site Assessment (ESA) report prepared by qualified environmental professionals.
- Applicants must provide mitigation strategies for concerns raised in the Phase I ESA report
- City of Austin's Austin Resource Recovery Department provides free environmental assessments for eligible entities. For more information contact the Brownfields Office: brownfields@austintexas.gov, 512-974-6085.

f. **State Historical Preservation Officer Consultation** Section 106 of the National Historic Preservation Act of 1966, requires federal agencies to consider the effects of their undertakings on historic properties and consult with the State Historic Preservation Officer (SHPO). If there are any buildings, structures, designed landscape features (such as parks or cemeteries), or historic districts, 45 years old or older and potential or known archeological resources within the project area, consultation with the SHPO is required. Information required for SHPO consultation is available at: *http://www.thc.texas.gov/public/upload/forms/SHPO_Consultation_Form_Instructions-Ver0811.pdf*

The applicant needs to provide the required information (including maps, photographs etc.) along with the application and AHFC-NHCD will conduct the SHPO consultation as required.

D. Application Scoring

i. Threshold Score All applications are assessed against the quantitative goals and initiatives detailed in the Austin Strategic Housing Blueprint, Implementation Plan, and Atlas of Existing and Historical Conditions. Any application for funding must achieve a minimum threshold score to be considered under additional stages of review. **Submission of an application that meets or exceeds the minimum score is not a guarantee that the proposed project will be funded.**

ii. Unit Score The Austin Strategic Housing Blueprint Implementation Plan has identified specific numerical goals for each Council district necessary to achieve the overall goal of creating or preserving 60,000 housing units affordable to households at 80% median family income (MFI) and below by 2027. Each district goal was calculated **as a sum of the following locational initiatives**. Applications are scored based upon the percentage of the numerical goal and locational initiative that the proposed units achieves.

- **a. High Opportunity Areas** 15,000 units of affordable housing will be placed in areas of Higher Opportunity, defined as those areas with high measures of upward mobility and positive socioeconomic outcomes for existing residents. High Opportunity areas are Census Tracts that rank above average for at least six of the nine Opportunity 360 Indices. District goals are established by the proportion of Opportunity Areas in each district.
- **b. High-Frequency Transit** 15,000 units of affordable housing will be placed in areas which are no more than a quarter-mile within High-Frequency Transit routes. This is measured by a quarter-mile walk along existing rights-of-way to a transit stop that provides service every 15 minutes or better throughout most of the day, on weekdays and weekends. District goals are established by the proportion of high-frequency transit in each district.
- **c. Imagine Austin Centers and Corridors** 15,000 units of affordable housing will be placed in areas which are no more than a half-mile of Imagine Austin Centers and Corridors, which have been identified as future transit-oriented, mixed-use centers of activity connected by walking, bicycling, transit, or automobile. District goals are established by the proportion of Imagine Austin Centers and Corridors in each district.
- **d. High Displacement Risk Areas** 15,000 units of affordable units will be placed in High Displacement Risk Areas, as defined by *Uprooted,* a report on gentrification and displacement produced by researchers at the University of Texas at Austin. High Displacement Risk Areas are measured at the Census Tract level. District goals are established by the proportion of High Displacement Risk Areas in each district.
- **e. Geographic Dispersion** 15,000 units of affordable housing will be placed according to the current geographic dispersion of affordable housing units within the ten Council districts with the goal of providing maximum geographic dispersion of subsidized affordable units across the city. Districts which have fewer units receive a higher proportion of the 15,000 units.

iii. Mobility Bond Corridors The 2016 Mobility Bond Corridors represent approximately 31% of Imagine Austin Corridors. Affordable housing will be within a half-mile of these corridors, which were analyzed using the University of Texas' Corridor Housing Preservation Tool to establish production goals for each corridor scheduled for improvements through the 2016 Mobility Bonds. Production goals are established on a per corridor basis.

