

2015 HOME ACTION PLAN

The 2015 State of Alabama’s HOME Investment Partnerships Program Action Plan (the “Plan”) was approved by the Board of Directors of the Alabama Housing Finance Authority (“AHFA”) on December 16, 2014, and will be included as part of the State of Alabama’s Consolidated Plan to be submitted to the U.S. Department of Housing and Urban Development (“HUD”) for its approval. Until approved by HUD, the Plan is available for information purposes only and is subject to change in whole or in part.

As a result, please be advised that all time, money and other resources committed to the submission of an application to AHFA under the Plan will remain entirely at risk until HUD provides final approval of the Plan.



Prepared by the Alabama Housing Finance Authority acting solely in its capacity as the Administrator of the State of Alabama’s HOME Investment Partnership Program.

**Alabama Housing Finance Authority
2015 HOME Action Plan**

TABLE OF CONTENTS

	<u>PAGE</u>
I. HOME INVESTMENT PARTNERSHIPS PROGRAM	3
II. DEFINITIONS	3
III. ALABAMA HOME PROGRAM	4
IV. ALLOCATION PROCESS	13
V. ADMINISTRATION OVERVIEW	24
VI. COMPLIANCE	25
VII. AMERICAN DREAM DOWNPAYMENT INITIATIVE	27
VIII. ADDENDA	
A. Addendum A	Alabama Housing Finance Authority's 2015 Point Scoring System
B. Addendum B	Alabama Housing Finance Authority's 2015 Environmental Requirements
C. Addendum C	Alabama Housing Finance Authority's 2015 Design Quality Standards
D. Addendum D	Alabama Housing Finance Authority's 2015 Design Quality Standards (For Single-Family Rental Homes) (For Attached New Construction Rental Units)
E. Addendum E	Alabama Housing Finance Authority's 2015 HOME Action Plan Compliance Monitoring Procedures, Requirements and Penalty Criteria

I. HOME INVESTMENT PARTNERSHIPS PROGRAM

The Home Investment Partnerships Program (HOME) is a federally funded housing program established in 1990 as part of the Cranston-Gonzalez National Affordable Housing Act (the “Act”). Under guidelines from the United States Department of Housing and Urban Development (HUD), Alabama Housing Finance Authority (AHFA) is the designated administrator and designer of Alabama’s HOME Program. AHFA has specifically designed the HOME Program to meet the needs of low- and moderate-income Alabamians consistent with HUD guidelines.

II. DEFINITIONS

Act - the Cranston-Gonzalez National Affordable Housing Act passed in November 1990. This Act contains the provisions for the HOME Program and is further defined in 24 CFR Part 92.

Alabama Housing Finance Authority (AHFA). AHFA was designated the administrator of Alabama’s HOME Program by the Governor of the State of Alabama on February 22, 1991.

Community Housing Development Organization (CHDO). In order to qualify as a CHDO, an organization must be a non-profit organization and meet the requirements specified in 24 CFR Section 92.2. The qualifying CHDO must have staff that is experienced in developing projects of the same size, scope and level of complexity as the activities for which HOME funds are being reserved or committed. HUD defines CHDO staff as paid employees responsible for day-to-day operations (volunteers, board members, and consultants are not considered staff). The organization must recertify annually to remain an active and qualified CHDO for purposes of applying for HOME funds.

Competitive Cycles - a period of time established by AHFA during which applications for funding under Alabama’s HOME Program may be accepted.

Consolidated Plan (Plan) - a consolidated submission of the planning and application aspects of four HUD Programs, including the HOME Program. Other Plan programs are CDBG, ESG and HOPWA.

Agreement - Alabama’s HOME Investment Partnerships Program Written Agreement. The HOME Agreement is an agreement executed by AHFA and the entity approved to receive an appropriation of HOME funds.

HOME Funds - funds made available under Alabama’s HOME Program through allocations and reallocations, and may consist of any repayments and interest or other return on the investment of these funds.

Participating Jurisdiction - a state or local unit of government, which has met the requirements of Section 216 of the National Affordable Housing Act and will receive a separate appropriation of HOME funds to be used within its jurisdictional boundary. The State of Alabama is considered a participating jurisdiction. The local participating jurisdictions for this state are: Anniston, Jefferson County, Birmingham, Mobile, Mobile County, Montgomery, Huntsville and Tuscaloosa.

Project - a site or an entire building or two or more buildings, together with the site or (when permissible) sites on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking. Project includes all the activities associated with the site and building.

Recipient - an individual, public agency, for-profit developer(s), CHDO, non-profit developer(s), or any entity that receives State of Alabama HOME funds.

III. ALABAMA'S HOME PROGRAM

AHFA has developed and implemented this HOME Action Plan for the State of Alabama in compliance with the rules set forth in Title II of the Act, the final rule published by HUD (collectively hereinafter referred to as the "HOME Regulations"). AHFA is required by the HOME Regulations to:

- Develop selection criteria to be used in determining housing priorities for the State. The selection criteria includes ranking each project in accordance with its location, fulfillment of housing needs, project and applicant characteristics and participation of local tax-exempt organizations;
- Develop an evaluation process whereby preference is given to projects, which serve: (1) the lowest-income tenants, and (2) qualified tenants for the longest period(s); and
- Develop compliance monitoring procedures to test for compliance with HOME Regulations and for notifying the Housing and Urban Development (HUD) of noncompliance.

A. Development of Selection Criteria

AHFA has been responsible for preparing a housing needs assessment and strategy for the State of Alabama since the HOME Investment Partnerships Program was created. In 1992, AHFA prepared the first Comprehensive Housing Affordability Strategy (CHAS) as a prerequisite for Alabama to receive federal dollars for housing. Prior to submitting the CHAS to HUD, AHFA prepared an extensive list of interested relevant parties from which to gather information and mailed letters of inquiry, questionnaires and surveys to various state agencies, service providers, housing directors and individuals. Based on the information gathered, along with data from the relatively new 1990 U. S. Census, AHFA then compiled a blueprint document for creating affordable housing across the State.

Beginning in 1995, HUD abandoned the CHAS and created the Consolidated Plan in an effort to blend the four Community Planning and Development (CPD) programs - Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) - into a single submission process for the purposes of the Consolidated Plan. AHFA, as administrator of the HOME program, was deemed responsible for writing the housing portion of the new document. The Consolidated Plan provided a detailed overview of how the State planned to utilize its annual Community Planning and Development funding¹ to meet economic development objectives, provide affordable housing, and address other special needs. As a contributor, AHFA offered a detailed analysis of the current status of housing in Alabama with special attention devoted to the condition of housing and housing affordability.

The early State Consolidated Plan submissions relied on figures from the 2000 U. S. Census. Once the 2010 U. S. Census became available, the State relied upon the newer figures. While Alabama, like all states, has experienced fluctuations in population, income,

¹ Annual CPD funding for the State varies each year. For Program Year 2014, that figure was \$34,901,715.

and other critical census-tracked data between 1990 and 2000 and between 2000 and 2010, one realization has not been altered – our State is still poor and thousands of Alabama families and households need a safe and affordable place to live. A great many unmet needs still exist and AHFA will use the limited resources available to address as many unmet needs as feasible across the State.

The Consolidated Plan, in addition to providing an overall assessment of housing needs for the State, identifies the housing needs associated with special needs groups (minorities, single-parent families, the elderly, people with disabilities, mental illness, or AIDS/HIV and homeless persons).

A demographic analysis performed for the first Consolidated Plan (and still true today) concluded “that a significant number of individuals in all parts of the state are in need of housing assistance. Those with the greatest needs are, predictably, concentrated at the lowest levels of the income hierarchy, wherein the housing cost burden is also the most severe. The largest numbers relative to housing needs are found in the state’s most populous urban and metropolitan counties, but the greatest concentration of need is observed in the rural counties located in the southern portion of the state, the Black Belt in particular.”

Additionally, the Consolidated Plan continues to be updated with historical AHFA data, including a list of HOME and Housing Credit projects placed in service and/or committed by AHFA since those programs began. The new Census data did not dramatically alter the state’s affordable housing priorities. While state HOME funds provide hundreds of traditional affordable housing units across Alabama each year, the majority of beneficiaries have been families and, in some cases, the elderly. Meeting those needs is consistent with the Consolidated Plan findings and the need for additional family units and elderly units remains strong.

On April 27, 2011, the state of Alabama was hit by tornados, storms, straight line winds and flooding. Forty-three counties were declared disaster areas eligible for individual assistance under the authority of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Due to overall devastation of the disaster, Alabama received \$55 million in federal disaster relief funding to help achieve long-term recovery, restore housing and infrastructure, and promote economic revitalization. Of that \$55 million, Jefferson County received \$7.8 million, the City of Birmingham received \$6.4 million and the City of Tuscaloosa received \$16.6 million with the remainder available to the other 41 counties. In addition to \$55 million of federal disaster funds, HUD also awarded the State \$119.7 million in community block grant funds. Of that \$119.7 million, Jefferson County received \$9.1 million, the City of Birmingham received \$17 million and the City of Tuscaloosa received \$43.9 million with the remainder available for the other 41 disaster counties. Due to the number of housing units destroyed and made uninhabitable, AHFA also considered these facts when evaluating the 2011 applications for funding and developing the selection criteria for the 2012 and 2013 allocation cycles. As a result, AHFA has funded a total of 45 projects (which is 69% of the total number of projects funded in the last four years) for a total number of 2,822 affordable housing units with a total allocation of \$33,209,875 in Housing Credits and \$25,754,130 in HOME funds in the disaster counties.

B. Establishment of Housing Priorities

This HOME Action Plan seeks to ensure that, where economically feasible, every county in Alabama regardless of population size and other factors, will have an opportunity to compete for funding to address their unmet housing needs, with the understanding that respective county stakeholders be proactive toward a) providing additional funding sources and incentives as available, b) helping to remove regulatory and discriminatory barriers, and c) seeking experienced Housing Credit and HOME development partners to assist in creating housing solutions for their respective communities. AHFA has established certain housing priorities to be used in the distribution of HOME funds. AHFA seeks to promote the following housing priorities (not in order of preference) in the 2015 allocation cycle:

- Projects that add to the affordable housing stock;
- Projects, which, without HOME funds, would not likely set aside units for lower tenants;
- Projects which use additional assistance through federal, state, or local subsidies; and
- Balanced distribution of HOME funds throughout the state in terms of geographical regions, counties, and urban/rural areas.

C. Application Criteria

AHFA is required to evaluate each application to determine which projects should receive Housing Credits. To facilitate the evaluation process, all applicants must complete the following basic steps:

- 1.) Submit a complete application to AHFA. All or portions of the application may be required to be submitted online. After applications are submitted, AHFA will conduct a completeness review. The application may be deemed complete if the application package contains, at a minimum, the following:
 - All required AHFA-provided forms for current year (see application checklist and the 2015 Multifamily Funding Application Instructions as provided at www.AHFA.com prior to the beginning of the application cycle) are submitted with original signatures, legible, and all applicable spaces fully completed.
 - All required third-party documents for example; organizational documents, financing commitments and utility letters (see application checklist and the 2015 Multifamily Funding Application Instructions for the complete list of required documents as provided at www.AHFA.com prior to the beginning of the application cycle) are submitted and are acceptable in form and content to AHFA.
 - All required AHFA-provided and third-party forms and documentation must be submitted in numerical order behind blue index pages (applicant must provide) in the application package. The application should not be in a binder or spiral binding.

After the completeness review, each applicant will be contacted via e-mail regarding any missing and/or incomplete items or documents described in this Section I(C)(1). Upon notice, applicants must submit all missing and/or incomplete items or

documents (along with the required fee per missing/incomplete item as specified in Section I(D) within five (5) business days of notification by AHFA or the application will be terminated, and no further consideration will be given. The completeness check by AHFA will not extend to point scoring items (as referenced in Addendum A).

