



**Affordable and Special Needs Housing
Competitive Application
Program Guidelines**

FY 2023

**Applications Due:
October 31, 2022
March 31, 2023 (tentative)**

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Program Overview

Background

The Affordable and Special Needs Housing (ASNH) Program is a consolidated, competitive application used by the Virginia Department of Housing and Community Development (DHCD) to award National Housing Trust Fund (NHTF), HOME Investment Partnerships (HOME), Virginia Housing Trust Fund (VHTF), Housing Innovations in Energy Efficiency (HIEE), and Permanent Supportive Housing (PSH) funds¹ to multifamily rental developments and single family homeownership developments across the Commonwealth.

The Program's goals are to expand the supply of decent, safe, sanitary, and affordable housing available to low-income, very low-income, and extremely-low income Virginians.

Eligible projects are scored on a 100 point scale (Need – 40 points; Feasibility – 30 points; Developer Capacity – 30 points) and projects with scores above a 60 point threshold are ranked and considered for funding awards of the sources above.

These Program Guidelines are intended to provide guidance on applicant and project eligibility, program and regulatory requirements, funding availability and limits, as well as the application and decision notification process for the FY23 ASNH application cycle. If you require information not contained below, please contact DHCD staff for assistance.

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¹ DHCD also uses HOME, VHTF, and HIEE funds for other eligible activities administered by other programs.

Funding Sources Available

HOME

The *HOME Investment Partnerships Program* (HOME) was created through the National Affordable Housing Act of 1990. Funds from the HOME program are made available annually through formula allocations to states and local governments (*Participating Jurisdictions* or PJs).

PJs are responsible for conducting needs assessments and establishing priorities and goals, and developing and managing the programs that will help meet these goals. The ASNH Program is a subset of DHCD's HOME funding, and uses HOME to support the development of rental units made available to individuals or families with incomes at or below 50% or 60% of their Area Median Income (AMI), and to the development of homeownership units made available to buyers with incomes between 60% and 80% AMI.

While projects may be located anywhere in Virginia, DHCD's HOME program gives priority to projects located in cities or counties which do not receive a direct federal HOME allocation through a local PJ or HOME Consortium through a scoring preference. The list of cities and counties which do not receive a scoring preference are listed in **Appendix A**.

The ASNH program also gives DHCD-certified Community Housing Development Organizations (CHDOs) a scoring preference for HOME funding. See DHCD's online resources for more information on [CHDO requirements](#).

National Housing Trust Fund

The *National Housing Trust Fund* (NHTF) was created as a federal block grant to states, issuing its first allocation in 2016, and is the largest federal program designed to specifically support the production and preservation of affordable housing for extremely low income individuals and families.

DHCD awards all of its NHTF funds through the ASNH Program, and uses NHTF to support the development of rental units made available to individuals or families with incomes at or below 30% AMI.

Virginia Housing Trust Fund (Competitive Loan Pool)

The *Virginia Housing Trust Fund Competitive Loan Pool* is funded through Virginia's Housing Trust Fund, which is a special allocation of state funds intended to help address the commonwealth's housing needs and reduce homelessness. No less than 80% (eighty percent) of the VHTF must be allocated to a competitive loan pool.

The ASNH Program satisfies this requirement for a competitive loan pool, and provides low-interest loans to meet the financing needs of housing projects which address key state housing policies. Funds may be awarded to projects developing rental units or for sale homes which are made available to individuals or families with incomes at or below 80% AMI.

Virginia Housing Trust Fund expenditures associated with projects funded through the ASNH program will be used to meet the State's federal HOME program match requirement and may not be utilized for any subsequent regulatory match requirement without permission from DHCD.

State Permanent Supportive Housing Funds (PSH fund)

The State *Permanent Supportive Housing Funds* (PSH fund) are awarded to support the development of new permanent supportive housing (PSH) units. Supportive housing is an evidence-based housing intervention that combines non-time-limited affordable housing assistance with wrap-around supportive services for people experiencing homelessness, as well as other people with disabilities.

These funds are typically awarded to small development projects which specifically aim to provide independent living options for individuals with intellectual or developmental disabilities or serious mental illnesses, and which assist DHCD in meeting the requirements of the Department of Justice Settlement Agreement. These projects may be 100% 'special needs' populations and exempt from the five-unit minimum.

Housing Innovations in Energy Efficiency (HIEE) Funds

Housing Innovations in Energy Efficiency (HIEE) funds assist affordable housing project development teams in completing energy efficiency upgrades that would not have been feasible otherwise. These funds are made available by DHCD to projects which demonstrate that they are designed to meet the HIEE energy efficiency performance requirements detailed below, and supplement competitively awarded state and federal funds.

Projects must score well enough to obtain an award of ASNH's competitive sources (HOME, NHTF, VHTEF, or PSH) to be eligible for an allocation of HIEE funds. During the application review process for each cycle, the panel will score and rank projects to determine competitive award recommendations. If a project which requests HIEE funds is recommended for a competitive award, the panel then evaluates the additional required documentation to ensure the project is designed to meet the relevant energy efficiency performance requirements. HIEE energy efficiency performance requirements are detailed in **Appendix B**.

Program Year Available Funds

For the 2022-2023 program year (Virginia FY23), the sources and approximate amounts allocated to the ASNH Program are below. DHCD reserves the right to update these funding amounts during the program year, and the right to roll over funding to future program years at its sole discretion.

Per project and per source maximums awards apply, with further details below and under Eligibility Criteria. DHCD reserves the right to restrict total funds awarded to a project.

SOURCE OF FUNDS	FY23 ALLOCATION ²
HOME Investment Partnerships Program (HOME)	\$8,766,531
National Housing Trust Fund (NHTF)	\$12,975,688
Virginia Housing Trust Fund (VHTF)	\$60,000,000
Housing Innovations in Energy Efficiency (HIEE)	\$80,000,000
State Permanent Supportive Housing (PSH fund)	\$500,000

Project Competitive Funding Limits

Each eligible project is subject to funding request limits, or caps. These caps are inclusive of all DHCD commitments to a project in previous application cycles. DHCD reserves the right to adjust funding offers by funding source to meet project needs, and reserves the right to limit funding offers made to a project even if ‘cap’ remains.

DHCD will consider excluding Vibrant Community Initiative (VCI) commitments from these caps if such a request is made in writing prior to application. Exclusion of VCI commitments is not guaranteed and is granted at DHCD’s sole discretion on a case-by-case basis.