iv. **Initiatives and Priorities Score** The Austin Strategic Housing Blueprint establishes a set of initiatives and priorities for the production of affordable housing units and the targeted populations that these units are intended to serve. These initiatives also receive an additional weighted score based upon the Opportunity 360 indices that would best serve the targeted populations

v. **Continuum of Care Housing** A main initiative for the Austin Strategic Housing Blueprint is the provision of housing for those exiting homelessness. The Blueprint establishes the goal of producing 100 Permanent Supportive Housing Units per year with half of those units reserved for Housing First. To score for these units, an application must include certification from ECHO verifying that these units qualify for these programs (see Application Review Process C.4.e.). Continuum of Care are weighted with the following factors:

a. Mobility
b. Access to Jobs
c. Community Institutions
d. Social Cohesion.

vi. **Family Friendly Housing** The Blueprint calls for no less than 25% of all affordable housing units to have two or more bedrooms and a system to provide opportunities for families with children. Family Friendly units are scored as a percentage of the total affordable units provided. Family Friendly units are weighted with the following factors:

a. Cumulative TEA letter grade of the Elementary, Middle, and High Schools in the attendance zone for which the development is proposed.
b. Educational Attainment
c. Environment
d. Community Institutions
e. Social Cohesion
f. Economic Security

vii. **Accessible Housing** In all new developments funded through the HODA program, 100% of all ground floor units will be adaptable for individuals with mobility or sensory impairments. No less than 25% of all affordable units will be accessible. Applications must state the number of units that will be accessible to individuals with mobility impairments and the number of units accessible to individuals with sensory impairments. These units will be scored as a percentage of the total number of affordable units.

Accessible Housing will be weighted with the following factors:

a. Housing Stability
b. Health
c. Mobility
d. Community Institutions

viii. Financial Score The financial score for a proposal is based on four metrics to determine the most reasonable use of RHDA funds.

a. **Debt Coverage Ratio** Debt coverage ratio must be provided as part of the Operating Pro Forma. Only those projects that have a minimum debt coverage ratio of 1.15 at the five year mark will be considered for additional review. Only those projects that have a maximum debt coverage ratio of 1.5 at the five year mark will be considered for additional review.
b. **Leverage** A maximum leverage ratio for RHDA assisted project is established as no more than 50% of the total project cost. A lower ratio represents a greater leveraging of RHDA funds.
c. **Cost per Unit** The total RHDA assistance requested is divided by the proposed total number of units affordable to households below 50% of the median family income. A lower amount of assistance per unit represents a stronger investment for RHDA funds.
d. **Cost per Bedroom** Multiple-bedroom units cost more to develop than single-bedroom units. To compensate for this increased cost the cost per bedroom is scored along a similar scale to the cost per unit. The total amount of RHDA assistance requested is divided by the total number of bedrooms proposed within the units affordable to households below 50% of the median family income. A lower amount of assistance per bedroom represents a stronger investment for RHDA funds.

E. Underwriting Panel Review

Applications that meet the minimum threshold requirements are review and scored by a panel of AHFC staff members with expertise in evaluating different aspects of the application. The panel reviews the application and all required documentation to produce a draft underwriting report. The underwriting report will address applicant capacity including financial capacity; development team and project management history; project feasibility; and property assessment. If applicable, operating projections must generally meet HOME Subsidy Layering parameters outlined in HUD-CPD Notice 98-01.

F. Housing Investment Review Committee

The Housing Investment Review Committee (HIRC) is a group of persons appointed by the NHCD Director and charged with reviewing all RHDA/HODA funding applications. The purpose of their review is to ensure that applications have been scored and are in compliance with the RHDA Program Guidelines. The role of the HIRC is advisory only. The HIRC does not have the authority to recommend or disapprove of applications, but can concur or not with staff's scoring of an application. Meetings of the HIRC are public meetings, but is not subject to the requirements of Chapter 2-1 of the City of Austin Code of Ordinances.

G. NHCD Executive Team

Applications that are likely to be recommended for funding will receive further consideration by the AHFC-NHCD executive team. Applications that are approved by the executive team for a funding recommendation will be notified by a Recommended for Funding letter. The Recommended for Funding letter outlines the next steps in the application review process and an expected date for a final decision by City Council.

H. Final Decision

Based on the funding amount requested, the final decision to fund an application is determined by the Austin City Council or the Austin Housing Finance Corporation. The developer will be informed of the final decision by a Funding Award Letter.