- 2.) Provide evidence that the project is a qualified affordable housing project for multifamily rental housing that meets the basic occupancy and rent restrictions required of Section 42 and HOME Regulations.

Multifamily rental housing projects must be on a single site or contiguous sites. Sites may be considered contiguous if separated only by one neighborhood street. Under the HOME Action Plan, mobile home developments, intermediate care facilities, group homes, and congregate care facilities do not qualify. In addition, any residential rental unit that is part of a hospital, nursing home, sanitarium, life-care facility, or intermediate care facility for the mentally and/or physically handicapped that is not for use by the general public and is not eligible for HOME funds. Projects must contain no fewer than 12 units and no more than 56 units.

Multifamily rental housing units must be under common ownership, deed, financing and property management.

- 3.) Provide evidence that the proposed project meets the 2015 AHFA Market Study Certification requirements. The proposed rental project must meet AHFA's market feasibility and analysis requirements. The market study must be conducted by an independent third party market analyst that has conducted a market study for a prior application submitted to AHFA for Housing Credits, HOME funds or Multifamily Bonds or has received prior written approval from AHFA to submit a market study for the 2015 application cycle. The list of market analysts that have conducted studies for prior applications, 2015 Market Study Certification and other instructions are available at www.AHFA.com. The market study must, at a minimum, document the following criteria:

- (i.) The project's market area must be clearly defined and reasonable;
- (ii.) The supply analysis of comparable subsidized or non-subsidized developments must include, but not be limited to, vacancies, amenities and rental rates;
- (iii.) The demand analysis must convincingly demonstrate a need for the proposed type of housing;
- (iv.) The market feasibility of the proposed rent structure must demonstrate that there is a rent advantage over non-subsidized housing in the defined market area;
- (v.) The analysis of the relationship between supply and demand must demonstrate a reasonable absorption rate; and
- (vi.) The summary of important facts and conclusions as provided in the market study must include a statement from the market analyst clearly stating in the analyst's professional opinion whether the project as proposed will be successful.

The market study must demonstrate an adequate market for the proposed units and that the proposed project would not adversely impact any existing AHFA projects or create excessive concentration of multifamily units.

AHFA will review the market study submitted, in-house documentation collected from onsite compliance audits, market information submitted by the United States Department of Agriculture Rural Development (RD), audited financial statements, and owner submitted project budgets in order to determine if there is an adequate need for the proposed project. AHFA may terminate any application based on any one of the following market criteria:

- (i.) The proposed project's capture rate is above thirty-five percent (35%).
 - (ii.) Active AHFA projects in the defined market area may have an overall average stabilized vacancy rate of fifteen percent (15%) or above. Active is defined as any AHFA project that is still in its applicable compliance period.
 - (iii.) The proposed market is determined to be a questionable market or the proposed project will have a clear long-term negative impact on an existing AHFA-funded development(s) in the same market.
 - (iv.) If any information submitted in the market study is determined to be incorrect or misleading.
- 4.) Demonstrate that the project is financially feasible. The project must meet certain financial feasibility requirements. See Section IV (E) (1) (iii) of this HOME Action Plan.
 - 5.) Submit evidence of adequate infrastructure capacity.
 - 6.) Demonstrate the likelihood of sustained 20-year affordability period with the HOME Regulations. The financial statements required in the application must demonstrate that the owner and management company have the financial capacity and experience to maintain compliance with the HOME Regulations throughout the compliance period.

D. Fees

The following fees, as applicable, must be paid with a business check or certified funds and made payable to Alabama Housing Finance Authority. Cash or personal checks will not be accepted:

- 1.) Application Fee: A \$1,000 non-refundable fee along with other applicable fee(s) must accompany the application forms and third party reports required thirty (30) days prior to the date of complete application submittal. A \$4,000 non-refundable fee must accompany the remaining application documents required for a complete application submittal. If either of the application fees are returned due to insufficient funds, the application will terminate. Regardless of the funding decision, all application fees are non-refundable.
- 2.) Missing and/or Incomplete Application Document(s): A \$1,500 fee will be charged for each missing and/or incomplete application item(s) or document(s).

The applicant will be contacted with a list of missing and/or incomplete item(s) or document(s) by e-mail. The applicant will have five (5) business days from the notification by AHFA to provide the required item(s) or document(s) and applicable fee.

- 3.) Project Inspection Fee: A minimum deposit of \$2,000 must be paid, at least thirty (30) days prior to application submission, for an on-site inspection(s) for each 2015 application which contains one (1) or more owner(s) with ownership in less than three (3) placed in service projects funded with Housing Credits or HOME funds awarded by AHFA. The applicant must also provide, at least thirty (30) days prior to application submission, a complete AHFA Schedule of Real Estate Owned for each owner.

Each such applicant owner(s) must consent to an on-site inspection by AHFA (or by AHFA’s designated consultant) of any of such owner’s existing projects. AHFA will select, at a minimum, one property for inspection based on the AHFA Schedule of Real Estate Owned submitted by the applicant. All applicant owner(s) will be subject to the same AHFA requirements (see attached Addendum E) during the 2015 application cycle. Any costs exceeding the minimum \$2,000 deposit related to the required inspection(s) shall be paid by applicant to AHFA within ten (10) days of the invoice date. Any portion of the deposit that is not needed to complete the project inspection(s) will be returned to applicant within fifteen (15) business days after AHFA’s allocation process is complete.

During the application process, AHFA reserves the right to waive the on-site inspection for any owner listed in an application if AHFA determines, in its sole discretion, there are sufficient and satisfactory on-site inspections for such owner’s current projects that were performed within three (3) years prior to the date of owner’s application in the 2015 application cycle and show that such projects were in compliance with AHFA requirements (see attached Addendum E).

- 4.) Extension Request Fee(s): After the funds have been awarded, the applicant must submit all required documentation within specified timeframes. If applicant is unable to submit all required documentation as required, then applicant must submit within three (3) business days prior to the due date: a) a request for a thirty day (30) extension using the AHFA-provided extension request form (available at www.AHFA.com) and b) payment for the extension request based on the following schedule. Any extension request submitted after the deadline will be charged the required extension fee, plus a penalty of 25% based on the required extension fee:

Frequency of Requests	Required Extension Fee	Plus 25% Penalty Fee
1	\$1,500	\$375
2	\$3,000	\$750
3 (or more)	\$5,000 each	\$1,250

- 5.) Deviation Request Fee(s): A \$500 fee will be charged for each AHFA-approved deviation from the Design Quality Standards after the reservation for funding and prior to construction. Any request for deviation from the Design Quality Standards must be approved in writing by AHFA before any work commences or deviation is made on the construction site. Once the project begins construction, a \$1,000 fee will be charged for each AHFA approved deviation from the Design Quality Standards through the end of construction of the project.
- 6.) Change Order(s): a) A \$500 fee will be charged for each AHFA-approved change order request from the original application through the end of the extended use period. Each change will be charged separately even if multiple change requests are submitted by applicant in the same request. b) A \$3,000 fee per occurrence will be charged for the applicant's failure to notify or obtain AHFA approval of significant or numerous changes. AHFA will determine whether the change(s) is significant or numerous in its sole discretion and further reserves the right to terminate an application based on aggregate effect of said changes in comparison to original application approved by AHFA.
- 7.) Cost Certification Fee: a) A \$500 fee will be charged for processing the initial Cost Certification package and an additional \$500 fee will be charged each time a Cost Certification package is submitted for reprocessing for any reason.
- 8.) Compliance Fee: a) A \$750 fee will be charged per low-income unit for each application awarded Housing Credits and HOME funds.
- 9.) Reprocessing Fee: A \$100 fee per form or document will be charged if AHFA is required to amend any previously prepared AHFA forms, documents or IRS forms due to owner request or owner error.
- 10.) Re-Underwriting Fee: A \$2,500 fee will be charged if the project has to be re-underwritten due to a change in the number of buildings, units, design of the project, sources and uses of funds, etc.
- 11.) Third-Party Fees: Applicant will be required to pay or reimburse any third-party costs incurred during the application process as it pertains to the review of the environmental report(s) submitted by the applicant and resulting from changes in the application which may result in additional third-party fees being incurred by AHFA, including without limitation, legal fees, architect and engineers' fees, consultant (construction or otherwise) fees, and environmental fees, etc. In addition, AHFA may in its sole discretion require applicant to provide advance deposits, and to increase or replenish such deposits, in amounts sufficient to cover all third-party costs that AHFA reasonably anticipates incurring under this paragraph.
- 12.) Changes in Ownership: A \$2,500 fee will be charged for each AHFA-approved ownership change (general partner(s), member(s), principals and/or special limited(s)(investor/syndicator) request from the original application through the end of the extended use period.

13. Environmental Extension Penalty: A fee will be charged in the amount of the initial reservation fee paid for each project that accepts a current or future year allocation of Housing Credits under Section (IV) (I) (8) of this HOME Action Plan.

E. Amendments

AHFA is entitled to amend this HOME Action Plan as required by the promulgation or amendment of HOME Rules and Regulations from time to time. Such amendment(s) are expressly permitted and the making of such amendment(s) will require a public notice.

F. Uses of HOME Funds

HOME funds will be allocated primarily toward the production of residential rental housing for low-income households and for other uses deemed necessary by AHFA, as long as the use is consistent with the Consolidated Plan.

A portion of the funds allocated to the State of Alabama is required to be reserved for Community Housing Development Organizations (CHDOs). Fifteen percent of HOME funds will be reserved for investments in housing owned by CHDOs. This is the percentage required by federal regulations for use by specific organizational types or activities. These HOME funds will be set aside for use by CHDOs in the form of loans for project construction and development. AHFA reserves the right in its discretion to award a sufficient number of projects to CHDO applicants, regardless of point scoring, to meet the 15% set aside of HOME funds. AHFA will make efforts to identify and assist eligible organizations in using HOME funds to meet the housing needs of the state. These organizations must meet the criteria identified by the Act and demonstrate the feasibility of their proposed endeavors. Alabama’s HOME Program will utilize loans to promote the production of affordable housing in an effort to meet the needs as identified in the State’s Plan. A general outline of the HOME Program is as follows.

Anticipated Uses of HOME Funds:

AHFA estimates the following uses of 2015 HOME funds for the State of Alabama:

USES

Loans	\$ 5,864,925
CHDO Loans	\$ 1,172,985
Administration Fee	<u>\$ 781,990</u>
2015 HOME FUNDS ALLOCATED	\$ 7,819,900

G. Loan Structure

The structure of the loans made under Alabama’s HOME Program will be determined based upon AHFA’s assessment of the proposed project’s ability to address the needs as identified by the Plan. HOME funds to be allocated to any project will not exceed the amount, determined by AHFA, needed to make the project economically feasible. The amount, terms and rate structure will be set by AHFA. General loan guidelines are as follows and are subject to change at AHFA’s discretion:

- 1.) Loan Terms and Repayment: HOME funds will be allocated to the approved projects in the form of a loan. The loan will bear an interest rate of 1/2% accruing annually

with deferred payments for twenty years. The principal and interest will be due at the end of the 20th year. In the event of default, AHFA reserves the right to set a default rate in excess of the prevailing Prime Lending Rate applicable at the time of the default.

