



## **Policies and Procedures Manual for Funding Programs**

***Community Development Block Grant (CDBG)***

***HOME Investment Partnership Program (HOME)***

***Bloomington Housing Development Fund (HDF)***

City of Bloomington, Indiana  
Housing and Neighborhood Development Department  
P. O. Box 100  
401 North Morton Street  
Bloomington, IN 47402  
(812) 349-3401  
[www.bloomington.in.gov/hand](http://www.bloomington.in.gov/hand)

***NOTE: This document is subject to change upon updating of program guidelines and procedures. Please contact HAND staff with any questions.***

## **Table of Contents**

Introduction.....	3
Community Development Block Grant .....	5
A. CDBG National Objectives and Eligible Activity Categories .....	5
B. Application Process .....	6
1. Applications .....	7
2. Requirements to note: .....	7
3. Citizens Advisory Council.....	8
4. Funding Agreements .....	8
5. Reimbursement of staff time and fringe benefits.....	8
C. Project Close out .....	9
D. Annual Action Plan.....	9
E. Comprehensive Annual Performance Evaluation Report (CAPER) .....	10
HOME Investment Partnership Program .....	11
A. HOME Objectives and Eligible Activities.....	11
B. Application Process .....	11
C. Selecting a contractor.....	12
D. Environmental Review (Non-profit & For-Profit Developers) .....	13
E. Affirmative Marketing .....	14
F. CHDO Requirements .....	14
G. Required Agreements.....	17
H. Housing Counseling Requirement.....	18
I. Housing Value or Price Limit Requirement.....	18
J. Underwriting and Subsidy Layering.....	18
K. Recapture and Resale Provisions.....	20
Housing Development Fund .....	22
A. Objectives and Eligible Activities .....	22
B. Application Process .....	<b>Error! Bookmark not defined.</b> 24
General Requirements.....	25
A. Disbursement of Funds .....	25
B. Financial Audit.....	26
C. Procurement Procedures .....	26
D. Non-Discrimination and Equal Access .....	26
E. Handicapped Accessibility.....	27
F. Employment and Contracting .....	28
G. Relocation .....	29
H. Opportunities for Women Owned and Minority Owned Businesses.....	29
Program Guidelines .....	30

## **Introduction**

The City of Bloomington, Indiana, administers two main sources of funding from the Housing and Urban Development (HUD) Department's Housing and Community Development Program; Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME). In addition, the HAND Department provides staffing and programming for the Bloomington Housing Development Fund.

This manual sets forth policies and procedures for administration of programs and projects funded through and by the City of Bloomington (this includes federal and local funds). CDBG and HOME are governed by complex and involved federal regulations and policies, but this manual will summarize the major elements for proper program operations.

The Consolidated Plan is the City's five-year strategic plan required by HUD which identifies the City's overall needs for affordable housing, community development, economic development, homeless services and services to persons with special needs. The City of Bloomington's Consolidated Plan can be found at <https://bloomington.in.gov/housing/notices>. Each year, HUD also requires the City to file an Annual Action Plan outlining the program activities to be undertaken for that year. Those plans can be found at <https://bloomington.in.gov/housing/notices>. In addition, HUD requires that the City file a Comprehensive Annual Performance Evaluation Report (CAPER) outlining the activities accomplished for the past program year (typically June 1 – May 31). Those reports are also public documents and can be found with the City of Bloomington's Annual Action Plans mentioned above.

This manual is not intended to be all-inclusive nor so restrictive that it cannot be amended. If you are utilizing funding from one of the programs in this manual and have questions, please contact the City of Bloomington, Housing and Neighborhood Development Department (HAND) at 812.349.3401 or at [hand@bloomington.in.gov](mailto:hand@bloomington.in.gov).

### **Tips for making a funded program process smoother:**

1. Learn the process and requirements. Start by reading this manual. To avoid unnecessary missteps that might cause you delays, you need to understand the various processes and application pathways.
2. Read your agreements and contracts. The details and requirements of your specific project are outlined in your agreements and contracts. You must know your obligations to avoid complications.
3. Submit forms, reports and requested data in a timely manner. You report to HAND. We report to HUD. It is important that we are able to report to HUD in a

timely manner. And, it is important to close out your project as soon as possible in order to start your compliance period. We cannot close out your project until we have all of the required information. Documentation of your program activities, participants and costs is critical. It is required by HAND for accurate financial and program accounting, and in turn may be required by HUD during their monitoring processes.

4. Attend training sessions. HAND hosts informational and training sessions for CDBG. It is important for the person who is actually writing the application and will handle the project to attend the meeting.
5. Familiarize yourself with the federal requirements. Ask us questions. We want to help. We know the federal requirements are complicated. It is easier on everyone to understand what is required up front.