Projects with HOME assistance from any source are ineligible for an award of HOME funds from the ASNH Program while the project is in its HOME affordability period.

Each project is limited to an award of \$700,000 per competitive source (HOME, NHTF, or VHTF); with an increased limit of \$900,000 for any two of those three sources if the project provides qualified Permanent Supportive Housing (PSH) units, as detailed in Criteria below, and provides the required documentation at the time of application.

- \$700,000 – Maximum request per source (HOME, NHTF, or VHTF)
- \$900,000 – Maximum request per source for projects providing qualified PSH units
- \$2,100,000 – Maximum award for a project requesting HOME, NHTF and VHTF
- \$2,400,000 – Maximum award for a project providing qualified PSH units and requesting HOME, NHTF, and VHTF

The State Permanent Supportive Housing fund (PSH fund) award is limited to \$500,000 per project, and are typically awarded to small development projects which are either not are eligible for or do not request an award of HOME, NHTF, VHTF awards.

² Allocation amounts listed are approximate and subject to change.

Project HIEE Funding Limit

Each project earning a competitive source award (HOME, NHTF, VHTF, or PSH fund) which is designed to meet the HIEE minimum performance requirements is eligible for an award of up to \$2,000,000 or ten percent (10%) of its total construction costs as calculated in the ASNH Application Workbook underwriting tab, whichever is the lesser amount.

- \$2,000,000 – Maximum HIEE award for an eligible project
- \$4,100,000 – Maximum total awarded funds for an eligible project requesting HOME, NHTF, VHTF, and HIEE
- \$4,400,000 – Maximum total awarded funds for an eligible project providing qualified PSH units and requesting HOME, NHTF, VHTF, and HIEE

Eligibility

Applicant Eligibility

Eligible Applicants are non-profit organizations or for-profit housing developers, DHCD-certified Community Housing Development Organizations (CHDOs), and public housing authorities seeking to develop affordable housing projects in Virginia.

The Applicant must be the Owner, Developer, or Sponsor of the proposed project:

- Owner – holds valid legal title to, or long term leasehold interest in the property
- Developer – owns the property and is developing the project, or has a contractual obligation to develop the project
- Sponsor – is the owner or partial owner and agrees to convey ownership to a second non-profit at a predetermined time prior to or during development or upon completion (requires consultation with DHCD prior to application)

The Applicant must be registered in CAMS as an eligible organization defined above, and should be the primary partner in the project, responsible for long-term operations and compliance. Applicants with incomplete CAMS profiles (including applicants without UEIs) are ineligible.

Applications made by a project legal entity or limited liability corporation are ineligible.

Applicants with outstanding or unresolved findings from audit or monitoring findings, unresolved IRS findings, unresolved compliance findings – including those issues which may be identified to DHCD by another previous partner such as Virginia Housing (VH or VHDA) –, or which are not in compliance with previous DHCD agreements will not be eligible for a funding commitment for any Project until such findings and/or compliance issues are resolved. DHCD staff are committed to working with any interested party to develop a plan for resolution and restoration of eligible status.

Developer Requirements

Federal regulations require DHCD to certify developer capacity, including Community Housing Development Organizations (CHDOs) prior to the commitment of HOME or NHTF funds.

The evaluation of developer capacity includes reviewing:

- Developer’s demonstrated experience developing similar projects
- Staff experience in housing development (excluding consultants, contractors, or partners)
- Current financial soundness, including compliance with DHCD’s audit policy

DHCD also evaluates the capacity of applicants requesting only state sources of funding. It is critical that applicants and development teams have demonstrated success with similar projects including ongoing operations and long-term compliance. Applicants must be able to clearly articulate the relationship between all partners involved in the development, ownership, and property management of a project, and describe partner capacity and experience.

CHDO Certification Requirements

Applicants must have an approved CHDO Certification application in CAMS, and the related Certification or Re-Certification letter provided by DHCD to be eligible for the five (5) point scoring preference on applications for HOME funds. This scoring preference enables DHCD to meet the ‘CHDO Reserve’ or ‘CHDO set-aside’ requirements of the HOME program.

Generally, CHDOs must meet organizational, mission, financial management, and capacity requirements, which include, but are not limited to, the following:

- Certified nonprofit status
- Being a community-based organization
- Low-income representation in board composition
- Primary mission is the provision of affordable housing
- Demonstrated capacity to develop affordable housing
- Conformance to accounting standards and financial soundness

CHDO requirements must be met at the time of fund commitment, for the duration of the development phase, and through the long-term compliance period for CHDO’s in the role of project/property owner.

Organizations interested in determining if they meet the requirements to become certified as CHDOs and therefore eligible for the HOME scoring preference should refer to the HUD publication [CHDO Survivor Kit](#)³ or the [CHDO Capacity Self-Assessment Tool](#)

Project Eligibility

To be eligible for ASNH funding, all projects must be new construction or substantial renovation of affordable housing units, or the adaptive reuse of buildings to create new affordable housing units for lower income homeowners or renters. Acquisition-only projects, public housing, and public facilities including emergency shelter, hospitals, nursing homes, or intermediate care or assisted living facilities are not eligible for ASNH funding.

In limited cases group homes may be eligible for ASNH funding. There must be an identified local need, and these projects require a pre-application consultation with DHCD. Applications submitted without completing this pre-application consultation are ineligible.

³ Link validated September 2022; document title is searchable on hudexchange.info

Eligible property types include multi-unit structures, single family, two- to four-unit structures, and manufactured homes. Scattered site projects are allowable, but all projects must be under common ownership, management, and financing. Regardless of type, the units must be considered modest relative to the neighborhood.

Projects may include units structured as Single Room Occupancy (SRO) units. Eligible SROs are efficiency-style units that are the primary resident of a single one- or two-person household, with a valid twelve-month lease to that household. The unit must contain food preparation and/or sanitary facilities. If the unit does not contain food preparation or sanitary facilities, then the building must contain and provide access to these.

Generally, an eligible project must:

- Include a minimum of five units,
- Be under common ownership, management, and financing,
- Represent a minimum investment/development cost of \$15,000 per unit, and
- Meet the affordability requirements of every source for which it is requesting funds.

Eligible Project Types

Projects may be new construction, substantial rehabilitation, or adaptive reuse. Development activity beyond the original footprint will be considered new construction. Projects must meet Section 504 accessibility requirements based on project type, as described in these Guidelines.