V. LOAN DISBURSEMENTS

Once a Loan Agreement has been executed between AHFC and a Borrower for the purpose of developing rental housing according to these RHDA Program Guidelines, if there is a conflict between these RHDA Program Guidelines and the project's Loan Agreement, the terms of the Loan Agreement shall prevail.

A. Payments will be made to Developers/Owners for eligible project costs according to the conditions described in the AHFC Loan Agreement. Eligible project costs must be documented with each request for payment for the purpose of supporting the amount requested. AHFC will verify the work completed and determine the eligible amount to be paid. The method of invoicing AHFC for a disbursement of loan proceeds shall be described in each loan agreement. The AHFC retains the right to withhold or temporarily suspend payments if the Borrower:

- **i.** has failed to perform on any existing loan (whether one or more) from AHFC in accordance with the terms and conditions of the Loan Agreement(s);
- **ii.** is behind in submitting required, timely or incomplete reports, documents or information required or reasonably requested by AHFC,
- **iii.** fails to comply with any RHDA loan agreement covenants; or
- **iv.** has not resolved any outstanding monitoring findings or concerns identified by the AHFC within a specified time period.

B. At such time that the Borrower has adequately addressed the identified deficiencies, and in AHFC's sole discretion, AHFC may resume project payments. The list above is not intended to be all-inclusive, and the terms and conditions of the Loan Agreement shall further describe penalties for non-performance or non-compliance by the Borrower.

VI. REGULATORY REQUIREMENTS

The borrower has to comply with the following requirements at each stage of the process including application, construction, post construction, leasing, affordability etc.

A. City of Austin Visitability Ordinance

All single-family, duplex and triplex dwellings newly constructed with financial assistance provided through AHFC must be visitable in accordance with the City of Austin Visitability Ordinance No. 981007-A.

B. "Section 3" Compliance. "Section 3" refers to Section 3 of the Housing and Urban Development Act of 1968, as amended, (12 U.S.C. 1701u). It requires that recipients of certain HUD financial assistance, to the greatest extent feasible, provide job training, employment, and contracting opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

i. The Section 3 requirements apply to recipients of Housing and/or Community Development Assistance exceeding $200,000 combined from all sources in any one year. Section 3 covers the expenditure of any portion of those funds for any activity that involves housing construction, rehabilitation, or other public construction.

ii. All contractors or subcontractors that receive covered contracts in excess of $100,000 for housing construction, rehabilitation, or other public construction are required to comply with the requirements of Section 3.

Because NHCD receives HUD funding, Section 3 requires NHCD to ensure that employment and other economic and business opportunities generated by the HUD funding will, to the greatest extent feasible, be directed to:

i. Qualified low- and very low-income persons residing in the metropolitan area - "Qualified" means the prospective employee has the proper qualifications for the work to be performed. "Low-income persons" means families (including single persons) whose total household incomes are at or below 80 percent of the Median Family Income for the Austin-Round Rock-San Marcos, TX Metropolitan Statistical Area (MSA). "Very-low income persons" means families (including single persons) whose total household incomes do not exceed 50 percent of the Median Family Income for the Austin-Round Rock-San Marcos, TX MSA. "Metropolitan Area" means the 5-county Austin-Round Rock, San Marcos, and TX MSA which includes Bastrop, Caldwell, Hays, Travis, and Williamson counties.

ii. <u>Businesses that employ low- to very-low income persons</u> means a business that has at least 30% of its employees who are Section 3 Residents or those that within three years of the date of first employment with the business were Section 3 Residents.

iii. <u>Businesses that are owned by low- to very low-income persons-</u> means a business that is 51% or more owned by a Section 3 Resident.

iv. <u>Businesses that provide evidence of a commitment to subcontract in excess of 25% of the dollar amount of all subcontracts to be awarded to businesses that meet the following qualifications</u>: "means businesses that provide a certification or actual proof that they have subcontracted or currently have subcontracts with businesses owned by Section 3 Residents

Guidance on how to comply with the requirements of Section 3 can be found in the Neighborhood Housing and Community Development Office's Section 3 plan.

C. Davis Bacon requirements

The Davis-Bacon and Related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of $2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. Davis-Bacon Act and Related Act contractors and subcontractors must pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.