- 2.) Eligible Activities and Costs: HOME funds will be used solely to fund new construction costs of rental units. Any additional costs associated with the development such as the demolition of existing structures onsite or offsite cost associated with the development will not be eligible for HOME funds.
- 3.) Eligible Participants: For-profit developers, CHDOs, non-profit developers or any entity eligible to receive an appropriation under Title II of the Act.
- 4.) Security: The loan may be secured by a first or subordinate mortgage on the land and the existing or proposed improvements. In addition, a collateral assignment of rents and leases will be executed in connection with the property. Additional collateral may also be required, but is subject to the discretion of AHFA based on the nature of the transaction involved.
- 5.) Guaranty: AHFA, in its sole discretion, may require that the loan be guaranteed by an individual(s) or entity acceptable to AHFA.
- 6.) Insurance: Appropriate insurance will be required in connection with the principal security as collateral for the loan. In addition, the applicant, developer and/or builder must evidence insurance coverage to include, but not be limited to, builder's risk insurance, general liability insurance, and loss of rents insurance.
- 7.) Good Standing: No loan application will be processed for any borrower or related entity which is not in good standing with AHFA and any other state housing finance authority, the Alabama Department of Economic and Community Affairs (ADECA), HUD or RD. An applicant can be denied consideration of the HOME funds under Alabama's HOME Program if the applicant or its related parties have a history of payment delinquencies, bankruptcy, foreclosure or activities determined to be unsound or unlawful.
- 8.) Closing Costs: The borrower is responsible for all closing costs incurred in connection with any HOME Program loan(s), inclusive of all AHFA-appointed attorney's costs.
- 9.) Environmental Review: AHFA may select and engage an environmental engineer at owner's expense to review and comment on the environmental report(s) submitted by the applicant. AHFA may also select and engage an environmental engineer to complete a Phase I Environmental Site Assessment after a commitment of HOME funds. Environmental reviews will be conducted in accordance with the applicable HOME Regulations. Before AHFA can execute the HUD Form 7015.15 Request for Release of Funds, all environmental issues identified in the Environmental Site Assessment(s) must be cleared in a manner acceptable to AHFA.
- 10.) Survey: Loans closed under Alabama's HOME Program will require a survey of the property, which must be completed prior to closing, and contain a flood zone certification. The survey, in form and content, must be acceptable to AHFA.

- 11.) Declaration of Land Use Restrictive Covenants: Prior to closing, applicants must execute and record a copy of the Declaration of Land Use Restrictive Covenants agreement. The terms of the agreement will require that the covenants remain in effect for the required low-income occupancy period.
- 12.) Construction Consultant: AHFA will contract with an independent construction consultant who may: (i.) perform an up-front analysis of the construction budget to determine the reasonableness of costs as presented; (ii.) review the final plans and specifications of the project (during and upon the completion of the project) for compliance with AHFA's Design Quality Standards, applicable local, state and federal building codes and ordinances; (iii.) review specifications and make comments and/or recommendations regarding the quality of materials to be used in connection with the project; and (iv.) review work in progress and the completed project for any material defects and quality of work.
- 13.) Appraisal: Appraisals will be required on all loans and must adhere to applicable federal and state laws. The appraisal must be completed by an appraiser who is state-certified. AHFA will select and engage all appraisers.
- 14.) Application Cycles: Applications for Alabama HOME funds must be made to AHFA during an application cycle. Cycles will be competitive and on a first-come, first-served basis. Funding decisions will be based upon the project selection criteria and point scoring system as detailed herein.
- 15.) Existing HOME Loans: The full principal and accrued interest is due and payable on the maturity date specified in the projects loan documents. For projects unable to pay the full principal and accrued interest, AHFA will consider an extension. Upon approval of an extension, an extension fee not to exceed 1.5 percent of the outstanding balance including accrued interest will be charged and additional terms acceptable to AHFA will be required. Project's not able to pay off 100 percent of the HOME loan (Principal and interest) or be approved for a fifteen (15) year extension of HOME loan balance will not be eligible for additional funding under any AHFA administered program.

IV. ALLOCATION PROCESS

A. Application Cycle

The dates of the application cycle (or cycles, if more than one) will be determined by AHFA on an annual basis. All individuals who have requested to be on the e-mail distribution list (see Section IV (B)) will receive notification of the cycle by e-mail. Notice of the cycle will also appear at www.AHFA.com and in no less than four newspapers throughout Alabama.

To apply for HOME funds, an applicant must complete the AHFA Multifamily Funding application which is available online at www.AHFA.com.

All correspondence and inquiries are to be directed to the following:

Alabama Housing Finance Authority
Attn: Multifamily Division

Phone Number: (334) 244-9200

P. O. Box 242967
Montgomery, Alabama 36124-2967
www.AHFA.com
multi-family@ahfa.com

Fax Number: (334) 279-6957

B. E-Mail Distribution List

AHFA maintains an e-mail distribution list for those interested in receiving notifications of application cycles and other AHFA Multifamily program activities. Visit www.AHFA.com to be added to the e-mail list or you may submit a written request to the address as specified in Section IV (A). Changes or updates to contact information are the responsibility of the provider and should be submitted in a timely manner.

C. Application Threshold Requirements

Although it is recognized that each application submitted is different, certain standard requirements must be met by all applicants before the application can be considered for full evaluation. Upon application submittal, if any threshold requirement is missing or fails to materially adhere to AHFA defined standards during the completeness review, the application will be rejected. If during the completeness review it is determined that additional information or clarification is required for any threshold item, AHFA will contact the applicant via email. When contacted, the applicant must respond within five (5) business days or the application will be rejected. Any additional information provided by the applicant must be satisfactory to AHFA and may be subject to the fees as outlined in Section III (D). A list of all threshold requirements and explanations are provided below:

- 1.) Application Fee. The non-refundable application fee(s) described in Section III (D) must be paid in full and when due. If either of the application fees is returned due to insufficient funds, the application will terminate. Regardless of the funding decision, all application fee(s) are non-refundable.
- 2.) Complete Application. The applicant must submit a complete application (see Section III (C)(1)) to AHFA.
- 3.) Site Control. If the applicant does not already own the property for which funds are requested at the time of application, the applicant must have site control as evidenced by a purchase option. Because of regulations that impact the varying lengths of the approval process for each property and the significant risks to the applicant for failing to do so, AHFA requires that the applicant (i.) secure, at a minimum, a six-month purchase option with an option to renew for an additional six months and (ii.) after application submittal and as applicable (see end of paragraph), obtain seller's written agreement that the seller shall not under any circumstances commence (or allow any other party to commence) any choice-limiting activity or other mitigation work at the project without the written permission of AHFA. Choice-limiting activities include, but are not limited to, acquiring, rehabilitating, converting, leasing, repairing, ground disturbance, or construction.
- 4.) Proper Zoning. The applicant must provide evidence that the property owned (or to be owned) is properly zoned and consistent with the proposed project's use. AHFA does not consider the property zoned if final zoning (not plans and specifications for issuance of building permits) is contingent upon further city meetings, approvals

and/or advertisement. Evidence must be in the form of a signed statement from the local jurisdiction where the property is located.

- 5.) Market Study. The applicant must provide a market study at least thirty (30) days prior to the date of application submittal and it must be less than six (6) months old. If the market study does not meet AHFA requirements, the application will terminate (see Section I(C)(3) for more detailed requirements).
- 6.) Design Quality Standards. All projects are required to meet the Design Quality Standards for attached new construction rental units (Addendum C) or for single-family rental homes (Addendum D). These are minimum standards and AHFA permits applicants to exceed these project standards. Each applicant may construct the proposed project in a manner that reflects applicant goals or that exceeds local building codes.
- 7.) Flood Certification. The applicant must provide a certified boundary Survey and Certification indicating the map and panel number of the Flood Insurance Rate Map, the Flood Zone designation and that no portion of the property is located within the 100-year flood plain. No portions of the site may contain wetlands including any portions not considered part of the site but necessary for ingress and egress to the site.
- 8.) Applications submitted in other Participating Jurisdictions. AHFA will not accept or consider an application(s) submitted in a city or county that is a HUD approved participating jurisdiction and receives its own allocation of HOME funds. The participating jurisdictions are listed on page 3 of the HOME Action Plan.
- 9.) Environmental Site Assessment. The applicant must provide an Environmental Site Assessment at least thirty (30) days prior to the date of application submittal. The Environmental Site Assessment must meet the minimum AHFA 2015 Environmental Requirements (Addendum B). If the Environmental Site Assessment does not meet AHFA's requirements the application will terminate.
- 10.) Architect's Certification of Project Progress. The project's architect must certify that all building foundations slabs or crawl spaces are in place on projects that received a reservation letter for Housing Credits and/or HOME Commitment in 2012 and 2013. Issuance of a Future-Year Binding Commitment does not change this requirement.
- 11.) Site Location. AHFA will not consider any application (for a new construction project or rehabilitation project that is less than 50% occupied) if the proposed project is located within a two (2) mile radius of an AHFA project approved during 2013 and 2014 cycle that has not placed in service and is 90% or more occupied at the time of application.

Projects funded with Housing Credits only, Housing Credits combined with HOME funds and Multifamily Housing Bonds combined with Housing Credits will be included within the 2-mile radius requirement. *Radius is defined as a straight line extending from the center of a circle to the circumference. The 2-mile radius for each project must be clearly defined in the market study.*

The following is an exception to the 2-mile radius requirement:

Applications that contain financing through HUD's HOPE VI, Choice Neighborhood, Replacement Housing Factor funds, Capital Fund Program funds and Promise Neighborhood.

AHFA will provide reasonable assistance in determining occupancy of applicable projects, upon request. All information provided to applicants by AHFA may be based upon third party information reported to AHFA.

AHFA determination of occupancy is final and binding for all applicants. AHFA is not responsible for errors or omissions in occupancy reported.

Note: If a project has been awarded AHFA funds but returns the Housing Credits before the current application deadline, that project will not be considered in determining the 2-mile radius requirement and must be clearly defined in the market study.

- 12.) Extended Low-Income Use. All projects must commit in writing to extend the Housing Credits low-income set-aside an additional five (5) years beyond the fifteen (15) year compliance period to twenty (20) years. Therefore, projects will not be allowed to enter into a Qualified Contract until after the 20th year of the extended low-income use is complete, unless approved in writing by AHFA as part of the Qualified Contract process.

D. Negative Actions

Should any of the following actions occur after the application has been submitted and prior to approval by AHFA, consideration of the application will terminate:

- 1.) Site change or alteration of any kind;
- 2.) Change in ownership--a change in the parties involved in the ownership entity (e.g., addition of a new general partner/member or removal of an existing general partner/member);
- 3.) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by local regulatory codes);
- 4.) Change in the general contractor;
- 5.) Change in the management company;
- 6.) Change in the architect;
- 7.) Instances of excessive, flagrant, or uncorrected (within the time required by AHFA) non-compliance on applicant's existing projects;
- 8.) Any development team member listed in the application who has instances of excessive, flagrant, or uncorrected (within the time required by AHFA) non-compliance with AHFA, Housing Credit, HOME, Exchange, TCAP or Tax-Exempt Bond regulations on existing projects;
Any development team member listed in the application who is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Housing Credits;
- 9.) Applicant has a project that goes into foreclosure or has been foreclosed within the last ten (10) years;

- 10.) Any material adverse change relating to the project or owner. AHFA will determine whether the change(s) is material and/or adverse in its sole discretion and further reserves the right to terminate an application;
- 11.) An applicant having a single project which received a reservation letter for Housing Credits and/or HOME Commitment/Agreement in 2012, 2013, or 2014 which is neither complete nor has reached 90% occupancy at the time of application. The applicant may joint venture with a partner who has a completed AHFA project which has reached 90% occupancy, (projects funded with HOPE VI, Replacement Housing Factor funds, and Capital Fund Program funds are exempt from this requirement);
- 12.) Applicant (including all development team members listed in the application) has any outstanding fees due to AHFA on other projects; and
- 13.) If Housing Credits are combined with HOME funds and the Environmental Site Assessment review by AHFA (or AHFA's consultant) identifies any unsatisfactory environmental condition that the applicant (or any owner of applicant) should have known about or failed to investigate fully prior to application submission.