For rehabilitation projects, minimum total development cost per unit is \$15,000 and must include replacement of at least three out of five major systems (e.g., HVAC, plumbing, roofing, electrical). Development costs are limited to eligible costs and must exclude non-eligible costs such as community buildings, market rate units, and retail space.

Projects of any type must meet [DHCD's Minimum Design, Construction, and Rehab Requirements](#) to ensure that no further investment is required during the affordability period. Projects awarded National Housing Trust Funds must follow the [Housing Trust Fund Rehabilitation Standards](#).

Rental & Homebuyer Project Eligibility

An eligible project must be either a **homebuyer** project or a **rental** project (not both).

Homebuyer projects must be a minimum of five units of housing, which will be made available for sale to households earning incomes below 80% AMI. These projects may apply for either HOME or VHTF funds.

Rental projects must be a minimum of five units (unless 100% special needs, with DHCD approval), and must be structured to meet each individual program's affordability requirements. For rental projects requesting federal sources, a minimum of five units are required to meet AMI targeting requirements per source.

For example, a project requesting HOME and NHTF funds would need a minimum of ten total units, five of which must meet the NHTF requirement of 30% AMI or below; and five of which must meet the HOME requirement of 60% and 50% AMI or below. Rental projects requesting

state funding sources (VHTF, PSH funds, or HIEE) must restrict at least some units to households with incomes at or below 80% AMI.

Mixed income and multiple-use projects are eligible; however these projects must contain assisted units that will meet income and rent or sales value requirements, and the number of assisted units must meet Program Guidelines.

For both homebuyer and rental projects, applications designed to provide a greater proportion of lower income targeting will be given scoring preference on the *need* criteria. The actual number of ASNH assisted units and income mix will be determined by DHCD during underwriting.

For both homebuyer and rental projects, the maximum investment of HOME or NHTF funds must be equal to or less than the actual costs *or the 221 (d)(3) limit*, whichever is lower, on a per-assisted-unit basis.

Maximum Subsidy Limit – 221(d)(3) limit (effective March 17, 2022)	
Bedrooms	Cost Limit
0	\$159,754
1	\$183,132
2	\$222,694
3	\$288,094
4+	\$316,236

Program requirements including the number of required assisted units are based on total amount of HOME or NHTF assistance (including HOME from other resources) as compared to the total development costs. For this purpose, total development costs are limited to HOME or NHTF eligible costs (Appendix C) and must exclude non-eligible costs such as community buildings, market rate or unrestricted units, and retail space.

The final number of assisted units in a project will be determined by DHCD during underwriting. Selected projects will always be assisted with the minimum amount of funds needed, as demonstrated by the underwriting and subsidy layering review.

Program Terms & Agreements

Affordability Period

All commitments of ASNH funds to a project result in a mandatory affordability period on the project property, which is the period of time that the rental units or single family home must be maintained as “affordable” according to the agreement between the developer and DHCD, and is enforced through a restrictive covenant deed recorded on the property.

Affordability periods for ASNH funded rental projects are thirty (30) years. As noted below, for HOME-assisted projects, this affordability period is comprised of a federal compliance period followed by a state-level affordability period. For all sources, the required type and number of

source-assisted units to be maintained as “affordable” for this time period determined by DHCD during underwriting.

For ASNH funded homeownership projects, the affordability periods for any available source are based on the total amount of funds (including HOME funds from local Entitlements or Consortiums) invested in the project and DHCD’s determination of investment through developer subsidy or direct homeowner assistance.

Rental Affordability Periods	
Source/Activity	Length
NHTF (all activities)	30 years (federal compliance only)
HOME New Construction	20 years (federal compliance) + 10 years state affordability)
HOME Rehabilitation	15 years (federal compliance) + 15 years state affordability)
VHTF, HIEE, and PSH funds	30 years (state compliance only)

Homeownership Affordability Periods	
Investment By Unit	Length
HOME or VHTF/HIEE; less than \$15,000*	5 years
HOME or VHTF/HIEE; \$15,000 - \$40,000*	10 years
HOME or VHTF/HIEE; more than \$40,000*	15 years

**If only homebuyer developer subsidy, a resale provision applies. If DHCD DPA is included in a unit then a recapture provision applies and affordability is based on the amount of DPA only.*

Type of Assistance Provided

Funds made available through the ASNH Program have standard terms based on project type.

Rental project assistance is provided as permanent, must pay debt after all other financial commitments are received. These funds are leveraged to close a financing gap in the affordable housing project, and the amount of funds committed must be the minimum amount needed.

All rental project applications must assume permanent financing structured as a 3% interest-only, deferred principal loan, with must-pay interest over the full required affordability period of time of 30 years. Cash flow loan requests will not be considered. Construction draws or other payments of ASNH funds prior to conversion to permanent financing will not be considered.

Homebuyer project assistance is structured as reimbursement-based construction financing. Construction draws are allowed based on predetermined and specific project completion milestones. No reimbursement draws are permitted until DHCD has received a fully executed deferred loan agreement, and a copy of the restrictive covenant deed of trust recorded on all properties under the loan agreement. Reimbursement draws or remittances are sent to the Applicant's organization address as listed in CAMS via paper check until the organization completes registration with the Department of Accounts for ACH payments.

This structure may also be available to rental projects with only PSH funds assistance.

For all projects, DHCD reserves the right to charge agency-incurred project costs to the project. These costs include only actual, applicable project costs such as environmental review notices and legal services. Any incurred costs charged to the project are structured as a grant, included in the total amount of project assistance. The total ASHN project assistance is reflected in the restrictive deed, the program agreement, underwriting, and subsidy layering analysis.

Additional Criteria

Income Restriction Criteria

Each ASNH awarded source has income restriction criteria, and regulations about how and when income determinations or qualifications are made.

Projects must be able to meet the ASNH Program requirement of a minimum of five units, but the actual number of assisted units in a project will be determined during underwriting. These units must be made available to eligible households that meet the income-restriction requirements of the source based on Area Median Incomes (AMI). Income calculations must be based on HUD's Section 8 income eligibility standard.

For all projects, households must meet income-restriction eligibility requirements at the time that program eligibility is determined, and determinations expire after six months.