## **Community Development Block Grant (CDBG)**

### ***A. CDBG National Objectives and Eligible Activity Categories***

#### **National Objectives**

HUD awards grants to entitlement community grantees to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. The City of Bloomington is an entitlement community (this is a designation that is based on a population of 50,000 or more) and receives an annual allocation of Community Development Block Grant funds to implement local programs and projects that meet a national objective as defined by HUD:

1. To benefit low and moderate income (LMI) persons;
2. To aid in the prevention or elimination of slums or blight;
3. To meet a need having a particular urgency (“urgent need”)\*

*\*Please note the “urgent need” national objective is more rarely used and requires the fulfillment of specific criteria. Most programs and projects in Bloomington utilize the first national objective – serving LMI persons or area.*

This link provide further information on the fulfillment of HUD National Objectives:  
<https://files.hudexchange.info/resources/documents/Basically-CDBG-Chapter-3-Nat-Obj.pdf>

#### **Eligible activities include but are not limited to:**

- Acquisition of real property;
- Relocation and demolition;
- Rehabilitation of residential and non-residential structures;
- Construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers, and the conversion of school buildings for eligible purposes;
- Public services (programming), within certain limits;
- Activities relating to energy conservation and renewable energy resources; and
- Provision of assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

### Matrix Codes

In order to better specify program and project activities that fall under one of the three National Objectives, HUD publishes what are known as matrix codes, which are required as part of the application and funding process. Each program or project activity is identified by a code. For instance, code “05L” is the code for “child care services”. The link below provides a listing and definitions of each matrix code. Matrix codes help determine the eligibility of a potential program or project, which is an important first step in the CDBG process.

Matrix Code definitions:

<https://files.hudexchange.info/resources/documents/Matrix-Code-Definitions.pdf>

### ***B. Application Process***

In order to achieve the national objectives, the City of Bloomington allocates CDBG funds on an application basis each year. A Subrecipient is a public or private nonprofit agency, authority or organization that receives CDBG funds from the City (known in HUD terms as the “Grantee”) to undertake eligible activities. Subrecipients can apply for either physical improvement projects (example: acquisition, construction, rehabilitation, etc.) or public service funding (example: programming to benefit LMI persons such as child care, youth services or food assistance). Unless otherwise noted, “Subrecipient” will be used throughout this manual to denote all entities receiving CDBG funds.

## **1. Applications**

Applications are released annually in late August or early September and are available on the City's website. Notice of the release of applications is printed in the Bloomington *Herald-Times*. Individual notices are not always sent to agencies, but when they are, they will likely come via e-mail. Subrecipients can apply for physical improvement funding, public service funding or both. Only one application will be accepted from a Subrecipient for each funding type. Information regarding required letters of intent, funding maximums or minimums, mandatory training, site visits (COVID permitting) and application deadlines are updated annually when the applications are released and can be found on the HAND department website: <https://bloomington.in.gov/grants/community-development-block-grants>.

## **2. Requirements to note:**

1. Applicants must state what HUD National Objective and Matrix Code the desired program or project meets as part of the CDBG application. In addition, applicants will be asked to provide details about the population the program or project is intended to serve. If funded, demographic information about program participants will be required as part of the reporting process to HAND.
2. Agencies must have an approved Affirmative Action Plan on file with the City of Bloomington's Human Rights Division prior to application. You may call 812-349-3429 to discuss this with City staff.
3. Agencies must adhere to the City of Bloomington's Living Wage ordinance. If you have questions regarding the Living Wage ordinance, contact Matt Swinney at 812.349.3401.
4. Applications must include the agency's DUNS number.
5. Agencies must register and maintain its status in the System for Award Management (SAM). Information regarding the process to register or update information in the SAM can be obtained at [www.sam.gov](http://www.sam.gov).
6. Agencies must document ability and commitment (e.g. provide proof of adequate insurance coverage) to preventing loss, damage or theft of any property connected to CDBG funding of public facility improvements.
7. Environmental Review clearance must be achieved for all CDBG-funded projects. This is done in collaboration with HAND program staff.

### 3. Citizens Advisory Committee

CDBG allocation recommendations are made by the Citizens Advisory Committee (CAC). The Citizens Advisory Council is made up of two (2) members of the Redevelopment Commission, (2) members of the Common Council and a number of appointees by the Mayor. The CAC reviews all applications, hosts a public hearing for each funding type, and makes allocation recommendations. Those recommendations are then approved by the Redevelopment Commission (public meeting), the City Administration and the City Council (public meeting).

### 4. Funding Agreements

Funding agreements are approved by the Redevelopment Commission at a public meeting following the receipt of annual contracts from HUD. Funding Agreements will outline the funding amounts, scope of services, expected service numbers, reporting requirements, and other obligations. One example obligation is to retain and provide to the City all collected bids for the work entailed. It is the responsibility of the Subrecipient to read and understand all elements of the funding agreement.

### 5. Reimbursement of staff time and fringe benefits

Project receiving CDBG funding that involve public/social service programming may be approved for expenses related to subrecipient staff time to be reimbursed on at least a quarterly schedule. Subrecipients may submit financial reimbursement claims for the percentage of staff time spent on the awarded program. These reimbursements may also include pro-rated amounts for fringe benefits (including PTO and holiday pay) in accordance with the following HUD regulation:

***Please note that bonuses and additional compensation not otherwise outlined by the regulations below are not eligible for reimbursement.***

HUD Regulation [2 CFR Part 200.431](#)

*(b) Leave. The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military family leave, administrative leave, and other similar benefits, are allowable if all the following criteria are met:*

- 1. They are provided under established written leave policies;*

2. *The costs are equitably allocated to all related activities, including Federal awards; and*
3. *The account basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specific grouping of employees.*