The above list of negative actions is not all-inclusive. The application package itself will list other necessary requirements. AHFA will terminate consideration of an application if any information supplied in connection with the application is fraudulent, misleading, or materially incorrect. Determination of whether information is fraudulent, misleading, or materially incorrect will be determined by AHFA.

E. Application Evaluation

AHFA follows a competitive process by which all applicants are objectively scored according to criteria specified in the HOME Action Plan. AHFA strictly adheres to the policy and procedures of the HOME Action Plan. Efforts to influence the outcome of the application process through lobbying efforts either directly (by the applicant) or indirectly (via the efforts of third parties on the applicant's behalf), will be futile, considered as a violation of the HOME Action Plan and may result in the termination of the application. In addition, the applicant could be subject to civil or criminal liability. Each application must stand on its own merits.

- 1.) Process of Evaluation. Provided each applicant has met the threshold requirements in Section II (C), each application will be subject to the following evaluation process:
 - (i.) Completeness. The applicant must submit a complete application (see Section III (C)(1)) to AHFA.
 - (ii.) Point Scoring. The application will be evaluated using the Point Scoring System included in Addendum A. The applicant will not receive points, if the item(s) or document(s) required to qualify for points are missing and/or incomplete.
 - (iii.) Financial Feasibility. Once the application is point-scored, the project will then be evaluated to determine its financial feasibility, including its viability as a qualified low-income housing project throughout the credit period. Taking into consideration that market, income and housing conditions vary greatly across the State of Alabama, the financial feasibility of any application submitted may require various other funding resources to be viable in the short term and to aid in the long term sustainability of any project. Local government resources, philanthropic efforts and other funding sources are critical to help ensure that

limited AHFA resources can be allocated in all areas of the state where unmet housing needs still exist. Applications that are not financially feasible at the time of submission because additional sources of funds are necessary will not be considered for funding.

Since AHFA is permitted to allocate only the resources necessary to make a project financially feasible, AHFA cannot and should not be expected to fund the full amount requested by an applicant. Special purpose or high cost housing applications that exceed normal construction and soft costs of other applications received must be supported with other subsidy sources. AHFA fully expects that any proposed application submitted will include other subsidy sources if needed to leverage AHFA's limited Housing Credit and HOME resources.

AHFA will require a minimum debt service coverage ratio of 1.20:1 for HOME development debt financing that would foreseeably result in foreclosure if not repaid. Debt service coverage is defined as the ratio of a property's net operating income (rental income less operating expenses and reserve payments) to forecloseable, currently amortizing debt service obligations. AHFA will determine the allowable operating expense based on historic and current HOME and Housing Credit properties' financial statements.

AHFA will require the project to establish and maintain throughout the extended-use period a minimum operating reserve. The operating reserve will be an amount equal to six months of the projected first-year operating expenses plus three months debt service.

AHFA will require the project to establish and maintain throughout the extended use period a minimum replacement reserve account of a) \$250 per unit annually for new construction projects for the elderly, b) \$300 per unit annually for all other projects.

AHFA's determination of the appropriate amount of HOME funds is not a representation or warranty as to the financial feasibility of such project, and may not be relied upon as such by the applicant, owner, developer, investor, lender or any other person.

Project feasibility: At a minimum, AHFA determines that a project is financially feasible based on the following criteria: a) the extent to which the project's sources of funds equals the project uses of funds; b) the extent to which any proposed developer fee deferral can be paid within the time frame allowed by the Internal Revenue Service; c) the reasonableness of total project costs, inclusive of AHFA predetermined hard and soft cost standards; and d) the repayment terms (including interest rate, total debt and loan term) for all proposed debt (hard and soft) in connection with the proposed project.

Additional Underwriting Criteria and assumptions that are market driven such as interest rates, housing credit pricing, and project operating expenses will be released and discussed at AHFA's HOME/Housing Credit Application Workshop. The training will be held prior to the application cycle. The date of the training will be posted at www.AHFA.com and an e-mail notification will be sent to those on the current e-mail distribution list.

- (iv.) Credit Worthiness. AHFA will perform credit examinations of the individual(s) and trade reports of businesses involved in the development and operation of the project. The applicant must provide sufficient documentation to obtain the required credit reports. If these reports prove to be less than satisfactory, including but not limited to the finding of federal tax liens, the application will be terminated.
- (v.) Reasonableness of Project Costs. Any line item costs, square footage costs or total unit costs exceeding a range of reasonableness may be disallowed solely at the discretion of AHFA. Additional information and documentation (verified by AHFA and/or an AHFA designee) may be required to substantiate the reasonableness of the cost. Any allocation made will be determined using AHFA's assessment of cost. Any allocation of HOME funds cannot exceed the HUD 221(d)(3) limits. A list of applicable limits can be provided by AHFA.

AHFA reserves the right to request certification or verification in a form acceptable to AHFA of any line item cost at any time between the application cycle and final allocation of the HOME funds. When the project is placed in service, AHFA requires the final cost certification to be made by an independent Certified Public Accountant.

- 2.) Frequency of Evaluation. Applications will be evaluated at least two times:
 - At submission; and,
 - Before the closing of the HOME loan.

F. Developer and Builder Fees

- 1.) Developer Fee. The developer fee, which includes the developer's overhead and profit plus consultant fees and the owner's profit, should not exceed 15% of the total project costs (excluding the developer fee).
- 2.) Builder Fee. The builder fee, which includes builder profit and overhead, should not exceed 8% of the construction costs, excluding the fee. General requirements must be cost-certified and, as a general rule, should not exceed 6% of the total construction costs. Items included in general requirements will be consistent with HUD and USDA Rural Development regulations.

G. HOME Funds Allocations

No related entities, principals or individuals shall be allocated HOME funds in excess of 20% of the state's 2015 HOME fund allocation. Regardless of the percentage ownership in a project, 100% of the project's HOME fund allocation will count towards all caps.

The intent of the HOME Cap is to promote fair and objective administration of the HOME program by ensuring that no single applicant can receive an excessive share of the available HOME funds in any application cycle. Parties that have an identity of interest are presumed to be sufficiently related for them to be treated as a single applicant for purposes of the Cap. As described below, AHFA may in its discretion, identify other parties whose relationship is sufficiently close to cause them to be treated as a single applicant for

purposes of the Cap. A significant factor in the evaluation will be whether, based on the facts and circumstances, a primary purpose of a party's involvement in a project appears to be avoidance of the Cap.

For purposes of this paragraph, the following relationships constitute an identity of interest for purposes of identifying related parties in order to apply the Cap:

- 1.) Individual persons are considered related to each other (i.) if they have any of the following direct relationships: parent, child, spouse, son-in-law, daughter-in-law, father-in-law, and mother-in-law, including any such direct relationship created by marriage, remarriage, adoption, or any other legally recognized status, or (ii.) if one individual is an employer, by common law or otherwise, of the other.
- 2.) Entities are considered related to each other (i.) if any director, shareholder, partner, member, or any other type of owner of any entity would be considered a related individual (under item 1. above) to any director, shareholder, partner, member, or any other type of owner of another entity, (ii.) if the entity has the ability to control another entity, or (iii.) if the entity owns a material interest in another entity. An entity will be presumed to control another entity if it has a percentage of ownership in the other entity or the ability to appoint a percentage of the members of the other entity's governing body (i.e., board of directors, board of trustees, partners, managers, etc.) that would permit it to control the other entity either by operation of law or by agreement. A material interest means any ownership interest in excess of 20% of the stock, partnership interests, membership interests, or other forms of ownership of any entity; provided, however, that ownership interests held by Housing Credit investors, Housing Credit syndicators or special administrative partners or members shall be disregarded for purposes of 20% test.
- 3.) Without limiting the above, a trust will be considered related to an individual or entity if any trustee, trustor, grantor, settlor, beneficiary, permissible distributee, any person or entity serving a role similar to the foregoing, or any person holding power of appointment (general or limited) over trust property would be considered related to the individual or entity under items 1. or 2. above.
- 4.) Any other relationship which, while not specifically listed above, is determined to constitute an identity of interest because it is a relationship at least as close as an identity of interest described above or because it would permit an allocation that violates the intent of the ceiling.

H. Notification of Approval

Applicants may be notified of the award decisions via e-mail notification, by a letter of non-selection, or a Commitment letter. In addition, award recipients will be listed at www.AHFA.com. Applicants approved for an award will be issued a reservation letter and Commitment. The reservation letter will outline actions by which owners, if they accept the terms, must abide. Failure to abide by the terms of the reservation letter and Commitment will automatically terminate such reservation and Commitment.

Any applicants that are not selected for an award may schedule a conference call or meeting with AHFA staff to discuss the reasons their application was not selected for funding. The call or meeting must be scheduled and held within six weeks of the date of

the notification letter from AHFA. Once the call or meeting has been concluded, AHFA will not have any further discussion regarding the application.

I. Progress Requirements After Commitment

From the date of the Commitment, the applicant has the outlined time constraints set forth below in which to obtain the following items. All deadlines outlined in the Commitment will be enforced. Requests for extensions must be submitted on the AHFA-provided forms found at www.AHFA.com. The required fee assessments can be found in Section III(D) of the HOME Action Plan. Failure to comply with any one of the deadlines (in whole or in part) and/or providing incomplete or unacceptable content of the required document(s) will cause the commitment to be automatically terminated:

1.) Within 15 days of the date of the Commitment, the applicant must provide:

- (i.) The executed HOME Commitment acknowledging acceptance of the terms and conditions.
- (ii.) The executed HOME Partnership Written Agreement acknowledging acceptance of the terms and conditions.
- (iii.) The Management Plan (available at www.AHFA.com)
- (iv.) The Tenant Lease Agreement with the HOME Lease Addendum.
- (v.) The Affirmative Fair Housing Marketing Plan (available at www.AHFA.com).

2.) Within 60 days of the date of the Commitment Letter, the applicant must:

Provide the Environmental Assessment Checklist (available on AHFA's website www.AHFA.com)

3.) Within 135 days of the date of the Commitment Letter, the applicant must provide:

- (i.) Three (3) sets of sealed plans and specifications and a copy on a compact disc or compact memory device (ex. memory stick, USB flash drive) from the architect.
- (ii.) A site-specific soils report bound within the specifications.
- (iii.) An ALTA/ACSM Certified Survey bound within the plans and specifications.
- (iv.) Standard AIA form of agreement between owner and architect.
- (v.) Paving recommendation letter from geotechnical engineer (available at www.AHFA.com)

4.) Within 165 days of the date of the Commitment Letter, the applicant must provide:

- (i.) Certified organizational documents.
- (ii.) Construction cost estimate summary.
- (iii.) Detailed construction schedule.
- (iv.) Standard AIA form of agreement between owner and contractor (AIA form).

5.) Within 195 days of the date of the Commitment Letter, the applicant must provide:

- (i.) A copy of lender's executed construction note or agreement.
- (ii.) Take full possession of the site as evidenced by recorded warranty deed.
- (iii.) Original recorded Declaration of Land use Restrictive Covenants.

- (iv.) A copy of the building permit.
 - (v.) Proof of construction commencement evidenced by copy of Owner's Notice to Proceed to project's General Contractor (AHFA form).
 - (vi.) Recertification of Real Property Acquisition Form (available at www.AHFA.com).
 - (vii.) Title Insurance Policy.
 - (viii.) A written Capital Maintenance Plan (CMP) for the project (available at www.AHFA.com).
- 6.) Within 180 days after the project is placed in service, the applicant must provide AHFA with the Actual Cost Certification package.
- 7.) The owner must submit AHFA's HOME/Housing Credit Status Report which is due quarterly until the project is complete.
- 8.) If any unforeseen or unusual environmental condition(s) not otherwise identified after completing AHFA's environmental requirements is discovered with respect to a project that received an award of HOME funds, Housing Credits, or for both under this plan or for any prior year, and such unforeseen environmental condition(s) results in the inability of the project to Place-in-Service by the deadline established under Section 42, AHFA may elect to exchange the Housing Credits awarded to the project for a current or future year allocation of Housing Credits, subject to the applicant's payment of the environmental extension penalty specified in Section III.D. herein and the applicant's compliance with Addendum B and with all other conditions specified by AHFA based on the specific nature of circumstances of the project.