D. Environmental Review

AHFC requires that the owner of a project provide a Phase I Environmental Review prior to executing loan documents to ensure that no environmental hazards exist on or near the project site. For acquisition and/or rehabilitation of properties built prior to 1979, the project must include an inspection for asbestos prepared by a firm certified by the State of Texas.

The developer must submit mitigation plans for environmental concerns such as presence of toxic substances, underground storage tank, elevated noise levels etc. noted in the Phase I Environmental Review. Environmental reviews are required to be submitted by NHCD to HUD for all federally funded projects.

E. Lead-Based Paint

All owners/developers using RHDA funds on a rental project are required to provide tenants of pre-1978 housing with the *Protect Your Family from Lead in Your Home* brochure and document receipt of the document. The Borrower is responsible for obtaining the brochure and the appropriate disclosure forms from AHFC. If a Project has the potential for lead-based paint hazards, the owner/developer must ensure that the required procedures for testing of surfaces, completion of the rehab work, further testing and clearance examinations on the property are followed throughout the project, and that all personnel conducting those activities have obtained the appropriate state certifications to authorize their work. For any project involving non-exempt activities, the owner/developer must work closely with AHFC to design a detailed plan to abate the hazard.

F. Contractor Selection

Owners/developers shall provide to the AHFC/City construction specifications and costs estimates for work proposed. To ensure completeness, cost efficiency and market competitiveness, the AHFC/City will review the project specifications and associated costs that will be mutually agreed to by both parties. Owners/developers will select construction contractors most capable to complete the project in accordance with the approved specifications and costs. The AHFC/City will conduct on-site inspections at various intervals throughout the construction of the project to assure the project is completed as required.

G. Debarment and Suspension

Owners and contractors are prohibited from employing, awarding contracts, or funding any contractors or subcontractors that have been debarred, suspended, proposed for debarment, or placed on an ineligibility status by the federal government, or by the City of Austin. In addition, any owners who are debarred, suspended, proposed for debarment, or placed on an ineligibility status by the federal government will be prohibited from receiving RHDA funding. Developers are required to screen the status of all contractors and subcontractors by consulting the "System for Award Management" or "SAM" website at www.sam.gov.

H. Fair Housing Opportunity

The Borrower must comply with:

- **i.** The requirements of the Fair Housing Act (42 U.S.C. 3601-20) and implementing regulations at 24 CFR part 100: Executive Order 11063, as amended, (Equal Opportunity in Housing) and implementing regulations at 24 CFR part 107; and Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (non-discrimination in Federally Assisted programs) and implementing regulations issued at 24 CFR Part 1;
- **ii.** The prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101-07) and implementing regulations at 24 CFR Part 146;
- **iii.** The prohibitions against discrimination against handicapped individuals under Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at 24 CFR Part 8; and
- **iv.** The requirements of Executive Order 11246 (Equal Employment Opportunity) and the implementing regulations issued at 41 CFR Chapter 60.
- **v.** The prohibitions against discrimination based on actual or perceived sexual orientation, gender identity or marital status under the requirements of the Equal Access to Housing Rule, also known as the Lesbian, Gay, Bisexual, or Transgender (LGBT) Rule, published as additions and revisions to the non-discrimination provisions in 24 C.F.R. Part 5.

I. Fair Housing in Marketing

In projects of five (5) or more units, project developers/owners/sponsors will be required to use affirmative fair housing marketing practices in soliciting tenants in determining eligibility and concluding all transactions. Each participating entity must affirmatively further fair housing in the same manner as a project that is required to comply with 24 CFR 92.351. These requirements include:

- **i.** The City/AHFC will require the project owner to solicit applications for vacant units from persons in the housing market who are least likely to apply for the rehabilitated housing without benefit of special outreach effort.
- **ii.** Advertising for vacant units must include the equal housing opportunity logo or statement. Advertising median may include newspapers, radio, television, brochures, leaflets, etc.
- **iii.** The project owner must maintain a file containing all marketing efforts (i.e. copies of newspaper ads, memos of phone calls, copies of letter, etc.) to be available for inspection at least annually by the City/AHFC.
- **iv.** The project owner shall maintain a listing of all tenants residing in each unit at the time of requesting assistance throughout the entire compliance period.