**(c) Fringe benefits.** *The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in [§ 200.447](#)); pension plan costs (see [paragraph \(i\)](#) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to [Federal awards](#) and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such [Federal awards](#) and other activities, and charged as direct or indirect costs in accordance with the [non-Federal entity's](#) accounting practices.*

**For the complete regulation, please follow the link above.**

### **C. Project Close out**

Following completion of the project, a period of compliance begins. The compliance period does not start until the project has been closed out with HUD. In order to close out the project, the Agency must provide HAND with all required information as outlined in the Funding Agreement. After receipt of all required information, HAND will issue the final payment and close the project out in its IDIS system. HAND will issue a close-out letter to the Agency stating the date the project was closed out and information regarding the compliance period.

### **D. Annual Action Plan**

The Annual Action Plan is drafted by HAND staff after the CDBG approval process is complete, and will include goals outlined in the applications and funding agreements. When drafted, the plan is posted for public comment as part of the City's stated Citizen Participation Process. To gain public input, the plan is noticed in the *Herald-Times*, and copies are on hand both virtually (on City and Library websites), and in person at City Hall in the front atrium, as well as at the Monroe County Public Library on E. Kirkwood Avenue.

***E. Comprehensive Annual Performance Evaluation Report (CAPER)***

The HUD Comprehensive Annual Performance Evaluation Report (CAPER) is written after the completion of the fiscal year on May 31 and is usually due to HUD in August. The CAPER will include the achievements of all of the CDBG recipients as obtained from their required reports and monitoring. The CAPER is posted for public comment and, like other reports, is noticed in the Bloomington Herald-Times, with copies of the report being available online and at City Hall and the Monroe County Public Library.

## **HOME Investment Partnership Program (HOME)**

### ***A. HOME Objectives and Eligible Activities***

The National Affordable Housing Act of 1990 created the HOME Investment Partnership Program. This federal program is designed to strengthen public-private partnerships and to expand the supply of decent, safe, sanitary, and affordable housing.

HOME funds are used to achieve the following objectives:

- To provide decent affordable housing to lower-income households.
- To expand the capacity of non-profit housing providers.
- To strengthen the ability of state and local governments to provide housing.
- To leverage private sector participation.

Eligible activities are defined in accordance with the following categories:

- Housing rehabilitation and construction.
- Homebuyer activities.
- Rental housing activities.
- Tenant-based Rental Assistance (TBRA).

Individual households, non-profit and for-profit developers may apply for HOME funding. HOME funds must be committed by HAND within 24 months of receipt.

### ***B. Application Process***

HAND accepts applications on a year-round basis for projects that address the stated objectives and are for eligible activities.

Individual households can apply for Owner-Occupied Rehabilitation Loans, Purchase-Rehabilitation Conditional Loans, and Down Payment & Closing Cost Conditional Loans. Guidelines for those individual programs follow this manual. Process for Individual Households:

- a. Applications can be obtained from the HAND office.
- b. Households must meet current HUD income guidelines which can also be obtained from HAND.
- c. HAND will use the income definition in HUD's regulations at 24 CFR part 5 for each HOME-assisted program and project.

- d. If HAND determines the household to be eligible, an inspector will come out to do an assessment of the house. This assessment will include code related items, energy efficiency, lead based paint, etc. A Section 106 Review (Environmental Review) will also be conducted by staff.
  - e. Rehabilitation of single-family homes must not exceed the HOME affordable homeownership limits for the Bloomington Fair Market Rent (FMR) as issued by HUD.
  - f. The write up from the assessment will be sent to approved bidders for pricing. Acceptable bids will be reviewed with the household.
  - g. Approved projects will be sent an Agreement to sign. See Required Agreements in Section G below.
8. Process for Non-profit and For-profit Developers:
- a. Applications can be obtained from HAND Department Staff.
  - b. HOME requires that 15% of the City's annual allocation be set aside for Community Housing Development Organizations (CHDO). A CHDO is a private non-profit organization whose mission includes providing decent housing that is affordable to low- and moderate income persons as evidenced in its charter, articles of incorporation, resolutions or by-laws. The CHDO "qualifications checklist" is outlined below. If a non-profit developer would like to be a CHDO, they must fill out a CHDO application and submit it with all required documents.
  - c. If the City of Bloomington accepts your proposal, a Letter of Commitment will be sent to the applicant. This Letter of Commitment only states that the City of Bloomington is interested in pursuing the project should it meet all of the required elements. **This is not a notice to proceed and the City will not be held responsible for any work completed prior to the execution of the required agreements as defined in Section G below. A Notice to Proceed will be issued by HAND when the project is able to commence.**
  - d. **Upon commitment construction must commence within twelve (12) months and project must be completed within forty-eight months (48).**

### ***C. Selecting a contractor***

Any contractor selected to perform work under **any** agreement with HAND must be eligible as defined by the SAM System for Award Management. Interested contractors can check their eligibility by going to

<https://www.sam.gov/portal/public/SAM/##11> The City of Bloomington will check

eligibility prior to the signing of any contract or agreement. A copy of the SAM will be kept in the individual project files.