Construction on the project cannot begin until a pre-construction conference has been held with AHFA.

J. Negative Action After Notification of Approval.

Should any of the following actions occur after the notification of approval of HOME funds the award will be terminated:

- 1.) Site change--a change from the original site location will not be allowed under any circumstances. Any change in the site configuration or size from what was originally proposed in the application must have prior written consent from AHFA;
- 2.) Change in ownership--a change in the parties involved in the ownership entity (e.g., addition of a new general partner/member or removal of an existing general partner/member) without prior written consent of AHFA. Examples of situations in which consideration may be given for a change in ownership include, but are not limited to: death or bankruptcy. Any person or entity, including syndicators, that attempts to circumvent this requirement, may be subject to debarment from all AHFA programs;
- 3.) Change in syndication structure--a change in the role of the syndicator or in the distribution of funds/allocation to others through syndication as stated in the application without prior written consent of AHFA;
- 4.) Change in unit design, square footage, unit mix, number of units, number of buildings, etc. (unless changes are required by local regulatory codes);
- 5.) Change in the general contractor without prior written consent of AHFA;

- 6.) Change in the management company without prior written consent of AHFA;
- 7.) Change in the architect without prior written consent of AHFA;
- 8.) Instances of excessive, flagrant, or uncorrected (within the time required by AHFA) non-compliance on applicant's existing projects;
- 9.) Any development team member (listed in the application) who has instances of excessive, flagrant, or uncorrected (within the time required by AHFA) non-compliance with AHFA, Housing Credit, HOME, Exchange, TCAP or Tax-Exempt regulations on existing projects;
- 10.) Any development team member who is presently debarred, suspended, proposed for debarment or suspension, declared ineligible or voluntarily excluded from any transactions or construction projects involving the use of federal funds or Housing Credits;
- 11.) Applicant has a project that goes into foreclosure or has been foreclosed in the past ten years;
- 12.) Any material adverse change relating to the project or owner. AHFA will determine whether the change(s) is material and/or adverse in its sole discretion and further reserves the right to terminate the award based on the effect of said change(s) in comparison to original application approved by AHFA;
- 13.) Any development team member(s) listed in the approved application have outstanding fees due to AHFA; and
- 14.) If Housing Credits are combined with HOME funds and the Environmental Site Assessment review by AHFA (or AHFA's consultant) identifies any unsatisfactory environmental condition that the applicant (or any owner of applicant) should have known about or failed to investigate fully prior to application submission.

The above list of negative actions after reservation is not all-inclusive. The Commitment letter itself will list other necessary requirements. AHFA will terminate the Commitment if any information supplied in connection with the project is fraudulent, misleading, or materially incorrect. Determination of whether information is fraudulent, misleading, or materially incorrect will be determined by AHFA in its sole discretion.

K. Change in or Denial of HOME Allocation

The application evaluation described in Section IV (E)(2) of the HOME Action Plan may result in a possible change in the amount of HOME funds allocated to a project or denial of the total allocation altogether due to, but not limited to, one of the following reasons:

- 1.) Information in the application submitted is determined to be incorrect or fraudulent;
- 2.) Conditions in the Commitment Letter are not met;
- 3.) Changes in the actual cost of the project;
- 4.) Applicant obtains additional subsidies or financing other than those disclosed in the application; and/or
- 5.) Applicant's failure to notify AHFA promptly of any material or adverse changes in the original application. Material or adverse changes include, but are not limited to, applicant's loss of site control, rights of way, ingress and egress, adverse change in the financial condition of the applicant, and applicant's inability to perform tasks proposed in the application by the deadline set by the applicant and further set or agreed to by AHFA.

L. Disclosure

AHFA will attempt to request all information necessary to make informed decisions regarding HOME allocations. Therefore, it is in the best interest of all parties involved with the process to disclose completely and accurately all information regarding each proposed project. AHFA acknowledges that errors and misjudgment sometimes occur and simply requests that the applicants notify AHFA of any errors that may occur upon discovery.

V. ADMINISTRATIVE OVERVIEW

A. Alabama Housing Finance Authority (AHFA)

AHFA is a public corporation and instrumentality of the State of Alabama, organized pursuant to the provisions of Title 24 Chapter 1A of the Code of Alabama, as revised. AHFA was established as the housing finance entity for the State in 1980. Since its inception, AHFA has issued mortgage revenue bonds in excess of \$2.6 billion for the financing of more than 48,000 single-family homes, and nearly \$849 million in multifamily bonds for the production of some 110 complexes. Additionally, AHFA has issued nearly \$136 million in Housing Credits to fund 705 projects with 30,000 units and over \$219 million in HOME funds to construct 222 projects with 8,531 units.

Currently, AHFA has an experienced staff of employees with many having 10-20 years of commercial banking, mortgage banking or accounting experience. AHFA staff includes experienced commercial real estate and construction lenders, mortgage bankers, accountants and support personnel. The multifamily staff, responsible for the HOME Program, has experience in dealing with other federal programs, which include the Housing Credit and Multifamily Bond Financing Programs. The single-family staff administers a number of programs including the Mortgage Revenue Bond program, the Mortgage Credit Certificate program, the Down Payment Assistance program, the Step Up program, the Rural Alabama Mortgage program, the Building Blocks to Homeownership program, and the Habitat for Humanity Loan Purchase program.

AHFA has the necessary computer hardware and software programs required to properly administer and service loan transactions in connection with the HOME Program. Hardware components consist of a personal computer local area network with multiple large-capacity file servers with the capacity to run mortgage loan servicing software packages.

B. Administrative Policies and Procedures

AHFA's administration of the HOME program includes, but is not limited to, the following functions: accounting, loan processing, loan servicing, administration, compliance, investments, and disbursement of funds. AHFA will be compensated for any and all expenses incurred in performance of its duties (inclusive of those duties for which AHFA may subcontract) through draws from available administrative funds in the HOME account.

The State of Alabama, as a Participating Jurisdiction, is responsible for ensuring that HOME funds are used in accordance with all program requirements. AHFA, acting in its capacity as Administrator of the State of Alabama's HOME program, AHFA's Board of Directors, officers, employees and agents will not be held responsible or liable for losses incurred from claims, suits, damages, and costs and expenses of any kind or of any nature that the HOME program may suffer, incur or pay arising out of

decisions by AHFA concerning any application, loan decision(s), or action(s) associated with the administration of the HOME Program unless said responsibility or liability is specifically contained within the Act.

1.) HOME Disbursement Accounts

Two accounts have been established to administer Alabama's HOME Program. The first account, the HOME Investment Trust Fund, is established in the United States Treasury and managed through HUD's Integrated Disbursement and Information System (IDIS). The second, Alabama's HOME Account, is established and utilized by AHFA as a deposit and disbursement account of HOME funds. HOME funds from the federal government, interest earnings and repaid principal will be deposited and disbursed from this account. All HOME related funds in this account will be kept separate from other accounts maintained by AHFA. AHFA may establish other administrative accounts, which are allowed under Title II of the Act.

Once a project has been approved for funding, and all of the conditions required to be satisfied prior to the execution of the HOME Agreement have been satisfied, an account for said project will be established in IDIS. Requests for HOME funds will be made to the IDIS by AHFA or its designee.

2.) Administrative Duties

(i.) Audits and Reviews:

AHFA, as administrator, may conduct reviews and audits of recipients as may be necessary or appropriate to determine compliance with the rules and regulations of Title II of the National Affordable Housing Act. An accounting firm chosen by AHFA will conduct required external audits of Alabama's HOME program.

(ii.) Monitoring:

AHFA will monitor each designated recipient of HOME funds for compliance with occupancy and use restrictions. The scope and frequency of monitoring activities will meet or exceed the minimum requirements of the specific program as outlined in the Act or regulations. See Compliance Section VI.

Recipients of HOME funds must comply with the reporting requirements as defined in 24 CFR Section 92.508 and are responsible for providing AHFA with the information necessary to complete the annual reporting requirements. Recipients must report all instances of non-compliance to AHFA at P. O. Box 242967, Montgomery, AL 36124-2967 and the HUD office in Birmingham, Medical Forum Building, 950 22nd Street North, Suite 900, Birmingham, AL 35203.

VI. COMPLIANCE

A. Minority and Women's Business Outreach

As required in Section 281 of the HOME Investment Partnerships Act, AHFA will work to involve minority and women's business enterprises whenever possible. In an effort to comply with these requirements, AHFA has obtained from the Alabama Small Business Development Consortium, 1717 11th Avenue South, Suite 419, Birmingham, Alabama 35294, a list of eligible businesses for use by

potential recipients of State HOME funds. AHFA will continue to work with this office to update and expand this list for use with the HOME Program.

AHFA will maintain a record of reported activities of Minority- and Women-Owned Businesses involved in the HOME Program.

B. Equal Opportunity and Fair Housing

Affirmative marketing procedures will be utilized so that no person in the United States shall, on the grounds of race, color, national origin, religion, or sex, be excluded from participation in, be denied benefits of, or be subject to discrimination under any program or activity funded in whole or in part with funds made available under Alabama's HOME Program. Recipients of Alabama's HOME funds must adhere to the requirements of the Fair Housing Act and the Age Discrimination Act of 1975. AHFA will maintain records, whenever possible, of the percentage of low-income units occupied or purchased by minority and single parents.

All loan applicants or local units of government applying for Alabama HOME funds must certify in the application that they will adhere to the affirmative marketing procedures (as defined in 24 CFR Section 92.351). Records concerning the characteristics of tenants renting HOME assisted units must be maintained by the owners; and supplied to AHFA on an annual basis. AHFA will analyze this data to assess the success of the owner's affirmative marketing procedures. AHFA will give additional preference points to those applications, which evidence the participation of minorities in connection with the project.

C. Section 3 Economic Opportunities for Low – and Very Low-Income Persons

As required by Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, recipients of HOME funds must ensure that employment and other economic opportunities generated by housing development must be directed toward low- and very low-income persons.

D. Environmental Review

AHFA will conform to the Environmental Review requirements of Title II of the Act.

E. Matching

NOTE: The State of Alabama is typically required to match a portion (twelve and one-half percent) of annual HOME funds. This match may be derived from several possible sources including the donation of land by localities, the donation of voluntary skilled or unskilled labor, sweat equity, the use of tax exempt bond proceeds, the value waived of property taxes by localities, cash injections by localities, and any other source which may be determined at a later date. Additionally, a number of AHFA programs (Down Payment Assistance, Habitat for Humanity Partnership) provide financial assistance to HOME-eligible Alabama households and a portion of this funding may count as match. The use of any possible state funds would require an appropriation by the legislature. Specific sources and the amount of possible funds available to meet the matching requirements for a program year will be determined prior to any draw of HOME funds. A HOME recipient may be required to provide a "Match" source to close their project.

For 2002, HUD granted a full waiver of the match requirement due to the State of Alabama's designation as a Participating Jurisdiction in *severe financial distress*. Specific waivers for subsequent

program years may also be granted if an Alabama county is listed as a presidentially declared disaster area.