For rental projects, all NHTF-assisted units must be restricted to households with incomes at or below 30% AMI; HOME-assisted units must be restricted to households with incomes at or below 60% AMI, and twenty percent (20%) of HOME-assisted units in a project must be further restricted to households with incomes at or below 50% AMI. VHTF and HIEE assisted projects must have units restricted to households with incomes at or below 80%. All ASNH sources allow for rental projects to be mixed-income and/or include 'workforce units,' market-rate or unrestricted units, but these projects must have appropriate numbers of restricted units to meet program requirements and have eligible costs to support the ASNH award value or investment.

For homebuyer projects, all sales must be made to households at or below 80% AMI regardless of ASNH source. For homebuyer projects, closing must occur within six months of income determinations. If closing does not occur during that time, then income eligibility must be re-established.

HOME Program Criteria

Match Funds and non-Entitlement Preference

Eligible projects may be located in any locality in Virginia. For projects requesting HOME funds, there are criteria that change based on the locality in which the project will be developed.

Some localities in Virginia, called HOME Entitlements or HOME Consortiums, receive HOME funds directly from HUD.

Projects located in these localities (listed in **Appendix A**) must meet a *local match requirement*. These projects must have a commitment of 25% of their ASNH Program HOME funds request from locally-administered funds. Examples of local match include local HOME, CDBG, or other federal or state funds awarded and administered by a local government. Match requirements can also be met based on the waiver of locally collected fees directly associated with the specific development (e.g., water and sewer connection fees). Documentation of local match must be included in the application.

Projects located in non-Entitlement or non-Consortium localities do not have a match requirement on their application for ASNH Program HOME funds, and have a scoring preference of 5 points on their HOME funds score.

HOME Environmental Reviews

Projects awarded HOME funds will require an additional environmental record review completed and approved by DHCD. **No development activity including the acquisition of the property can occur prior to the completion of this review, which may include the publication of a notice of findings and the request for release of funds from HUD.** Projects proceeding with development or ‘choice limiting’ activities prior to the completion of the review may be ineligible.

Coordination of the environmental review will be required for any project combining DHCD’s State HOME funds with local HOME or Community Development Block Grant (CDBG) funds.

NHTF Program Criteria

NHTF Environmental Reviews

Projects awarded NHTF funds will require an additional environmental record review. The NHTF Environmental Provisions for new construction and rehabilitation under the Property Standards at 24 CFR § 93.301(f)(1) and (2) are similar to HUD’s Environmental Regulations at 24 CFR Parts 50 and 58 for HOME funds. The main difference is that the HTF Environmental Provisions are outcome based, and exclude consultation procedures (including notice requirements and public comment periods) that would be applicable if NHTF project selection was a federal action. Parts 50 and 58 are process based, and include consultation procedures for several laws and authorities where there may be environmental impacts. See [CPD notice 16-14](#) for further details.

Permanent Supportive Housing Criteria

Rental projects may include permanent supportive housing (PSH) units, which is permanent housing made available to individuals in qualified target populations in which supportive services are provided to assist at least that individual (who may be a member of a multi-person household) in achieving housing stability. These units may also have housing assistance in the form of rental

subsidies, or the individuals may have their own tenant-based rental assistance. Projects may target special needs populations such as veterans, formerly homeless, or elderly individuals.

However, for the purposes of achieving a scoring preference (5 points) or accessing the increased funding cap, projects must target households which meet the HUD definition of chronic homelessness, households with at least one member with an intellectual or developmental disability (ID/DD), or households with at least one member with a serious mental illness (SMI).

The minimum number of PSH units required per project to gain the scoring preference is as follows:

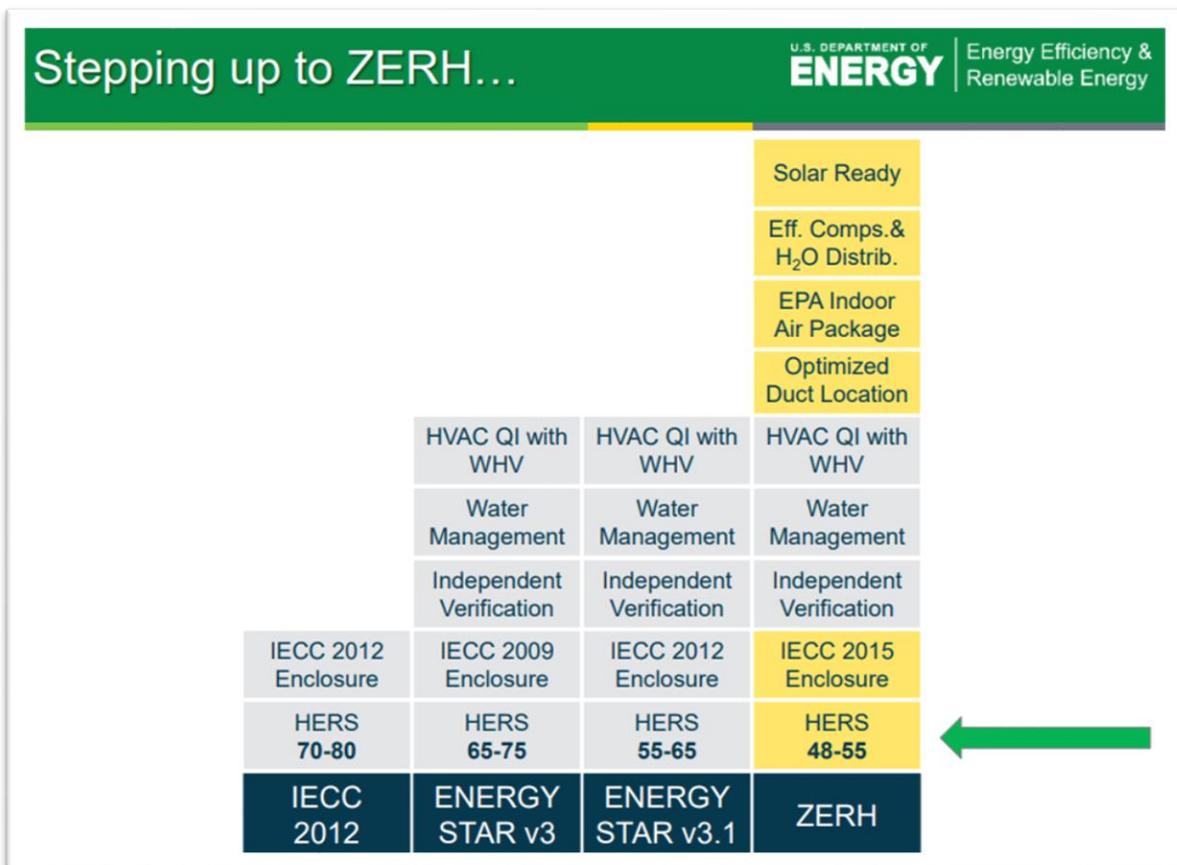
Total Unit Count	PSH requirement
32 units or greater	8% of total units
11-31 units	Minimum of 2 units
10 Units or less	Minimum of 1 unit

Compliance with fair housing always applies, tenants must have a lease in their name, and participation in services may not be a condition of tenancy.