#### ***D. Environmental Review (Non-profit & For-Profit Developers)***

The City of Bloomington cannot commit or expend funds until environmental clearance has been achieved. Individual household environmental reviews will be completed in-house with the application. It is imperative that the environmental review process start as soon as possible. The length of time to complete an environmental review will depend on the type of project, the specific property and any potential testing times. In order to expedite the process, please note the following steps:

1. Identify sources of federal funding for project. Provide a Phase I Environmental Site Assessment (Phase I ESA) for any project involving five or more units on one site or within 2000 feet of one another. For more information on Phase I assessments, please contact HAND staff.
2. Identify the project type:
  - a. Define your HAND funding request – is it acquisition of land, construction money, infrastructure?
  - b. Is the project new construction, reconstruction, rehabilitation?
  - c. Provide number of units.
  - d. Will this project require City Department of Planning and Transportation approval?
3. Define the scope of the project:
  - a. Provide a map of the area. This can be a GIS map.
  - b. Provide a legal description if possible or a copy of the property deed.
4. Other helpful information:
  - a. Provide copies of any other environmental studies that have been completed.
  - b. Provide copies of title work if available.

HAND will determine the level of review; submit documents to applicable agencies, review comments from those agencies, make the environmental determination and the appropriate public notice. Once the review is complete, HAND will complete the Environmental Review Record and can move forward with funding agreements and funding commitments. Please note that some environmental reviews require a public comment period that can be up to 30 days.

## ***E. Affirmative Marketing***

Developers must adopt affirmative marketing procedures and requirements for all HOME assisted units. Those procedures must include:

- Methods for informing the public, owners and potential tenants about fair housing laws and the City non-discrimination requirements. Developers must use the Fair Housing logo or equal opportunity language.
- A description of what owners will do to affirmatively market housing assisted with HOME funds.
- A description of what owners will do to inform persons not likely to apply for housing without special outreach.
- Maintain records to document actions taken to affirmatively market HOME assisted units and to assess marketing effectiveness.
- A description of how efforts will be assessed and corrective action taken, if necessary, where requirements are not met.

## ***F. CHDO Requirements***

Organizations must meet the following criteria to qualify as CHDO:

1. Must be organized under state/local law;
2. Have a purpose/mission to provide decent housing that is affordable to low- and moderate-income persons/households. This must be evidenced in the organization's charter, articles of incorporation, by-laws or a resolution by the board of directors;
3. No part of the organization's earnings may benefit any members, founders, contributors or individuals;
4. Must have a clearly-defined services area;
5. Must have received tax-exempt status from the IRS under Section 501 (c) of the Internal Revenue code of 1986.
6. Must have a board composition that is at least one-third representatives of the low-income community and no more than one-third may be public officials; and
7. Must have demonstrated that it has at least one year of experience serving the community where it intends to develop the HOME assisted housing.
8. For each specific project the PJ will document that the CHDO has the capacity to own, develop or sponsor housing.

Additional CHDO HOME requirements for all CHDO projects effective August 2013:

### Initial steps for *EACH* CHDO project

(1) Certify that a nonprofit organization meets the definition of "community housing development organization."

- (2) Document that the nonprofit organization has the capacity to own, develop, or sponsor housing (as required by the revised definition of CHDO in §92.2) each time HAND commits CHDO funds to an organization for a specific project.
- (3) Once 1 and 2 are completed, HAND may reserve funds for the CHDO specific project.

Owner of rental housing.

A CHDO that is an “owner” of rental housing is required to own (in fee simple absolute or long-term ground lease) multifamily or single-family housing that is rented to low-income families, in accordance with 92.252. The CHDO must own the HOME project during development and throughout the period of affordability, and is required to oversee all aspects of the development process. At a minimum, the CHDO can own the property and hire a project manager or contract with a development contractor to oversee all aspects of the development.

A CHDO is permitted to acquire housing that is in standard condition (and meets the property standards at §92.251) provided it owns the housing throughout the affordability period.

Developer of rental housing.

A CHDO that is a “developer” of rental housing is defined at §92.300(a)(3). The CHDO is the owner (in fee simple absolute or long-term ground lease) and developer of the project and must be in sole charge of all aspects of the development process, including obtaining zoning, securing non-HOME funds, selecting contractors, overseeing the progress of work, and determining reasonableness of costs. The CHDO must own the HOME-assisted housing during the development process and throughout the period of affordability.

Sponsor of rental housing.

It is required for a CHDO to maintain effective project control when acting as “sponsor” of rental housing. A CHDO “sponsors” rental housing when the property is “owned” or “developed” by:

- a. A subsidiary of the CHDO (in which case the subsidiary, which may be a for profit or nonprofit organization, must be wholly owned by the CHDO);
- b. A limited partnership (in which the CHDO or its wholly owned subsidiary must be the sole general partner); or
- c. A limited liability company (in which the CHDO or its wholly owned subsidiary must be the sole managing member). If the limited partnership or limited liability company agreement permits the CHDO to be removed as sole general partner or sole managing member, respectively, the agreement must require that the removal be “for cause” and that the CHDO must be replaced by another CHDO. In addition, HOME funds must be provided to the entity that owns the project

In HOME assisted rental housing in situations in which the CHDO owns and develops the housing and agrees to convey the housing to a private nonprofit organization (that does not need to be a CHDO but cannot be created by a governmental entity) at a pre-determined time after completion of the project development. Such arrangements typically occur when a CHDO has development expertise and the nonprofit organization has the capacity to own and operate the housing. The CHDO is required to own the property before the development phase of the project and is required to select the nonprofit organization before entering into an agreement with the PJ that commits HOME funds to the project. The nonprofit organization assumes the CHDO's HOME obligation (including any repayment of loans) for the project. If the property is not transferred to the nonprofit organization, the CHDO sponsor remains liable for the HOME assistance and the HOME project.