F. Occupancy and Rent Requirements

In HOME and Housing Credit residential rental projects at least 20% of the units must be occupied by households with incomes at or below 50% of median family income and the rent must be restricted at or below the 50% rent level or Section 8 Fair Market Rent, whichever is less. The remaining units must be occupied with households with incomes at or below 60% of median family income and the rent must be restricted at or below the 60% rent level or Section 8 Fair Market Rent, whichever is less. HOME income limits and rent limits are calculated annually by HUD's Office of Policy Development and Research (PDR), once the Section 8 income limits have been issued.

G. Compliance Monitoring

The compliance monitoring procedures apply to all buildings placed in service in Alabama, which have received allocations of HOME funds as determined under the HOME Regulations. A complete outline of AHFA's compliance requirements is located in AHFA Compliance Manual available at www.ahfa.com. A description of AHFA's basic compliance monitoring procedures and requirements are described per the attached Addendum E.

VII. AMERICAN DREAM DOWNPAYMENT INITIATIVE

American Dream Downpayment Initiative (ADDI)

ADDI is a HOME Program-based funding source for the provision of down payment assistance to eligible first-time homebuyers. AHFA serves as administrator of the State of Alabama HOME Program and the State of Alabama ADDI Program.

The initial allocation of ADDI funds to the State was approximately \$1,463,919 -- 2003 HUD-appropriated funds totaling \$671,691 and 2004 new funding totaling \$792,228. Each source had its own separate requirements.

ADDI Funds

The State of Alabama has not received an new allocation of funds since 2009. Should the program continue to be funded, AHFA will continue to use these funds to provide down payment assistance throughout the State. The per-family assistance shall not exceed \$10,000 in the form of a grant or a forgivable loan.

Families and households eligible to receive ADDI funds must (a) earn 80% or less of the Area Median Income (AMI) per HOME guidelines, (b) have less than \$4,000 in liquid assets at the time of loan application through the date of closing, (c) complete a homeownership counseling course provide by a HUD-approved counseling agency or any other AHFA-approved homeownership counseling course, and (d) meet lenders credit requirements.

Outreach and marketing efforts for ADDI will be conducted by AHFA and its many business partners such as the Homebuilders Association of Alabama, the Mortgage Bankers Association of Alabama, the Alabama Association of Realtors, the Alabama Federation of Housing Counselors and Agencies, and the Consuming Credit Counseling Services of Alabama.

ADDI Recapture Provision

If at any time during the five-year affordability period, the original homebuyer sells, trades, transfers title or otherwise ceases to occupy the home as their primary residence, the homebuyer will be subject to recapture and must pay back the funds as deemed applicable. ADDI recapture is assessed on a reduced prorated basis of 20% per complete year, except in cases of non-compliance, which requires 100% of the ADDI funds to be repaid. Non-compliance for ADDI means that the homebuyer was not eligible for the ADDI funds at the time of the application. Non-compliance would result if the program criteria such as prior ownership, family income limits, sales price limits, and occupancy of residence during the affordability period are not met and this information was not properly disclosed. Any recaptured funds paid back to AHFA will be returned to the ADDI allocation and used to assist other qualifying homebuyers.

Addendum A

Alabama Housing Finance Authority's 2015 Point Scoring System

The point scoring system will allow AHFA to award points to projects that best meet the identified housing priorities for the State of Alabama. The point scoring system will rank each project in two sections (Points Gained and Points Lost). The ranking of the project will be determined by taking the Points Gained section and deducting the Points Lost section to get an overall project score. The point scoring system will largely determine which projects should be awarded. Applicants will be required to score their applications using the 2015 HOME/Housing Credit Point Scoring form provided by AHFA. This point scoring form must be submitted to AHFA as part of the application package.

Any points gained category referenced herein or in other sections of the 2015 QAP or the 2015 HOME Action Plan are specific to the 2015 program year and may not be carried (or brought) forward to (or from) any future (or past) program year by any entity, individual or application.

AHFA has established a housing priority in order to achieve a balanced distribution of Housing Credits and HOME funds throughout the state in terms of geographical regions, counties, urban, and rural areas. AHFA will achieve this priority by allocating Housing Credits and HOME funds, generally to only one project per county. This allocation methodology, used over time, has helped to ensure that counties and cities across the state have received a share of AHFA allocation of funds proportionate to their respective populations. Please note that applicants applying for Housing Credits with HOME funds combined are for new construction projects only, therefore the rehabilitation points described in this Point Scoring System are not applicable.

Project Selection Procedures:

Awards Selection:

1. The highest scoring project per county with ownership by an AHFA-approved CHDO will be funded until the regulatory 15% CHDO set-aside has been met.
2. The highest scoring HOME project combined with Housing Credits and/or Housing Credit project will be awarded per county until all HOME and Housing Credit funds have been allocated.

Projects with a net score of less than 77 points (Points Gained less Points Lost) will not be considered for awards.

In the event of a tie between two or more applications the projects will be ranked in the following order to determine which applicant will receive priority:

1. In the event there is a tie in scoring among two or more applications, then a recommendation will be made for the application that has the least amount of aggregate participation by any one owner. Aggregate participation is defined as the total of all Housing and HOME/Housing Credit applications recommended for awards in the current application cycle.

2. If a tie(s) still remains, priority will be given to the application which is deemed to be the most favorable based on the following site criteria as sequenced:

- a. Award recommendation will be made for the application which has the least number of active AHFA units located within a 2-mile radius of the proposed project site. Active AHFA units are projects that at the time of application are in the compliance and/or extended use period. (If the proposed project is an additional phase of an existing AHFA-funded project, the existing additional phase(s) will not count when determining the number of other active AHFA housing units. The additional phase must have one of the owners from the first phase.)
- b. The application containing no Negative Neighborhood Service(s) will receive a recommendation for awards.
- c. The application which scored the maximum number of points on Neighborhood Characteristics (Services as defined in the application instructions) will receive a recommendation for awards.

3. If a tie(s) still remains, priority will be given to the owner who requested the least amount of Housing Credits per unit.

4. If a tie(s) still remains, priority will be given to the application based on owner performance criteria in the following order as sequenced:

- a. The application that was submitted with no missing and/or incomplete document(s).
- b. The owner who has not had a repeat audit performed in the prior calendar year and does not have a repeat audit scheduled on any existing AHFA-funded project.
- c. The owner who has not requested a third extension on any 2014 AHFA-funded project.
- d. The owner who has not returned their full allocation of AHFA HOME funds or Housing Credits in the prior calendar year through the date of allocation of 2015 funds.
- e. The owner that has the most amount of additional long term subsidy per unit. Long term subsidy is defined in Section A(1)(iii) Rent Affordability of this addendum.

5. If a tie(s) still remains, priority will be given to the project which is located in a Qualified Census Tract and is supported by its respective governmental entities approved Revitalization plan.

6. If a tie(s) still remains, priority will be given to the application for a project that is intended for eventual tenant ownership. The project must consist of single-family homes, duplexes, or townhomes to be eligible. The applicant must complete the AHFA-provided Homeownership Conversion Proposal and provide a plot plan in form and content acceptable to AHFA.

7. If a tie(s) still remains, priority will be given to the applicant whose application received priority status in accordance with the drawing for applications that are submitted by 11:00 a.m. on the first day of the application cycle. The drawing will be held as soon as practical in AHFA's boardroom that same day to determine the order of awards in the event of a tie. An impartial person will be selected to draw. The drawing will be open to the public and the results will be posted on AHFA's website.

AHFA reserves the right to deny a Housing Credit reservation to any applicant or project, regardless of that applicant's point ranking if, in AHFA's sole determination, the applicant's proposed project is not financially feasible or viable. Additionally, AHFA may recommend that a Housing Credit reservation be

awarded out of the ranking order established by the points earned, based on the amount of Housing Credit allocation needed relative to the amount of awards available for the project to be financial feasible.

Regardless of strict numerical ranking, the scoring does not operate to vest in an applicant or project any right to a reservation or allocation of Housing Credits in any amount. AHFA will in all instances reserve and allocate Housing Credits consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion.

A. POINTS GAINED

1.) Project Characteristics (Maximum 73 Points)

(i.) Type of Construction (Maximum 33 Points)

- (a.) A maximum of 25 points will be given to projects which provide extra unit/project amenities. Refer to the application for distinction between an *extra* amenity and a *required* amenity. Only the amenities listed below will be eligible for points.

4 Points will be given for each of the following amenities:

- Clubhouse/Community Building/Community Room (*must have at a minimum a kitchen, community meeting room, restrooms, community TV with cable or satellite with a minimum of 42 inch screen TV, and wireless internet service. A community laundry must be included if not providing a washer/dryer in each unit and the community laundry must contain 1 washer and 1 dryer for every 15 units proposed in the project.*)
- Washer/Dryer provided in each unit (*3-7 cu. ft. capacity*)
- Exterior Security Package (*Must include all of the following: cameras, alarms and lighting that will provide adequate monitoring and coverage of the entire property*)
- Unit Security Package (*Each unit must have an alarm on all entry doors and windows*)
- Storm Shelter (*Must meet the International Code Council National Storm Shelter Association Standard for the Design and Construction of Storm Shelters (ICC-500 August 2008) Standards*)
- Playground (*Must provide commercial grade playground equipment with a minimum of three (3) play activities*)
- Outdoor Fitness Activity Area – (*must provide commercial grade outdoor fitness equipment as further defined in the application instructions with a minimum of three (3) exercise activities*)
- Covered Picnic Pavilion – (*with a minimum of two (2) tables and two (2) grills*)

3 Points will be given for each of the following amenities:

- Computer center (*two or more computers with printer and internet access*)
- Splash Center
- Exercise/Fitness room with equipment (*Must provide a minimum of three (3) separate types of commercial grade exercise/fitness equipment with adequate floor space to qualify for points*)
- Covered bus stop shelter (*Must be separate/independent of the mail kiosk unless location allows for proper access of bus to pick-up and drop off*)
- Gazebo
- Access Gate (*Must be on all entry points of project if more than one*)(*Must be closed during specified times at night*)
- Walking Trail with Benches (*5 feet wide concrete and minimum of ¼ of mile long*)(*must be separate of required sidewalks*)

2 Points will be given for each of the following amenities:

- Basketball court (*break-away rim and shatter-proof backboard*)
- Picnic area with grills (*one (1) grill for every fourteen (14) units, one (1) picnic table for every two (2) grills proposed in the project*)
- Storm doors
- Emergency Pull Cord/Call Button

New Construction Projects Only (Maximum of 8 Points)

- (b.) 4 points will be given for storm windows; thermal break insulated windows or extruded vinyl windows and insulated exterior doors. Windows must be Energy Star Rated.
- (c.) 4 points for full brick/cementitious siding, stucco, cultured stone or concrete masonry unit (CMU) products (*no Exterior Insulation Finishing System is acceptable*).

Multifamily units (*two or more units in a building*)

A minimum of 40% of each building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. The remaining 60% can be cementitious siding, stucco, or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted. All entry areas into the apartment including covered breezeways, porches, balconies, and patios must have brick, cementitious siding, stucco, cultured stone or CMU to be considered full brick.

Single-family units (*single unit/detached building*)

A minimum of 50% of the building, defined as the exterior façade from finished grade elevation to eave line, shall be brick. Each exterior wall must contain brick up to the bottom of the first floor windows on a two-story unit or the window sill of a one-story unit. The remaining 50% can be cementitious siding, stucco, cultured stone or CMU products. The CMU products must be decorative, textured, patterned, color core, or painted.