Where an owner fails to follow the affirmative marketing requirements, corrective actions shall include extensive outreach efforts to appropriate contacts to achieve the occupancy goals or other sanctions the City/AHFC deems necessary.

J. Insurance Requirements

Project developers/owners shall obtain, maintain and keep in full force and effect insurance coverages for general liability, auto, and property hazard insurance in such amounts and in such manner as required by the AHFC's Loan Agreement. The insurance provisions need to be verified and approved by the City of Austin Risk Management Department prior to final submission to NHCD. RHDA program funds may not be used in connection with the rehabilitation of a property located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards unless flood insurance is obtained and maintained throughout the term of the loan.

K. Audit Requirements for Non-Profit Developers

Non-profit developers/owners must submit to the AHFC a complete set of audited financial statements and the auditor's opinion and management letters in accordance with 24 CFR 84.21, and the Single Audit Act of 1984, as amended, covering each fiscal year until the termination of this Loan Agreement. Developer must use the procedures outlined in the Loan Agreement for securing the audit.

L. Non-Discrimination

The City of Austin/AHFC is committed to compliance with the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973, as amended. Reasonable modifications and equal access to communications will be provided upon request. Please call 974-3100 (voice) or 974-3102 (TDD) for assistance. For a sign language interpreter, please call 974-3100 at least four to five days in advance. The City of Austin/AHFC does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs and activities.

VII. OCCUPANCY REQUIREMENTS

A. Initial Occupancy

The Borrower must provide the necessary documentation to demonstrate that all applicable initial occupancy requirements have been met. The documentation will be submitted in a form as prescribed by the Loan Agreement. Initial occupancy documentation must support and include, but may not be limited to the following:

- **i.** Designation of floating or fixed units.
- **ii.** Income determination of all tenants in accordable with Part 5 requirements and/or S.M.A.R.T. Housing™ requirements (depending on use of HOME or CDBG funding).
- **iii.** Submission of tenant roster.
- **iv.** Identification of current Fair Market Rents and rents charged to occupying tenants.
- **v.** Identification and contact information of property manager or owner responsible for providing initial occupancy information and annual documentation submission.

B. Affordability Period

When RHDA funds are used to assist rental projects, income and rent restrictions apply to the RHDA-assisted units for a defined period of time called the "affordability period." A project's affordability period is enforced using a legally binding document, a "Restrictive Covenant Running with the Land" that will be filed for record in the Official Public Records of Travis County, Texas. All RHDA funded projects are required to be affordable for a 40-year minimum period regardless of the funding amount. AHFC, at its discretion, may require a project to utilize a longer affordability period than those stated above. The affordability period shall not be shortened for any reason, including if the loan is repaid before the end of the affordability period. Affordability requirements and restrictions will remain in force throughout the Affordability Period regardless of transfer of ownership unless ownership of the property is transferred through foreclosure proceedings.

C. Income and Occupancy Requirements

Throughout the established Affordability Period, RHDA-assisted units in projects must be occupied by households with annual incomes at or below 50% of the MFI for the Austin-Round Rock-San Marcos, TX MSA.

i. **Income Determination Method** The Applicant shall determine income eligibility of each household using the method established in 24 CFR Part 5, commonly referred to as the "Section 8" method of income determination. Guidance on determining whose income to count, what type of income must be included or is excluded, and the calculation of imputed income from assets is found in HUD's ***Technical Guide to Determining Income and Allowances for the HOME Program,*** available from the AHFC or in PDF format from HUD's website, currently located at: https://www.onecpd.info/incomecalculator/

ii. **Income Recertification Schedule** Borrower shall adopt a schedule for annual recertification, a copy of which shall be provided to the AHFC/City, of tenant income either by recertifying income on the anniversary of the original income evaluation, at lease renewal, or on an annual schedule whereby all tenants are recertified during the same month. Borrower shall recertify income eligibility either by collecting source documentation as with the initial eligibility determination or by obtaining from each household a completed *Annual* Tenant Information and Income Certification. If the latter method is used, Borrower shall collect original source documentation for each tenant every sixth year during the Affordability Period.

iii. **Restrictive Covenant** A project's tenant income requirements for RHDA-assisted units will be enforced using the Restrictive Covenant Running with the Land.