#### Developer of housing for homeownership.

The housing is "developed" by the CHDO if it is the owner (in fee simple absolute) and developer of new housing that will be constructed or existing substandard housing that is owned or will be acquired by the CHDO and rehabilitated for sale to low income families, in accordance with §92.254. To be the "developer," the CHDO must arrange financing for the project and be in sole charge of construction. As part of its set aside funds, the CHDO can provide direct down-payment assistance to a buyer of the housing it has developed with HOME funds in an amount not to exceed 10 percent of the amount of HOME development funds. In this role, the CHDO is not a subrecipient.

CHDO may not be a sponsor for homeownership.

#### CHDO SET-ASIDE

The written agreement between the Participating Jurisdiction ("PJ" – in this case, the City of Bloomington) and the CHDO must state the actual sales prices of the housing or describe the method that will be used to determine the sales price.

The written agreement must state whether the proceeds of sale must be returned to the PJ or may be retained by the CHDO, and whether the proceeds must be used for HOME eligible activities or other housing activities to benefit low-income families.

Funds that are recaptured during the period of affordability [because housing no longer meets the affordability requirements under §92.254(a)(5)(ii)] must be reinvested in HOME assisted activities in accordance with §92.503. The 2013 Rule does not change the requirement that CHDO set-aside funds may only be used for housing owned, developed, or sponsored by a CHDO. When a CHDO administers a Tenant-Based Rental Assistance (TBRA), direct homebuyer assistance (except in

conjunction with development activity, as defined above), or a homeowner rehabilitation program, it is serving as a subrecipient and cannot use CHDO set aside funds for those activities.

For more information on CHDOs, contact John Zody, Director, Housing and Neighborhood Development at 812-349-3401.

## ***G. Required Agreements***

Every HOME funded project will be required to have written agreements outlining the responsibilities of the individual parties. It is the responsibility of the person to thoroughly read and understand all elements of the agreements. Those agreements include, but are not limited to:

1. Partnership Agreement – The funds are reserved when the City of Bloomington enters into a written agreement with the CHDO or other subrecipient of HOME funds describe previously in this section.
2. This agreement will include, but not be limited to, the following:
  - a. Activities to be carried out;
  - b. How they are funded; and
  - c. Responsibilities and options of the parties.
  - d. Form of assistance-grant or loan.
  - e. Specify HOME eligible or other activity to benefit low-income families
  - f. Resale and recapture provisions
  - g. State the actual sales price of housing or describe the method that will be used to determine the sales price of the housing.
3. Mortgage – The mortgage evidences the funding for the project using the property as collateral. This document will have an amount that may not be exceeded when completing the project. Depending on the program, the mortgage may or may not be released upon completion as defined in the Partnership Agreement and Promissory Note.
4. Promissory Note – The Promissory Note is a promise of the City of Bloomington to pay a certain amount of funding for a project and the mortgagee's promise to meet the conditions outlined in the Mortgage and Note.
5. Affordability Covenants – Affordability Covenants may be required for some projects as defined by HUD. The Affordability Covenants specifies that the property will remain affordable by setting certain terms and conditions related to its long-term use. The Affordability Covenants cannot be released until the terms outlined in them have been met. The length of time that the

Covenants will be in place is defined by the program and the amount invested in the project.

Upon execution of the required agreements, funds will be committed and may be disbursed for projects allowing all other project requirements have been met.

## ***H. Housing Counseling Requirement***

All homebuyers that receive HOME funded down-payment and closing cost assistance and/or purchase a unit or property developed with HOME funds must receive housing counseling from a source approved by HAND. Documentation of the homebuyer's completion of housing counseling must be provided to HAND prior to the homebuyer's purchase of the HOME assisted unit or property.

## ***I. Housing Value or Price Limit Requirement***

The HOME program statute requires that no HOME-assisted house have a purchase price or after-rehabilitation value that exceeds 95 percent of area median purchase price, in order to ensure that HOME-assisted housing is modest and non-luxury. HAND will follow the HUD issued limits for newly constructed and existing single family housing units. This data is distributed by HUD annually and is available at HAND as well. Please contact staff to be sure the most updated numbers are being used.