HIEE Funds Criteria

Projects must meet or exceed the following performance requirements, and must submit their HERS rater plan review and preliminary rating, and their preliminary documentation of green build certification. Applications for which these documents are incomplete or missing will be considered ineligible for an award from this ASNH HIEE Supplemental Funding Round, and DHCD staff will advise applicants that they will need to resubmit documentation in conjunction with a completed application for the ASNH competitive loan pool at a later date.

Please note the minimum requirements differ substantially from Virginia Housing’s Low-Income Housing Tax Credit (LIHTC) energy efficiency requirements. Meeting the LIHTC Qualified Allocation Plan energy-related standards or meeting EnergyStar standards do not qualify a project for HIEE funding.



Slide courtesy Newport Partners/Jamie Lyons from the ASNH Webinar: HIEE Requirements Presentation recording available at dhcd.virginia.gov/hiee
 Further information available at buildings.energy.gov

HIEE Minimum Energy Efficiency Performance Requirements	
New Construction	Green building certification required* Zero Energy Ready Homes (ZERH)**
Substantial Rehabilitation	Green building certification required* Average HERS index of 70 or below across all units OR 40% improvement in HERS index Additional requirements: ACCA Manual J calculations for heating/cooling loads Fresh air ventilation and dehumidification** Duct leakage testing and sealing*** Architect cost certification of upgrades needed to meet HIEE requirements
Adaptive Reuse	Green building certification required* Average HERS index of 80 or below across all units Additional requirements: ACCA Manual J calculations for heating/cooling loads Fresh air ventilation and dehumidification** Duct leakage testing and sealing*** Architect cost certification of upgrades needed to meet HIEE requirements

*Eligible green building certifications include: LEED, EarthCraft Gold or higher, National Green Building Standard Silver or higher, and Enterprise Green Communities.

**Dehumidification strategy/equipment shall provide for occupant comfort and health by maintaining interior RH in 40-60 percent range. For renovations and adaptive reuse projects, if building/unit envelopes are tightened to new construction standards (5 ACH₅₀), ventilation system(s) shall provide fresh air supply per the most current version of ASHRAE 62.1 or 62.2, or the most current version of USBC, whichever is more stringent.

***Existing ductwork shall be sealed and tested to be ≤10 percent total duct leakage; if HVAC system/ductwork will be newly-installed, duct leakage shall meet new construction energy code requirements (≤4 percent total duct leakage).

Additional Federal and State Requirements

Section 504

[Section 504](#) applies to all ASNH assisted rental projects based on project type, which is determined by DHCD staff in coordination with the Applicant/Developer.

New Construction

New construction of multifamily rental housing with five or more units must be designed and constructed to be readily accessible to and usable by persons with disabilities. All common areas in the building must be made accessible, and a minimum of individual units must also be accessible.

- A minimum of five percent (5%) of the dwelling units in the project (but not less than one unit) must be accessible to individuals with mobility impairments.
- An additional two percent (2%) of the dwelling units (but not less than one unit) must be accessible to individuals with sensory impairments (i.e., hearing or vision impairments).

Rehabilitation: Substantial alterations

Multifamily rental projects of fifteen units or more that undergo “substantial alterations” must also comply with Section 504’s accessibility requirements. Substantial alterations are defined as projects where costs of the planned rehabilitation will be seventy-five percent (75%) or more of the replacement cost of the completed facility. For these projects, all common areas in the building must be made accessible, and a minimum of individual units must also be accessible.

- A minimum of five percent of the dwelling units in the project (but not less than one unit) must be accessible to individuals with mobility impairments.
- An additional two percent, at a minimum (but not less than one unit), must be accessible to individuals with sensory impairments.

The requirements for multifamily projects undergoing substantial alterations are found at 24 CFR 8.23(a).

Rehabilitation: Other Alterations

If a multifamily rental project does not meet the definition of substantial alterations, the alterations that are made must, to the maximum extent feasible, make the dwelling units accessible to and usable by individuals with mobility impairments.

If alterations of single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, then the entire dwelling unit shall be made accessible to persons with mobility impairments. This would include alterations that involve certain kitchen and bathroom renovations, as well as entrance door jamb replacements. In addition, alterations to common spaces must make those areas accessible to the maximum extent feasible.

For this category of rehabilitation, only:

- When a minimum of five percent of the dwelling units (but not less than one unit) are accessible to people with mobility impairments, then no additional units are required to be made accessible
- There is no requirement to make any units accessible to individuals with sensory impairments.

A recipient is not required to make these accessibility alterations if doing so would impose undue financial *and* administrative burdens on the operation of the multifamily housing project (24 CFR 8.23(b)). However, projects in this category of rehabilitation may not be funded at DHCD's sole discretion when projects which do create additional accessible units are eligible within the same application round.

Program agreements will reflect Section 504 units, and will require that any vacant 504 units are listed on Virginia Housing Search and held for at least 60 days before being leased to household not requiring a unit-specific accommodation. Tenant selection plans must also include 504 units.

Fair Housing Act

The Fair Housing Act prohibits discrimination in the sale or rental of housing based race, color, religion, sex, national origin, handicap or familial status. This prohibition applies to all projects assisted with the ASNH program, and any project or applicant that discriminates or projects which are structured to discriminate are ineligible.

Lead Safe Housing

Lead Safe Housing policies apply to ASNH projects, unless they are found to be exempt. For non-exempt projects appropriate measures must be taken to assure that:

- Rehabilitation or demolition activities meet lead safe requirements;
- Development costs include associated costs;
- Homebuyers or tenants will receive notification (if applicable);
- Operating costs include ongoing associated maintenance costs for rental projects; and
- Records are maintained to document all measures taken.

Uniform Relocation Act (URA)

Accommodations for any relocations are required for all funding sources. However, the Uniform Relocation Act (URA) applies to all HOME/NHTF assisted projects where development activity will result in the permanent or temporary dislocation of households, businesses, farms and nonprofit organizations. When permanent or temporary dislocation is possible, a notice of the intent and a survey of the occupants must be conducted prior to the ASNH application. All application must include a completed URA Assessment Form and documentation of the notice and survey results. Development costs must reflect any associated costs that the project anticipates.