D. Rent Limitations

i. Rents are to be strictly controlled during the Affordability Period. The owner is responsible for obtaining the Affordable Rent and Income from AHFC. If the tenant pays any utilities, the maximum allowable rents must be reduced by the amount of the applicable utility allowance established annually by HUD for the Austin area.

ii. **Temporary Exceptions:** Two temporary periods of noncompliance with the above occupancy and rent restrictions are acceptable. The exceptions are based on the principle that tenants should not be displaced if their income rises to a level higher than the eligible household income during the lease term. The temporary periods of acceptable noncompliance are as follows:

   a. If the project is occupied at the time the RHDA-assistance is awarded to the project, existing tenants who earn more than 50% MFI must pay no more than 30% of their adjusted income in rent. Similarly, an existing tenant in the designated 50% MFI unit whose income rises to more than 50% MFI must pay no more than 30% of their adjusted income in rent, and only when the tenant chooses to leave or not renew the lease, the unit must then be rented to a new tenant who earns no more than the 50% MFI limit.

b. All new tenants must earn no more than 50% of MFI at initial certification. In the event that a tenant's household income increases above the 50% of MFI limit after initial occupancy, the rent must be adjusted at the annual recertification, to an amount at or below 30% of their adjusted income in rent and utilities.

E. Accessible and Adaptable Units

Assistance may not be used for the purpose of building or acquiring rental units that will not allow an AHFC determined portion of the units to be made accessible to persons with disabilities (townhouses, walk-ups, structures on impractical sites, etc.). Projects must contribute to increasing the number of accessible and/or adaptable units available to persons with disabilities through the following minimum requirements:

- **i.** Rehabilitation Projects: The higher of one (1) unit or 10% of all units rehabilitated must be made accessible for persons with mobility disabilities. In addition, the higher of one (1) unit or 2% of all units rehabilitated must also be made adaptable for persons with hearing and/or visual disabilities.
- **ii.** New Construction Projects: The greater of one (1) unit or 10% of all new units constructed must be accessible to persons with mobility disabilities, and all other ground floor units constructed must be adaptable to accommodate the needs of persons with mobility disabilities. In addition, the greater of one (1) unit or 2% of all new units constructed must also be accessible to accommodate the needs of persons with hearing and/or visual disabilities. All projects receiving assistance must comply with accessibility design standards established by the City's S.M.A.R.T. Housing™ Ordinance.
- **iii.** Distribution of Accessible Dwelling Units: All ground-floor units for multi-family housing developments must be adaptable. To the greatest extent possible, accessible dwelling units should be distributed on ground-floor units throughout the project and should be available in a sufficient range of sizes and amenities so that: an individual with disabilities' choice of dwelling units is comparable to that of other prospective tenants; and accessible dwelling units are not concentrated in one area of the property. This should not be construed as a requirement to install an elevator for the sole purpose of allowing accessible units to be located above the ground floor.
- **iv.** Occupancy of Accessible Dwelling Units: To Owners/managers of multifamily projects that have accessible units should ensure that information regarding the availability of accessible units reaches individuals with disabilities. In addition, owners/managers of multifamily projects that have accessible units should take non-discriminatory steps to maximize the utilization of accessible units by qualified individuals with disabilities whose disability requires the accessibility features of a particular unit. This can be done by maintaining a waiting list for accessible units and offering vacant accessible units to applicants in the following order:
  - **a.** First, to a current occupant of another unit in the same property, or other comparable property within the owner's/manager's control, who has a disability requiring the accessibility features of the vacant unit and who currently occupies a unit that does not have those features.
  - **b.** Second, to a qualified applicant on the waiting list who has a disability requiring the accessibility features of the vacant unit
  - **c.** Third, to a qualified applicant who does not have a disability requiring the accessibility features of the unit; however, the owner/manager may incorporate language in the lease that the applicant will agree to move to a non-accessible unit when one becomes available.