## ***J. Underwriting and Subsidy Layering***

1. Income – HAND determines household income using HUD's definition of annual income.
  - a. Gross income of all adults living in the home.
  - b. types of income to count  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing/training/web/calculator/definitions/part5#types](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/calculator/definitions/part5#types)
  - c. Assets inclusion and exclusion:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing/training/web/calculator/definitions/treatment/inclusions](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/calculator/definitions/treatment/inclusions)

2. Debt – All loans, leases and credit cards.
3. Credit History- not defaulted on any federal loans.
4. Savings - Savings accounts current balances multiplied by the current interest rate applicable to the account.
5. Debt vs Income Ratio maximum 29/41

In accordance with the 2013 HOME Final Rule, before HAND invests HOME funds in a project, it will follow underwriting and subsidy layering guidelines to determine the project is financially sustainable and that an appropriate amount of HOME funds is being invested. The following will be undertaken:

1. The project's development budget or pro-forma that is submitted as part of the application will be reviewed by the program manager to determine the project's rate of return to the applicant. A reasonable rate of return will be viewed as 6%.
2. The Sources and Uses Statement for the project that is submitted as part of the application will be reviewed.
  - a. The Project Manager for Construction will determine the reasonableness of costs when compared to costs of similar projects or costs published by an industry cost index.
  - b. The Program Manager for Loans will determine that the total proposed funding that includes HOME funds does not exceed the total development costs.
  - c. The Program Manager for Loans will verify the Uses and the Sources through obtaining appropriate documentation
  - d. The Program Manager for Loans will calculate the Loan to Value that includes the HOME funds to assess the level of project debt
3. A market analysis on the location of the project will be obtained from the applicant and reviewed by the Program Manager for Loans to consider the findings of the market analysis.
4. Program Manager for Loans will review the applicant's last 10 year history of past projects.
5. Program Manager for Loans will review the applicant's provided proof of financial capacity (profit/loss, bank statements, etc.)

For projects seeking to combine HOME assistance with Low-Income Housing Tax Credits, HAND may decide to rely upon the State's Indiana Housing and Community Development Authority (IHCDA) evaluation of the project. HOME funds awarded by HAND to such a project will be conditional upon receipt of a copy of the evaluation by IHCDA.

For documentation purposes each project file will contain the application, project development budget or pro-forma, Sources and Uses Statement, market analysis, and supporting documents as requested by HAND for the underwriting and subsidy layering of the project.

Additional information for this section

- As previously mentioned, there is a cap associated with the value of a resident following HOME investment: 95% of Area Median Purchase Price Limitation on Sales Price and after-rehabilitation value.
- There may also be a provision for the conversion of units not sold in nine months following completion into affordable rental housing.
- Depending on the scope of the project, HOME-assisted buyers may receive housing counseling through completion of the Home Buyers Club. See <http://bloomington.in.gov/homebuyersclub>.

## ***K. Recapture and Resale Provisions***

### **Owner-Occupied Rehabilitation—RECAPTURE PROVISION**

These are always loans. 100% of funds are recaptured either through monthly payments or at the time of property transfer (sale). In the case of foreclosure or where the sales price does not support the existing debt of a HOME assisted property; the recapture amount is based on the net proceeds of the sale of the property. See below for how net proceeds of the sale are calculated.

### **Homebuyer Assistance—RECAPTURE PROVISION**

This program encompasses assistance to homeowners in the form of down payment & closing cost assistance, purchase-rehabilitation, new construction, and land acquisition. The recapture option used to recover HOME funds under the down payment & closing cost assistance is 20% of the funds are forgiven each year for five years and under the purchase-rehabilitation program 100% of funds are recaptured if property transferred before year 5. 10% of the funds are forgiven from years 6 – 15. **The resale option** is used for land acquisition and new construction requiring the subsequent buyer to make the unit affordable to a low-income family. In the case of foreclosure or where the sales price does not support the existing debt of a HOME assisted property; the recapture amount is based on the net proceeds of the sale of the property.

### **Rental Assistance—RECAPTURE PROVISION**

This program encompasses assistance to developers to build housing both new construction and rehabilitation. Under new construction, funds are forgiven after 20 years of affordability. Under rehabilitation, the funds are due at the end of the

affordability period. If the developer mirrors the affordability period, the loan is forgiven overtime. As follows:

New Construction – any amount – 20 years

Rehabilitation

- <\$15,000 – 5 years mandatory and an additional 5 years forgiveness
- \$15,000 - \$40,000 – 10 years mandatory and an additional 10 years forgiveness

>\$40,000 – 15 years mandatory and an additional 15 years forgiveness.

In the case of foreclosure or where the sales price does not support the existing debt of a HOME assisted property; the recapture amount is based on the net proceeds of the sale of the property.

**Fair Return**—HAND defines a fair return as the homeowner’s initial investment (down payment) plus any the cost of capital improvements. Capital improvements are defined as remodel that adds additional square feet to the structure, additional bathroom space and/or a complete kitchen remodel. Questions about what constitutes a capital improvement should be directed to HAND prior to the commencement of said project per the funding/loan agreement.

### Net Proceed Calculations

In the event of foreclosure or where the sales price does not support the existing debt, the following calculation will be used to determine net proceeds and HOME recapture:

**Step 1:**

Sales price – (1<sup>st</sup> mortgage + closing costs) = Net Proceeds

**Step 2:**

Home Subsidy

Home subsidy +      x Net Proceeds      = HOME Recapture  
Homeowner  
Investment

## **Housing Development Fund (HDF)**

### ***A. Objectives and Eligible Activities***

#### **Introduction**

The Bloomington Housing Development Fund (HDF) is an affordable housing fund established by the City of Bloomington to increase the supply of decent, affordable housing for Bloomington residents who earn 120% or less of the area median income and whose monthly rental housing costs shall not be less than 20% of their monthly income. The HDF provides low cost loans and grants for the development of affordable housing. The fund is administered by the Department of Housing and Neighborhood Development of the City of Bloomington.