Section 3 Requirements

Section 3 requirements apply to all HOME/NHTF-assisted projects. These requirements mean that development-generated opportunities must be designed to benefit to the greatest degree possible low and very low income persons in the project services area and the business that employ them.

Developer hiring, contracting, and subcontracting must be structured to maximize this benefit. Project owner/developers are required to adopt specific goals, develop a Section 3 plan, and comply with required notifications, documentation, and reporting documented to DHCD through CAMS.

Labor Standards

[Labor Standards](#) apply to all projects. All projects must assure that workers receive “overtime” compensation at a rate of 1.5 times their basic rate of pay for all hours worked in excess of 40 hours a work week. This applies to all project associated construction contracts funding in whole or in part with HOME/NHTF resources.

[Davis-Bacon Act](#) and the [Copeland “Anti-Kickback” Act](#) requirements apply to projects with 12 or more HOME assisted units (determined in underwriting by DHCD, in part on the proportion of HOME funds to total development costs). In these cases, Davis-Bacon prevailing wages must be paid to workers at least weekly without any deductions or rebates except permissible deductions. Reporting requirements include the payroll submissions.

Violence Against Women Act

[Violence Against Women Act](#) applies to all projects and provides housing protection for survivors of domestic and date violence, sexual assault, and stalking. This requirement requires that all tenants are notified of their rights under the provision. The provision allows for emergency transfers to other units, bifurcation of leases, protection against denials, evictions, and terminations that directly result from being a victim, and allow for a low-barrier certification process.

Environmental Review

All applicants must complete and submit with their application a Phase 1 Environmental Site Assessment. In addition, as stated in the HOME and NHTF Criteria sections above, compliant environmental review must be completed before DHCD can execute any HOME or NHTF Program Agreement to secure a formal commitment of funds.

It is essential that developers not proceed with any project activity (e.g., acquisition, rehabilitation, demolition, construction, etc.) prior to the execution of the program agreement or the project will likely be rendered ineligible for funding. Applicants must allow sufficient time to complete and submit all required environmental site assessment documentation to DHCD.

Coordination on the environmental review procedure is required if combining ASNH resources with CDBG or other federal funding such as local HOME. Part 58 checklists must be submitted within six months of a HOME or NHTF award being made, and prior to any potentially choice limiting activities being undertaken.

Application Submission and Evaluation

All applications for Affordable and Special Needs Housing (ASNH) must be submitted through DHCD's [Centralized Application and Management System](#) (CAMS) prior to the application submission deadline.

**The deadline for Fall 2022 submissions is October 31, 2022 at 11:59pm
CAMS automatically closes the application to submissions at this time.**

The CAMS [User Guide](#) provides information and instructions on setting up and managing a CAMS account, and should be used first to troubleshoot any errors. Please allow up to two business days for responses to any CAMS Help Desk request. DHCD technical assistance is limited to normal business hours.

[ASNH Application Instructions](#) are available in CAMS to further assist Applicants in completing and submitting applications for ASNH funds. Applications submitted with incorrect or missing information will be reviewed *as is*, and may be ruled ineligible.

DHCD conducts panel reviews of all Applications submitted in CAMS prior to the submission deadline. During this panel review, the Application is first screened to ensure the Project and Applicant meet the eligibility requirements. Projects or Applicants which do not meet eligibility requirements are not provided with a numerical score.

Applicants with outstanding or unresolved findings from audit or monitoring findings, unresolved IRS findings, unresolved compliance findings – including those issues which may be identified to DHCD by another previous partner such as Virginia Housing (VH or VHDA) –, or which are not in compliance with previous DHCD agreements will not be eligible for a funding commitment for any Project until such findings and/or compliance issues are resolved. DHCD staff are committed to working with any interested party to develop a plan for resolution and restoration of eligible status.

Scoring Criteria

Applications are scored on a one hundred (100) point scale, and Projects must score sixty (60) points or higher to be qualified for funding.

Scoring criteria are as follows

- Need – 40 points
 - The Applicant demonstrates through narrative responses and information in attachments that the Project fills a critical need in the market area.
 - For rental projects only, PSH projects receive points (5) in this category
 - For HOME funds only, projects in non-Entitlement or non-Consortium localities receive points (5) in this category
- Feasibility – 30 points

- The Applicant demonstrates through narrative responses and information in attachments that the Project is likely to come to a timely completion
- Developer Capacity – 30 points
 - The Applicant demonstrates through narrative responses and information in attachments that the development team has the ability to successfully complete projects and deliver affordable housing
 - For HOME funds only, CHDO-involved projects receive points (5) in this category

DHCD staff will rank all qualified Applications based on score. The highest scoring Applications from each round will receive offers of funding from DHCD, up to the amount requested in the Application as available based on per-project and per-source caps, and remaining funds for allocation through the ASNH Program. These offers are preliminary awards and are contingent upon the Applicant meeting certain requirements as outlined in the Program Guidelines and in the source-specific letter of award offer.

DHCD reserves the right to retain any funds offered during an application cycle or program year as unallocated, and such unallocated funds will carry forward to future application cycles and program years as allowed.

Notification of Funding Decision

The Office of the Governor of Virginia makes the Affordable and Special Needs Housing program funding award announcements public, typically by the publication of a press release.

After the ASNH Program application cycle closes, ASNH staff are unable to answer inquiries as to the timing or contents of this announcement. Any such inquiries will not be returned.

After the public announcement of ASNH Program awards, DHCD staff will send an email to the Project Primary Contact as listed for each Project in CAMS containing either a notification of awarded funds or a denial of funding. Projects which are denied funding may request to schedule a technical assistance call, or *debrief*, with ASNH staff to discuss comments or feedback on the Application.

Execution of Award Terms

Applicants receiving a notification of awarded funds for Projects are considered preliminarily qualified. For each source awarded, the notification of awarded funds is comprised of two documents. The first document is a letter of award, which will be signed by the Senior Deputy Director of Community Development and Housing.

The second document will contain additional terms of the awarded funds, including interest rate, length of affordability period, and details program requirements (including environmental review processes). This *terms letter* must be countersigned by the Applicant and returned to DHCD staff prior to the issuance of a Program Agreement.