VIII. COMPLIANCE AND MONITORING

A. Borrowers must maintain complete and accurate books of account and other records reflecting the results of the development of the property and shall furnish, or cause to be furnished, to AHFC:

1. immediate notice of any material adverse change in the property's financial condition or business prospects or any lapse of coverage with respect to the Insurance Requirement;
2. all reports required by the AHFC Loan Agreement and Statement of Work; and
3. upon request of monitors, and at developer's expense, such other operating, financial, insurance coverage and credit information as may be reasonably requested with respect to the property.

B. Any permanent supportive housing projects must participate in the Homeless Management Information System for permanent supportive housing tenants, or ensure that partner service providers are capturing all required data for the system.

C. During Construction and until completion of initial leasing of the property, developers must submit monthly project updates to NHCD.

D. Developer must submit an affirmative marketing report to NHCD prior to completion of construction.

E. RHDA assisted projects require long-term commitments by the owner/developer. Reporting to demonstrate compliance with the terms of the loan agreement will include:

1. Federal Uniform Physical Condition Standards (UPCS) inspection reports.
2. Income determinations for applicable tenants;
3. Appropriate/applicable rents charged under existing lease agreements; and
4. Total number of designated affordable units is being properly operated/managed.

F. The Loan Documents will identify the specific annual submission requirements and the timeframe for submission. It is the responsibility of the Borrower to ensure that all long-term compliance submissions are complete and submitted in a timely manner. AHFC may provide notice in advance of the required submission date as a reminder. However, failure of the AHFC to notify the Borrower in advance of a submission date does not relieve the Borrower in any way of the long-term compliance responsibilities. Should the Borrower fail to produce the required long-term compliance documentation in a timely manner or as prescribed in the Loan Agreement, the AHFC may consider this an Event of Default as described in the Loan Agreement and may avail itself of the remedies as described in the Loan Agreement. All RHDA funded projects will be monitored by AHFC staff or any external agency contracted with AHFC for compliance with loan agreement requirements, including conducting physical inspection of the units.

IX. TENANT PROTECTIONS

A. Tenant Leases

1. The Property Owner must follow the provisions laid out in the RHDA Lease Addendum.
2. The RHDA Lease Addendum shall be incorporated into all tenant leases at the property regardless of whether the Addendum was executed by Property Owners or the Tenant.
3. Property Owners must provide a copy of the Lease and RHDA Lease Addendum to the tenant in the language in which the Lease was negotiated.
4. Protected Tenants are third-party beneficiaries of this agreement and may enforce all provisions of this Section and Section VII (Affordability Requirements).

5. Property owners must offer a lease term of at least 1 year, unless tenant and owner mutually agree to a shorter lease term.

B. Tenant Selection Policies and Procedures.

1. Property owners must have written tenant selection procedures and policies that:
   - **a.** Are consistent with the purpose of providing housing for very low- and low-income families;
   - **b.** Are reasonable, and comply with applicable eligibility and acceptance requirements;
   - **c.** Meet the housing needs of families and recipients of Housing Choice Voucher Program assistance (formerly "Section 8");
   - **d.** Follow the *Texas Criminal Background Screening Guide for Rental Housing Providers*, published by the Austin/Travis County Reentry Roundtable to screen potential tenants
2. In the event of a rejected application for rental housing, property owners must give prompt written notification of the rejection and the basis for the decision.
3. Select tenants from a written waiting list in chronological order, or in the case of units set aside for permanent supportive housing or rapid re-housing, accept referrals exclusively from the Coordinated Assessment system maintained by the Ending Community Homeless Coalition. If units set aside are not occupied for more than 30 days of notifying ECHO of the vacancy, they may be filled via a project waiting list for other low-income tenants.

C. For projects including permanent supportive housing or rapid-rehousing, include provisions for exercising discretion to waive certain screening criteria if and when the tenant can demonstrate the availability of case management services for a minimum of three months

D. Property Standards

The owner must maintain the total project in compliance with federal Uniform Physical Condition Standards (UPCS) and the City of Austin Building and Property Maintenance Codes for the duration of the Affordability Period. The City of Austin will periodically inspect the property to ensure compliance with this requirement. Projects with one to four RHDA-assisted units must be inspected by the City of Austin or by a certified UPCS inspector every three years within the Affordability Period or during the term of the Note with AHFC, whichever is longer. Projects of five (5) to twenty-five (25) RHDA-assisted units must be inspected every two years, and projects of 26 or more RHDA-assisted units will be inspected annually. For those properties under annual inspection requirements, each unit may not be inspected each year, but a representative sample of units (no more than 20%) will be inspected each year. If a significant number of violations are found during these inspections, all units at the property may be inspected.