~~Rehabilitation Projects Only (Maximum of 8 Points)~~

- ~~(d.) 2 points will be given for replacing all entry doors with insulated exterior doors and replacing all windows; thermal break insulated windows or extruded vinyl windows. Windows must be Energy Star rated.~~
- ~~(e.) 2 points will be given for replacing all kitchen cabinets and countertops.~~
- ~~(f.) 2 points will be given for replacing all plumbing fixtures.~~
- ~~(g.) 2 points will be given for replacing all HVAC equipment~~

~~All points for rehabilitation construction items will be verified by the Capital Needs Assessment and Architect's Certification submitted. Both documents must be certified by the project Architect.~~

(ii) Energy Conservation and Healthy Living Environment
(Maximum of 8 Points)

- (a.) 4 points will be given for HVAC of 15 SEER (HSPF 9.0) or above.
- (b.) 4 points will be given for the kitchen range hood ventilation to be vented to the exterior and equipped with a damper.
- (c.) 4 points will be given for high efficiency water heaters with a 0.95 EF minimum.
- (d.) 4 points will be given for the use of Energy Star rated "cool roof" shingles or metal roof with a fifty (50) year warranty.

(iii.) Rent Affordability (Maximum 7 Points)

- (a.) A maximum of 7 points will be given to projects, which have a commitment for additional subsidies from the Federal Home Loan Bank for Affordable Housing Program (AHP) funds (AHP funds must be in the form of a grant), Federal Historic Tax Credit, Alabama Historic Rehabilitation Tax Credit, HOPE VI funds, HOME funds (AHFA's HOME funds do not qualify), USDA Rural Development

515 funds, CDBG, CDBG Disaster Funds administered from Alabama Department Economic Development, HUD CDBG Disaster Funds, Rental Assistance Demonstration funds, Neighborhood Stabilization Program funds, Capital Fund Program Grant, Replacement Housing Factor Fund Grant, CHOICE Neighborhood funds, Promised Neighborhood funds, NeighborhoodWorks Capital Grant, Home Depot Foundation Grant and HUD's Economic Development Initiative program funds allocated through the Community Development funds. The commitment must be a fully executed firm commitment from the applicable entity that will be granting the funds to project.

To qualify for points for receiving additional subsidies (meeting the above criteria), if the funds are loaned (required repayment) or granted to the project, at least 50% of the total amount of funds committed for points must remain as a permanent source of funds.

7 points - \$10,001+ per unit

6 points - \$8,001 - 10,000 per unit

5 points - \$6,001 - 8,000 per unit

4 points - \$4,000 - 6,000 per unit

(iv.) Tenant Needs (Maximum 3 Points)

- (a.) 1 point will be given to projects with 100% of the units in the project designed, equipped and set-aside for elderly.
- (b.) 1 point will be given to projects targeting low-income families (individuals with children) with a minimum of 15% of the units having three or more bedrooms. If an applicant chooses 100% elderly, the applicant *will not* receive points for three or more bedrooms. Rehabilitation of existing multifamily rental units must already have the required three or more bedrooms to receive the points.
- (c.) 1 point will be given to projects which have committed in writing to target households on the public housing waiting list.
- (d.) 1 point will be given to projects which provide at a minimum 5% of the dwelling units be designed and constructed to be readily accessible to individuals with mobility impairments. An additional 2% of the dwelling units must be accessible to individuals with sensory impairments (i.e. hearing or vision impairments).

(v.) Readiness Issues (Maximum 5 Points)

A maximum of 5 points will be given to applicants with evidence of attendance at the AHFA-sponsored HOME/Housing Credit Application Workshop. For applicants that have not closed an AHFA HOME loan and/or received IRS Form 8609 from AHFA on a prior project, the Workshop attendee must be an owner, an officer, executive

director or a principal of the ownership entity in the proposed application in order for the applicant to qualify for the points.

3 points will be given if one of the applicant's owners listed in the application provides AHFA's Certificate of Attendance.

2 points will be given if an applicant's contact person listed on the application provides AHFA's Certificate of Attendance.

(vi.) Project Type (Maximum 5 Points)

- (a) ~~4 points will be given for the rehabilitation of a project with an existing AHFA HOME loan that matures prior to or within the year covered by the applicable QAP. In order to be eligible for these points, the proposed project must have paid 100% of the HOME loan (principal and interest) or received an AHFA approved 15 year extension of the HOME loan.~~
- (b.) ~~1 point will be given for rehabilitation of existing buildings that provides sufficient evidence that the project qualifies for the Alabama Historic Rehabilitation Tax Credit.~~
- (c.) ~~1 point will be given for rehabilitation of existing multifamily residential rental housing, replacement of multifamily housing or replacement of previously existing multifamily housing. Previously existing multifamily housing is defined as multifamily housing that has been removed within the last 2 years or will be removed for new replacement housing on the same site.~~

(vii.) Location (Maximum 12 Points)

(a.) Points Gained for Site Selection

(1) Neighborhood Characteristics (Maximum 10 Points)

2 points will be given for the following services located within 2 miles of the site. Distance will be measured by odometer from the automobile entrance of the proposed project site to the closest automobile entrance to the parking lot of the applicable service. Projects located in a federal declared disaster county may receive points for services, if the service is currently under construction and funded in whole or part by Federal or State disaster funds. The applicant must provide sufficient evidence of both requirements. Duplicate services will not be eligible for additional points. Points will only be given for the services listed below. (Neighborhood Services defined in the Application Instructions)

Grocery Store	Pharmacy or Drug Store
Convenience Store	Bank or Credit Union

Hospital or Doctor Office

(2) Census Tract Location (2 points)

A maximum of 2 points will be given to a project located in a census tract where the Median Family Income from the 2010 census data (2010 ACS 5 Year) is equal or above the following percentages (rounded down) of the county's 2014 Annual Median Family Income published by HUD:

- 1 point for 60% - 79%
- 2 points for 80% or more

(b.) Points Deducted for Site Selection

(1.) Negative Neighborhood Services (No Maximum)

There is not a limit on the amount of points that can be deducted for negative neighborhood services.

5 points each will be deducted if any of the following incompatible uses are adjacent to the site. Adjacent is defined as nearby, but not necessarily touching. The following list is not all inclusive. (Negative Neighborhood Services defined in the Application Instructions)

- | | |
|--|----------------------|
| Junk yard or dump | Pig or chicken farm |
| Salvage yard | Processing plants |
| Wastewater treatment facility | Industrial |
| Distribution facilities | Airports |
| Electrical utility Substations | Prison or Jail |
| Railroads | Solid waste disposal |
| Adult video/theater/live entertainment | |

**Please note: An exception may be allowed for rehabilitation or historic properties located near a railroad, provided a noise mitigation plan (subject to HUD standards) is presented at the time of application. The findings of the study must be acceptable to AHFA in all respects.*

2 points each will be deducted if any of the following incompatible uses listed are within .3 mile of the site. The list is not all inclusive.

- | | |
|-------------------------------|----------------------|
| Junk yard or dump | Pig or chicken farm |
| Salvage yard | Processing plants |
| Wastewater treatment facility | Airports |
| Prison or Jail | Solid waste disposal |

Points will not be deducted for a prison, jail, or detention facility if it is co-located with a law enforcement office.

(2.) Accessibility (Maximum 2 points Deducted)

2 points will be deducted if the condition of the streets and sidewalks are unsatisfactory. The width of the streets and the difficulty of access to the proposed site will be taken into consideration.

2.) Applicant Characteristics (Maximum 28 Points)

(i.) 5 points will be given to applicants with participation of minorities or women. To qualify for the points for participation of minorities or women, the application must meet one of the following requirements:

- Minorities or women have ownership in the project;
- Applicant/Owner guarantees at least 10% of the total building cost is awarded to minority- or women-owned businesses.

In all cases, the minority or female individual(s) must have at least a 50% ownership interest as the project's general partner or 50% ownership interest in the participating business to qualify for the points. These businesses include, but are not limited to, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services. The name and address of the company and the anticipated contract amount must be listed at the time of application on the form provided by AHFA in the application package in order to receive the points.

(ii.) A maximum of 10 points will be given to owners (individual(s), shareholders, members, corporation(s), or in the case of a limited partnership, the general partner(s)) who have previous successful experience in the development of multifamily housing within the last fifteen (15) years. Special limited partners do not qualify for these points. Mobile home developments, hospitals, sanitariums, life care facilities, or intermediate care facilities are not considered multifamily housing for purposes of qualifying for points. The owner may include experience gained as an owner in another firm, but not as an employee of another firm. Applicants must currently own the properties listed for development points.

- 10 points (1000+ units or 10+ projects)
- 9 points (700 - 999 units or 7 - 9 projects)
- 6 points (400 - 699 units or 4 - 6 projects)
- 3 points (100 - 399 units or 1 - 3 projects)

(iii.) A maximum of 10 points will be given to applicants with sound experience as managing agents of low-income multifamily housing. This experience is defined by the highest number of units currently managed. Only those units in projects that are considered low-income units will be counted in this total.

- 10 points (1000+ units or 10+ projects)
- 9 points (700 - 999 units or 7 - 9 projects)
- 6 points (400 - 699 units or 4 - 6 projects)
- 3 points (100 - 399 units or 1 - 3 projects)

(iv.) A maximum of 3 points will be given to applicants that have received IRS form 8609 or have closed a AHFA HOME loan in year 2005 or later. The project must be in compliance at the time of allocation to qualify for the points. Applicants must currently own the properties listed for development points:

- 3 points (3+ projects)
- 2 points (2 projects)
- 1 point (1 project)

B. POINTS LOST

1.) Davis Bacon Requirements (Maximum Loss of 10 Points)

2 points will be deducted for each of the following Davis Bacon requirements that are not met on any existing project. (These point deductions will be applied to the next application cycle in which the owner applies.)

- 2 points - No response on outstanding issues for over 6 months;
- 2 points - The general contractor is unable to submit payrolls, causing an escrow account to be established;
- 2 points - Outstanding issues remain over 2 years from the date of the notice to proceed;
- 2 points - Failure to provide AHFA the Section 3 report on the required date; or
- 2 points - Failure to provide AHFA the HUD 2516 report on the required date.

2.) Financial Structure (Loss of 10 Points)

10 points will be deducted if an owner listed in the application has changed the financial structure and/or rents for any AHFA funded project without AHFA's prior written consent or approval. AHFA must be notified not less than 30 days prior to any change in the financing structure from what was disclosed in the original application. For example, changes in any amount of the first mortgage and any additional funds such as AHP, HUD funds or any other soft debt. Once an executed binding commitment for syndication (in form and content acceptable to AHFA) has been provided, any change in equity price must have AHFA's prior written consent. AHFA must be notified not less than 60 days prior to any increase or decrease of rents from what was proposed in the approved application. This requirement only pertains to projects that have been funded but have not closed AHFA's HOME loan and/or have been issued the project's IRS

Form 8609s. Point deductions will only be applied to the owner's application in the current allocation cycle.

3.) Compliance (Maximum of 20 Points Loss)

AHFA's compliance requirements are outlined in (Addendum E) Compliance Monitoring Procedures, Requirements and Penalty Criteria.

Addendum B

Alabama Housing Finance Authority's 2015 Environmental Requirements

Alabama Housing Finance Authority (AHFA) requires that a project-specific Environmental Site Assessment (“ESA”) Phase I Report be submitted for each application by a third party Environmental Professional (“EP”), be in the format as described herein and adhere to the following guidelines and requirements.

Applications for HOME funds:

The HOME Investment Partnership Program (HOME) requires AHFA to certify its compliance with the National Environmental Policy Act of 1969, as amended, Section 106 of the National Historic Preservation Act, and its implementing regulations located in 36 CFR 800, and the environmental procedures, permit requirements and statutory obligations of the laws cited in 24 CFR Parts 50, 51, and 58, U.S. Environmental Protection Agency (“EPA”) All Appropriate Inquiry (“AAI”) 40 CFR Part 312, and all other applicable State and local laws.

In order to ensure the environmental review process is not challenged, once applications for HOME funds are submitted, the applicant must ensure that no choice-limiting activity is conducted regarding the project. Choice-limiting activities include, but are not limited to, acquiring, rehabilitating, converting, leasing, repairing, ground disturbance, or construction.