DHCD's expectation is that all Applicants requesting ASNH funds are prepared to return executed *terms letter(s)* in a timely manner. Applicants which delay the return of an executed terms letter without communicating with their assigned Program Administrator may not be eligible for an extension of time to complete the Program Agreement.

Execution of Program Agreement(s)

Applicants have a maximum twelve (12) months from the date on the notification of awarded funds and *terms letter(s)* to complete all program requirements and execute the Project's Program Agreement. This window of time is intended to allow both Applicants and DHCD to complete necessary processes which may have predetermined time requirements, such as Applicant underwriting review or DHCD public notice and comment periods.

The Program Agreement (a formal commitment of funds, and prerequisite for a legal loan commitment for rental projects or prerequisite to Deeds of Trust and remittance eligibility for homeownership projects.) Program requirements vary by source, but may include an environmental review process with public comment periods as required by HUD, and program agreements cannot be issued until all contingencies and program requirements are met.

ASNH Program Agreements generally expire two years from the date of execution, by which time the Project should be completed and ready to schedule permanent conversion or closing (rental projects) or should be completed and ready to submit closing disclosures on final home sales (homebuyer projects). Written requests for extensions of any deadline above must be received by DHCD prior to the expiration of the agreement or commitment, and are approved on a case-by-case basis at DHCD's discretion.

Marketing Materials

DHCD and the specific funding source(s) must be including on all marketing materials to include press releases, the project website, and signage. DHCD requires that a project sign be installed within thirty (30) days of the execution of the Agreement. Please see [signage requirements](#) for more details.

Appendix A – HOME Consortiums & Entitlements

Projects in these localities must provide evidence of matching funds as detailed in the Program Guidelines to be eligible for an award of HOME funds from the ASNH Program.

HOME Consortiums

Charlottesville Consortium

Albemarle County
Charlottesville
Fluvanna County
Greene County
Louisa County
Nelson County

New River Consortium

Blacksburg
Christiansburg
Giles County
Montgomery County
Pulaski County
Radford

Suffolk Consortium

Franklin City
Isle of Wight
Southampton
Suffolk

Winchester Consortium

Clarke County
Frederick County
Page County
Shenandoah County
Warren County
Winchester

HOME Entitlements

Alexandria
Arlington County
Bristol City (TN Consortium)
Chesapeake
Chesterfield County
Danville
Fairfax County, including
 Fairfax City
 Falls Church
Hampton
Henrico County
Lynchburg
Newport News
Norfolk
Portsmouth
Prince William County, including
 Manassas
 Manassas Park
Richmond
Roanoke City
Virginia Beach

Appendix B – HIEE Minimum Energy Efficiency Performance Requirements

HIEE Minimum Energy Efficiency Performance Requirements	
New Construction	Green building certification required* Zero Energy Ready Homes (ZERH)**
Substantial Rehabilitation	Green building certification required* Average HERS index of 70 or below across all units OR 40% improvement in HERS index Additional requirements: ACCA Manual J calculations for heating/cooling loads Fresh air ventilation and dehumidification** Duct leakage testing and sealing*** Architect cost certification of upgrades needed to meet HIEE requirements
Adaptive Reuse	Green building certification required* Average HERS index of 80 or below across all units Additional requirements: ACCA Manual J calculations for heating/cooling loads Fresh air ventilation and dehumidification** Duct leakage testing and sealing*** Architect cost certification of upgrades needed to meet HIEE requirements

*Eligible green building certifications include: LEED, EarthCraft Gold or higher, National Green Building Standard Silver or higher, and Enterprise Green Communities.

**Dehumidification strategy/equipment shall provide for occupant comfort and health by maintaining interior RH in 40-60 percent range. For renovations and adaptive reuse projects, if building/unit envelopes are tightened to new construction standards (5 ACH₅₀), ventilation system(s) shall provide fresh air supply per the most current version of ASHRAE 62.1 or 62.2, or the most current version of USBC, whichever is more stringent.

***Existing ductwork shall be sealed and tested to be ≤10 percent total duct leakage; if HVAC system/ductwork will be newly-installed, duct leakage shall meet new construction energy code requirements (≤4 percent total duct leakage).

Appendix C – Eligible Costs

For all project types, all funded development costs must be allowable:

Eligible or Allowable Costs:

- *Demolition costs* are eligible costs, however construction must begin within 12 months
- Construction, labor, and materials costs
- Project development costs (e.g., financing fees, legal fees, affirmative action marketing)
- Up to 18 months rental project operating deficit reserve
- Relocation costs for any household in project as a part of the project development costs

Ineligible Costs:

- HOME/NHTF investments not resulting in HOME/NHTF eligible units
- Project reserves other than the rental operating (above) or beyond 18 months
- Costs for the development, operation, or modernization of any public housing
- Some specific costs related to RAD (Rental Assistance Demonstration) projects
- Items not allowed under 2 CFR 200 or not deemed cost-reasonable
- Project-based rental assistance
- Delinquent taxes, fees, charges

Appendix D – Additional Program Requirements and Compliance

Rental Projects

While final cost certification and completion reports are required at closing, progress reports may be required quarterly on each project during the development phase, and regular construction inspections may be conducted to verify progress.

Affordability periods begin after permanent conversion (DHCD loan conversion) when all closing checklist items (which may include but are not limited to completion reports, including lease up data or rent rolls, HUD-required demographic data as determined by source) are provided to DHCD for review and approval.

Assisted units have income restrictions as detailed in the Program Guidelines, with initial certification and annual recertification required. HOME- and NHTF-assisted units also have HUD-determined rent limits. Rents cannot exceed these HUD-determined rent limits, with the exception of project-based rental assistance. Rent increases over those proposed in the project application must be approved by DHCD.

The [Compliance in HOME Rental Projects: Guide for Property Owners](#) and [HOME Rental Compliance Training](#) provide more detail on income and rent requirements; Additional requirements will be detailed in an individual project's program agreement and loan commitment documents.

Long-Term Compliance

During the affordability period each project will be required to submit annual rent and occupancy reports and project financials. DHCD will verify through onsite monitoring compliance with rent, occupancy, property standards, and other programmatic requirements. **Non-compliance may suspend eligibility for subsequent commitments and could result in the repayment of all funds to DHCD.**

Projects will be inspected for property standards and program compliance within 12 months of project completion. Projects will be inspected thereafter no less than every three years. All rental projects must submit annual rent and occupancy reports and project financials. Onsite inspections and monitoring frequencies are based on performance and risk assessments.