#### **Eligible Applicants**

Developers, for-profit and not-for-profit organizations, local units of government, public housing authorities, individuals or partnerships between any of these are eligible.

#### **Types of Eligible Activities Financed by the HDF**

Land and/or structure acquisition, new construction, rehabilitation of existing structures, down payment and closing cost assistance and leverage of other public/private funds are eligible activities.

#### **Threshold Criteria**

Each proposed project must meet six (6) basic threshold criteria to be considered for funding. Projects not meeting all six criteria may not be considered. They are:

1. The project is financially viable, meaning that affordability is maintained and operations and reserves are funded over time using standards and assumptions acceptable to the HDF Administrator.
2. There is a demonstrated need for the type of housing provided.
3. The project will improve overall affordability in the city.
4. Housing must be located within the corporate limits of the City of Bloomington.
5. All units funded must serve households with incomes at or below 120% of area median income.
6. Application must be complete, meeting all criteria.

**Types of Financing Provided by HDF**

1. Mortgage Loans up to 80% of the property's loan value to ratio, typically 15 years or less.
2. Bridge Loans with loan terms typically two years or less.
3. Special Conditional Loans which are loans that may be forgiven if certain circumstances occur.
4. Grants
5. Line of Credit

**Application Funding Criteria**

1. Community Need and Impact: the number and type of affordable housing units, the input of the community relating to the proposed development, and the type of units proposed (including whether serving populations with special needs, such as elderly, disabled, unhoused, etc).
2. Affordability and Targeting: the level of affordability and the ratio of affordable units to the overall number of units proposed and what type of services and amenities the development proposes.
3. Applicant Capacity and Project Plan and Design: the extent to which the project design accounts for innovative design which includes green building features and greenspace and blends in esthetically with surrounding buildings' architectural features. The project's access to needed services, i.e. bus line, groceries, etc.
4. Financial Structure: construction cost per unit, financial strength of the project, project development cost, type of funding request (loan vs. grant), readiness to proceed
5. Other Factors that may be considered: consistency with Comprehensive Master Plan and Unified Development Ordinance. The level of city funding through various city programs being requested in relation to the overall cost of the project.
6. For Rental Workforce Housing – Monthly rent as a percentage of the income shall be at 20% or above.

## ***B. Application Process***

Those interested in applying should contact John Zody, HAND Director, at 812.349.3401 or [john.zody@bloomington.in.gov](mailto:john.zody@bloomington.in.gov).

## **General Requirements**

### ***A. Disbursement of Funds***

The City of Bloomington must follow disbursement procedures that are required by the State Board of Accounts as well as HUD. Please note the following:

1. Process for Individual Households Projects:
  - a. Inspectors will be on-site during the project to monitor the work completed. Written assessments of those inspections will be reviewed with the household/contractor and placed in the file. Additional documentation regarding costs incurred may be requested by the inspector and added to the file.
  - b. Claims for payment can be submitted by the contractor every other week in accordance with the claims schedule posted by the City of Bloomington's Controller Office.
2. Process for Developer Projects:
  - a. Inspectors will be on-site during the project to monitor the work completed. Written assessments of those inspections will be reviewed with the developer and placed in the file. Additional documentation regarding costs incurred may be requested by the inspector and added to the file.
  - b. Claims for payment can be submitted by the developer every other week in accordance with the claims schedule posted by the City of Bloomington's Controller Office.
3. Process for CDBG Social Service Providers:
  - a. Reports and forms as required by the Funding Agreement must be filed with HAND to request payment. Additional documentation regarding costs incurred may be requested by the HAND program manager and added to the file.
  - b. Claims for payment can be submitted by the Social Service Provider every other week in accordance with the claims scheduled posted by the City of Bloomington's Controller's Office, but must be done at least quarterly.
4. Process for CDBG Physical Improvement Projects:
  - a. Program staff will be on-site during the project to monitor the work completed. Written assessments of those inspections will be reviewed among HAND staff and placed in the project file. Additional documentation regarding costs incurred may be requested by the program staff and added to the file.
  - b. Claims for payment can be submitted by the project manager every other week in accordance with the claims schedule posted by the City of Bloomington's Controller Office, and must be done at least quarterly.

## ***B. Financial Audit***

All subrecipients receiving CDBG or non-profit developers receiving HOME funds will be required to have an audit of all Federal funds received from all sources, unless exempted in writing. The audits are to be performed in compliance with OMB Circular A-133. The audits must comply in all respects with the generally accepted auditing standards of the American Institute of Certified Public Accounts. Copies of audits must be provided to HAND prior to the execution of the CDBG Funding Agreement or the HOME Partnership Agreement.

For-profit developers may be required to provide tax returns, financial statements or other documentation showing financial stability in addition to any documentation required by the application upon request.

## ***C. Procurement Procedures***

If you intend to use CDBG or HOME dollars to acquire items or services not expressly outlined in your application, please contact Matt Swinney or Cody Toothman at 812-349-3401.