E. Smoke Free Housing

The City of Austin encourages the development of smoke-free rental housing. Smoke-free housing protects the health of residents by decreasing exposure to harmful secondhand smoke. Also, apartment owners and managers reap the benefits of more efficient and less expensive unit turnovers, potentially lower insurance premiums, and reduced risk of fires. Smoke-free policies are legally permissible and can be a marketing advantage for attracting and retaining residents. More information is available at http://www.livetobaccofreeaustin.org/owners.php.

X. DEFAULT ACTIONS AND SANCTIONS

A. The AHFC/City retains the right to determine, in its/their sole discretion, whether a default has taken place in a RHDA funded project. The AHFC may exercise default actions if the AHFC determines that the default or violation(s) of the terms and conditions of the executed agreement has or may take place by the developer of the developer project. A default or violation may be facilitated as a result of action or inaction taken by the project developer, organization, and agency, contractor, individual or duly appointed representative of the developer or developer project. A default or violation may include, but not be limited to the following:

- **i.** Developer or developer's project fails to address adequately or violates the applicable local, state or federal rules and/or regulations governing the acquisition, construction and/or initial occupancy requirements of the project, or
- **ii.** Any breach of any provision contained in the loan document , or
- **iii.** If RHDA Program funds are used for any purpose other than authorized in the RHDA Program contract, or
- **iv.** The appropriate proportion of assisted-units are not maintained for the term of the loan, or
- **v.** There is a change in use of property prior to repayment of AHFC/City assistance without AHFC/City review and written approval, or
- **vi.** Developer fails to respond to AHFC's, City of Austin's, HUD's, or IRS' requests for occupant and rental information during the life of the loan, or
- **vii.** Property is not maintained in compliance with City of Austin Code of Ordinances and/or to federal Uniform Property Code standards
- **viii.** Developer fails to comply with information submitted by the developer to the AHFC/City through the project selection process, or
- **ix.** Developer or developer's project fails to maintain adequate documentation in support of project requirements.

B. Default sanctions available to AHFC may include, but not be limited any one or any combination of the following:

- **i.** Call the project note due and payable in accordance with the terms and conditions of the note;
- **ii.** Call the note due and payable for the full amount of the AHFC funds provided to the project;
- **iii.** Temporarily suspend the project until corrective action is taken;
- **iv.** Terminate the agreement and associated documents with the project;
- **v.** Request a review or investigation by local or federal authorities if applicable;
- **vi.** Debar the project organization or individual from consideration of any future funding opportunities from the AHFC.

C. According to the terms of the Loan Documents, should the AHFC exercise any of the above referenced sanctions, the AHFC will provide written notice at the Borrower's address as stated in the Loan Agreement. The AHFC shall make the final determination as to whether any proposed corrective action undertaken as the result of an event of default is sufficient to cure the default.

XI. APPEALS/GRIEVANCE PROCESS

Persons aggrieved by any action or inactions of the program which occurs in the implementation of these guidelines, and who wish to appeal said action or inaction, must do so by submitting an appeal in writing to the Community Development Manager within 30 days of the action or inaction deemed aggrieving by said person(s).

Complaints received over the phone or email must be documented by staff. The Community Development Manager is charged with reviewing an appeal or grievance. He/she shall submit to the Department Director/ Treasurer of AHFC a written summary of each grievance received along with explanations of the administrative action taken or recommended, within 30 calendar days of his/her receipt of a written grievance. The Director has 15 days from receipt of the written appeal to respond to the aggrieved person with a final decision.

When a program beneficiary complains to the HUD Field Office, it is referred to NHCD. NHCD has to respond to the complainant within fifteen (15) calendar days of receipt of the referral and to send a copy of its response to the Field Office. The Field Office may, at its discretion, extend the NHCD's response period to thirty (30) days where appropriate.

Approved by:

____ ________________

Rosie Truelove Date

Treasurer, AHFC