Rental projects must meet program rent, occupancy, and property standards and other applicable federal or state requirements for the duration of the affordability period in accordance with the program agreement. Additional HOME/NHTF program investments cannot occur during this time period. Projects unable to meet these requirements or projects at-risk of non-compliance may be required to submit to more frequent monitoring, to change property management, and/or transfer ownership.

Homebuyer Projects

Project Completion

While final cost certification and completion reports are required at the end of the development phase and prior to the last reimbursement remittance or draw, progress reports may be required quarterly on each project during the development phase, and regular construction inspections may be conducted to verify progress.

For homebuyer developments assisted with any ASNH source, the final reimbursement remittance or draw (typically 10% of the total award) will not be approved until all completion documentation is submitted and approved by DHCD. Completion documentation required may include the COs for all properties named on the deed of trust by DHCD, and covered by the deferred loan agreement between the Applicant and DHCD, closing disclosures and lien documentation from each sale, and completion reports such as the HUD HOME Homebuyer Set Up/Completion report. **Non-compliance could suspend eligibility for additional funds and could result in the repayment of all funds to DHCD.**

HOME-assisted homebuyer developments automatically convert to HOME rental units for the duration of the affordability period if there is no ratified sales contract at nine months after the date a Certificate of Occupancy is issued to the project. HUD allows no exception to this requirement.

Value or Sales Limits

Homebuyer properties must be considered *modest*, based on property sales price or value. The sales price cannot exceed 95% of the median area purchase price, using HUD 203 (b) limits or a local market survey. No luxury homes or amenities as determined by neighborhood standards are allowed for assisted units.

Lease-Purchase Projects

Homebuyer projects may be structured as lease-purchase projects, but must be identified as lease-purchase in the application. Lease-purchase projects must convert to a tenant-purchased homebuyer unit within three years. Any units which failing to meet this requirement will convert to HOME rentals unit for the duration of the affordability period. Applicants considering this option **are required** to consult with DHCD prior to submitting an application for a project.

Resale Requirement: Homebuyer Developer Subsidy Projects

Homebuyer units assisted through developer subsidy are subject to a resale provision. A resale provision requires the assisted unit to be resold to an income eligible household if the original purchaser chooses to sell their home prior to the end of the applicable affordability period.

The developer must monitor sales, foreclosures, and title transfers to assure affordability requirements. The developer must ensure that resale requirements are imposed if the housing does not continue to be the principal residence of the occupant or family for the duration of the period of affordability, and must also ensure that the housing is only made available for subsequent purchase to a buyer whose family household qualifies as a low-income family and will use the property as its principal residence.

The resale requirement must also ensure that the price at resale provides the original assisted owner a fair return on investment, which is can be *additional* amount calculated to return, based on the homeowner's original cash/equity investment in the property and any capital improvement made to the property. This calculation limit also ensures that the housing property will remain affordable to a reasonable range of qualified low-income homebuyers for the full period of affordability as determined by DHCD according to the amount of funds invested in the housing.

A "fair return on investment" is determined by the resale price that takes into account a return of the initial homebuyer's initial investment plus any capital improvements made to the housing unit, which are typically set or limited based on changes in area median sales price. These factors typically establish the fair market value for the city or county that the property is located. The intent is to provide a fair return to the seller while limiting price based solely on the Median Sales Price to a potential buyer.

To determine a "a fair return on investment", the ASNH Program will measure the percentage change in median sales prices over the period of ownership as a reasonable index that is directly related to real estate prices in the area which will simplify the resale approach by taking both market appreciation and depreciation into account. It is important to note that in certain circumstances, such as a declining housing market where home values are depreciating, the original homebuyer may not receive a return on his or her investment because the home sold for less or the same price as the original purchase price. DHCD's intent is to set a resale price that provides a fair return to the original homebuyer while ensuring that the property is affordable to the target population, thus reducing the need for additional subsidies to eligible buyers.

A capital improvement is any addition or alteration to real property that meets the following conditions:

- It substantially adds to the value of the real property, or appreciably prolongs the useful life of the real property; and
- It becomes part of the real property or is permanently affixed to the real property so that removal would cause material damage to the property or article itself.

The value of any capital improvement will be determined by the national average increase in value that a specific type of improvement brings at sale. For example, if homeowner's down payment was \$5000, the value of capital improvements is \$9000 and the percentage change of median sales price over ownership period was 3.5%, then a calculation of $(\$5000 + \$9000) \times 3.5 = \$490$. The fair return on investment is \$490, and the total return to the original homebuyer at resale would not exceed \$14,490 ($\$5000 + \$9000 + \490).

A "*reasonable range of low-income buyers*" is defined in the ASNH Program as a household or family at or below 80 percent of Area Median Income paying no more than 30 percent of income for principal, interest, property taxes, and insurance.

DHCD will use deed restrictions, covenants running with the land, or other similar mechanisms as the mechanism to impose the resale and continued affordability requirements as outlined in §92.254(a)(5)(i)(A) of the HOME Rule. The developer may use purchase options, rights of first

refusal or other preemptive rights to purchase the housing before any conveyance to preserve affordability. The affordability restrictions shall be revived according to the original terms if, during the original affordability period, the owner of record before the termination event, obtains an ownership interest in the housing.

Recapture Provision: Direct Homebuyer Assistance

ASNH Homebuyer HOME-assisted units including DHCD HOME Down Payment Assistance (DPA) direct buyer assistance are subject to a recapture provision in order to assure that the units either remain affordable (i.e., housing eligible clients) or that DHCD recovers its investment based on the terms of the agreement. Recapture applies and the amount to be recaptured is limited to the amount of direct buyer assistance (not the developer subsidy).

Virginia will use the recapture provision at §92.254(a)(5)(ii)1) to recapture the entire amount. The total original amount of the direct buyer assistance is recaptured from the net proceeds in the case of sale, refinance (see exception below), foreclosure or failure to maintain as primary residency prior to the end of the affordability period. In these cases the required amount returned (total assistance amount from net proceeds) is due and payable in full to DHCD to the Treasurer of Virginia.

The assistance may not be subordinated to refinancing of the first lien position primary mortgage or an equity loan or line of credit during the period of affordability except under special hardship conditions at DHCD's discretion. Affordability requirements are secured by a Restricted Deed of Covenant in the amount of direct assistance. The loan is forgiven in full at the end of the affordability period.