Please note that HOME funds may not be used to directly or indirectly employ, award contracts to, or otherwise engage the services of any contractor or subrecipient during any period of debarment, suspension or placement of ineligibility status.

## ***D. Non-Discrimination and Equal Access***

The City of Bloomington requires all program participants to adhere to Bloomington Municipal Code 2.21.020 that states “It is the policy of the city that it does not discriminate in the provision or implementation of its programs and services on the basis of race, religion, color, sex, national origin, ancestry, sexual orientation, gender identity, or disability. It is the public policy of the city to provide all citizens equal opportunity for education, employment, access to public accommodations and acquisition through purchase or rental of real property, including, but not limited to housing, and to eliminate segregation or separation based on race, religion, color, sex, national origin, ancestry, sexual orientation, gender identity, or disability, since such segregation is an impediment to equal opportunity. Equal education and employment opportunities and equal access to and use of public accommodations and equal opportunity for acquisition of real property are hereby declared to be civil rights.”

In addition, all program participants must comply with all of the Federal laws, executive orders and regulations pertaining to fair housing and equal opportunity. They are: 1) Title VI of the Civil Rights Act of 1964, As Amended; 2) The Fair

Housing Act; 3) Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12259); and Age Discrimination Act of 1975, As Amended.

## ***E. Accessibility***

Program participants who received CDBG or HOME funds must adhere to regulations governing the accessibility of federally assisted buildings, facilities and programs. Those include:

1. 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 (ADA) states that discrimination includes failure to design and construct facilities that are accessible to and usable by persons with disabilities. ADA also requires the removal of architectural and communication barriers that are structural in nature in existing facilities. For more information, contact the City of Bloomington Human Rights Division at 812-349-3429.
2. Fair Housing Act – Multi-family dwellings must also meet the design and construction requirements at 24 CFR 100.205 which implement the Fair Housing Act.
3. Section 504 – This Act prohibits discrimination in federally assisted programs on the basis of handicap. Specific requirements for the removal of physical barriers include:
  - a. For new construction of multi-family projects, at least 5% of the units in the project, but not less than one unit, must be accessible to individuals with mobility impairments, and an additional 2% of the units, but not less than one unit, must be accessible to individuals with sensory impairments.
  - b. For substantial rehabilitation of multi-family projects includes construction in a project with 15 or more units for which the rehabilitation costs will be 75% or more of the replacement cost. In such developments, at least 5% of the units in the project, but not less than one unit, must be accessible to individuals with mobility impairments, and an additional 2% of the units, but not less than one unit, must be accessible to individuals with sensory impairments.
  - c. For less extensive rehabilitation projects, alterations must, to the maximum extent feasible, make the unit accessible to and usable by individuals with handicaps until at least 5% of the units are accessible to people with mobility impairments. Alterations to common spaces must, to the maximum extent feasible, make the project accessible.
  - d. Accessible units must be, to the extent feasible, distributed throughout the project and sites and must be available in a sufficient range of sizes and amenities so as to not limit choice. Owners and managers of

projects with accessible units must adopt suitable means to assure that information regarding the availability of accessible units reaches eligible individuals and households with individuals with handicaps. They must also take reasonable non-discriminatory steps to maximize use of such units by eligible individuals.

- e. When an accessible unit becomes vacant, before offering the unit to a non-handicapped individual, the owner/manager should offer the unit: 1) to a current occupant of the project requiring the accessibility features; and 2) to an eligible qualified applicant on the waiting list (if applicable) requiring the accessibility features.

Specific requirements for providing program accessibility include:

- a. Individuals with handicaps must be able to find out about, apply for and participate in federally assisted programs or activities.
- b. Special communication systems may be needed for outreach and ongoing communication (i.e. telecommunication devices for the deaf such as TDD, materials on tape or in Braille, accessible locations for activities & meetings, etc.).
- c. Policies and procedures must be non-discriminatory (i.e. housing providers may not ask people with handicaps questions not asked of all applicants, screen individuals with handicaps differently or assess an individual's ability to live independently).

## ***F. Employment and Contracting***

The City of Bloomington requires that all program participants comply with the laws governing Equal Employment Opportunity including the Equal Employment Opportunity, Executive Order 11246 and Section 3 of the Housing and Urban Development Act of 1968. Please note that Section 3 requires, to the greatest extent feasible, opportunities for training and employment arising from HOME will be provided to low-income persons residing in the program service area. For questions regarding Section 3, please contact Matt Swinney at 812-349-3401.

Program participants must also comply with certain regulations on wage and labor standards. Please contact Matt Swinney at 812-349-3401 for questions regarding these standards.

## ***G. Relocation***

Due to the complexity of the Uniform Relocation Action, if you are considering a project that may require relocation of individuals or households, please contact Matt Swinney at 812-349-3401 to schedule an appointment.

## ***H. Opportunities for Women Owned and Minority Owned Businesses***

Program participants must make every feasible effort to contact minority owned and women owned business enterprises to respond to initiations to bid. In addition, all program participants must submit a Minority Business Report to the City of Bloomington to report the number of minority and women-owned businesses that worked on projects federally funded projects.

**Additional Program Guidelines (in process)**