For all Applications made to AHFA:

If a Phase I ESA for a project either (a) identifies a Recognized Environmental Condition (which includes, but is not limited to, controlled recognized environmental conditions, historical recognized environmental conditions, etc., hereinafter collectively referred to as (“RECs”)) and or (b) recommends additional testing, investigation or a Phase II Report be conducted, any and all Phase II Reports and Addendums that are prepared to address the RECs identified or additional testing recommendations must be included at the time of report submission. All reports must be submitted in color by a bound hard copy and also on a digital copy. AHFA may select and engage an environmental professional to review and comment on the Phase I ESA and/or Phase II Report submitted by the applicant, the cost for said review to be paid by the applicant upon notification. During the AHFA review process, any report(s) submitted for which AHFA (or AHFA’s designated consultant) determines that the report materially fails to comply with AHFA written requirements, ASTM standards or applicable environmental standards will result in the termination of the related application.

All environmental issues identified (or that should have been identified) in the Phase I ESA and Phase II ESA reports must have been fully abated or mitigated (or provide a written remediation plan approved in writing by the Alabama Department of Environmental Management (ADEM)) in a manner that is protective of residential use and acceptable to AHFA in all respects before construction can begin.

AHFA will not consider any sites that are listed on or proposed to the National Priority List (NPL) or State equivalent. (Superfund sites).

In accordance with AHFA requirements, the Phase I ESA must:

1. Comply in all respects with ASTM E1527-13 (the ASTM Standards) as to content and adhere to AHFA's Non-Scope Requirements (Addendum B-1).
2. Be dated less than 6 months old at time of submittal.
3. Include a complete legal description (e.g., metes and bounds) of the site.
4. Be in the format shown in section X4 of the ASTM Standards. (*A missing or incomplete document fee will be charged if the proper format of the ASTM standard is not followed.*)
5. Be completed and certified as to its accuracy, completeness and in conformance with the ASTM Standards by an Environmental Professional as defined in X2 of the ASTM Standard.
6. Include a statement that the report can be relied upon by AHFA.

Addendum B-1

AHFA Non-Scope Requirements

1. The Phase I ESA must specifically state that the EP understands that the purpose of the Phase I ESA is to ascertain whether the property is environmentally suitable for construction/rehabilitation of multifamily residential housing and provide their professional opinion and certification to that fact.
2. The EP must accept the responsibility for the Environmental Lien and Activity and Use Limitation (“AUL”) search as explained in section 6 of the ASTM Standards.
3. The Phase I ESA must address and discuss, at a minimum the following issues in connection with the proposed site: asbestos, lead based paint, mold, radon, wetlands, and Polychlorinated biphenyl (“PCBs”).
4. The EP must field-verify the distance to any facilities identified in any of the standard environmental records searches.
5. If there is any potential for contamination to be present on the Property (regardless of on-site or off-site sources of the contamination), recommendations for additional testing or assessment must be included.
6. All local interviews will be conducted first in person, if unavailable then by phone, then via written communication. In all cases the final report must contain the documentation of the interviews and the interviewee’s contact information. (name, phone number)
7. The Report must include a site map which includes:
 - a. An area large enough to display the location of the site and adjacent properties including existing streets.
 - b. Identification of environmental concerns where applicable, including potential off-site sources or locations that have the potential to adversely impact the property.
 - c. Boundaries of floodplains, wetlands and/or potential State waters on or adjacent to the site.
8. The EP must locally check all Standard Historical Sources listed in section 8.3.4 of the ASTM Standards.
9. Addendum B-2 (AHFA Environmental Review Statutory Checklist) & B-3 (Environmental Summary Page) must be completed and certified to as a part of the Phase I ESA and placed in Section X4.8 as stated in the ASTM Standards.
10. The EP must obtain, from the applicant, a completed X3 User Questionnaire to include with the Phase I ESA.
11. Any Phase II Reports that are recommended for purposes of addressing the RECs identified in the Phase I ESA (or that should have been identified in the Phase I ESA Report but were not) must be completed in accordance with E1903-11 and all ADEM standards for Residential Use Properties.
12. If mitigation measures and/or remediation has been or is recommended to be performed, include the Cleanup Work Plan and ADEM approvals for the same; a statement certifying that the mitigation or remediation complies in all aspects with approved EPA or ADEM guidelines and methods should also be included.
13. The EP must complete Addendum B-4 (The Letter of Reliance) and submit with the Report.

Addendum B-2

Environmental Review Statutory Checklist

Project Name:

Project City:

Directions: Write “A” in the Status Column when the project, by its nature, does not affect the resources under consideration; OR write “B” if the project triggers formal compliance, consultation with the oversight agency, or requires mitigation.

Area of Statutory or Regulatory Compliance listed at 24 CFR 58.5 and 24 CFR 58.6	Status A/B	This section should contain a detailed written explanation. Refer to the “Instruction/Guidance for Completing Addendum B-2” and provide a thorough explanation based on supporting documentation (most current version) issued or prepared by the appropriate party or source of information, regulatory agency, or certified by the Environmental Professional.
HISTORIC PRESERVATION		
FLOODPLAIN MANAGEMENT		
WETLANDS PROTECTION		
ENDANGERED SPECIES ACT		
WILD & SCENIC RIVERS ACT		
CLEAN AIR ACT		
FARMLANDS PROTECTION POLICY ACT		
MANMADE HAZARDS EXPLOSIVE & FLAMMABLE OPERATIONS		
NOISE ABATEMENT & CONTROL		
AIRPORT CLEAR ZONES & ACCIDENT POTENTIAL ZONES		
TOXIC CHEMICALS & RADIOACTIVE MATERIALS		
ENVIRONMENTAL JUSTICE		
WATER QUALITY		
FLOOD INSURANCE		

Attach evidence of your findings.

Documentation must be credible, traceable & supportive of the environmental findings.

Instructions/Guidance for completing Addendum B-2:

These instructions and guidance are being provided as an initial starting point to address relevant environmental details regarding the project site. This guidance is not intended to be all-inclusive; each project site presents unique conditions and circumstances that are site-specific. Therefore, AHFA reserves the right to present any additional questions or require explanatory details and such responses must be fully supported by the appropriate documentation.

Historic Preservation:

Are there any buildings over 50 years old within 2 blocks of the site?

Will you drive past any to get to the site?

Are there any within line of site of the property?

Will proposed Apartments be of greater height than surrounding buildings?

Call local historical society and document the contact name, phone number and conversation.

Print google map of site and map all historic properties that are close.

Review National Register database: www.nationalregisterofhistoricplaces.com

Floodplain Management:

Is the project located in the 100 year floodplain (zones A or V) mapped by the Federal Emergency Management Agency (FEMA)?

Located in the 500 year floodplain (zone

B)? Is the project affected by local

flooding?

Attach FEMA Flood Insurance Rate Map (Firmette). Provide the FIRM number.

In what flood zone is the property located?

Wetlands Protection:

Are any wetland characteristics (hydrophytic vegetation, hydric soils, wetland hydrology) observed on or adjacent to the site?

Any indications of a wetland delineation observed from the site?

Attach National Wetlands Inventory Map and any wetland delineation studies or assessment reports prepared for the project site.

Endangered Species Act:

Will any endangered species or their habitat be adversely affected by this project?

Attach endangered species list for the project's county from the U.S. Fish & Wildlife Service website. Document your visual finding for endangered species and their habitat.

<http://www.fws.gov/daphne/es/specieslst.html>

Wild & Scenic Rivers Act:

Document the distance to the Sipsy Fork River.

Will this project have an adverse effect on the river?

Clean Air Act:

Is project located in a Non-attainment area of the state?

www.epa.gov/airquality/greenbk/astate.html

Farmlands Protection Policy Act:

Is the project currently being farmed? Property zoned for agricultural use? Soil listed as prime or unique? Attach web soil survey.

<http://websoilsurvey.nrcs.usda.gov/app/>

Manmade Hazards:

Explosive & Flammable Operations: Are there any above ground storage tanks containing 100 or more gallons of explosive or flammable liquid or gas within 1 mile of the site?

Are there any within line of site of the property?

Provide information on contents, size and distance from the site.

Has the acceptable separation distance been met for people as well as

buildings? http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/environment/asdc_calculator

Noise Abatement & Control:

Is there a civilian airport within 5 miles of the site? Is there a military airport within 15 miles?

Is there a major road within 1000 feet of the site? Is there a railroad track within 3000 feet?

Attach HUD noise calculator sheets. Acceptable outside noise level is below 65 DNL.

http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/environment/dnlcalculator to [ol](#)

Airport Clear Zones & Accident Potential Zones:

Is the property site located within an ACZ or APZ?

Civilian clear zone is 2,500 feet (.47 miles) from the end of the runway.

(ACZ) Military clear zone is 15,000 feet (2.8 miles) from the end of the runway. (APZ) Attach a google earth map indicating the site & airport.

Toxic Chemicals & Radioactive Materials:

Do previous uses of the site indicate the likelihood of contamination?

Is the site located within 3,000 feet of a solid, toxic or hazardous waste landfill? Were any recognized environmental conditions (RECs) found?

Can people come into physical contact with the contaminants?

Can contaminants be ingested? From drinking water, food crops, etc. Can people inhale the contaminants? From vapors, gases, dust, etc.

Will any RECs identified in the Phase I ESA recommend or require remediation or mitigation measures? If so, please fully describe and provide documentation.

Environmental Justice:

Is the project site suitable for its proposed use?

Are there high or adverse health and environmental conditions that could affect the project because of its proposed location?

Are minority and low income persons being disproportionately affected in comparison to the rest of the population?

Water Quality:

Who is providing the projects drinking water supply?

Does their most recent report indicate any compliance issues?

Flood Insurance:

Is the project in a location requiring flood insurance?

Provide the current flood insurance declaration page.

Addendum B-3
Environmental Summary Page

REPORT INFORMATION			PAGE #
Project Name:	1T		
Project City:	Click here to enter City Name		
ASTM E 1527-13: Yes <input type="checkbox"/> No <input type="checkbox"/>	Enter report date here	AHFA Reliance: Yes <input type="checkbox"/> No <input type="checkbox"/>	page #
Suitability for Residential Use” statement included? Yes <input type="checkbox"/> No <input type="checkbox"/>			page #
Local Interviews included? Yes <input type="checkbox"/> No <input type="checkbox"/>			page #
Site Map Included? Yes <input type="checkbox"/> No <input type="checkbox"/>			page #
SITE INFORMATION	DESCRIPTION / DOCUMENTATION		PAGE #
Developed <input type="checkbox"/> Undeveloped <input type="checkbox"/> (provide age if developed)	Click here to enter site description.		page #
Listed on NPL or State Equivalent? Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Delisted NPL (1 mile) Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Site Acreage:	Click here to enter text.		page #
Site Elevation:	Click here to enter text.		page #
Site Slope:	Click here to enter text.		page #
Water On Site: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Surface Water Flow Direction:	Click here to enter text.		page #
Groundwater Flow Direction:	Click here to enter text.		page #
Flood Insurance Rate Map:	Click here to enter text.		page #
Flood Zone:	Click here to enter text.		page #
Recognized Environmental Conditions (RECs) identified? Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Contamination (known or suspect): Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Recommendations Included: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Mitigation or Remediation measures recommended? Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Current or Pending VCP: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Radon Zone:	Click here to enter text.		page #
ACM (every structure) : Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Friable ACM: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
LBP (pre- 1978): Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
ASTs (within 1 mile): Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Acceptable (AST) Separation Distance: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
USTs (on site): Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Are USTs Trust Fund Eligible? Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Wetlands: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Endangered Species: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Noise: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
ENV Lien: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
Database Search: Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.		page #
OFF-SITE INFORMATION	DESCRIPTION / DOCUMENTATION		PAGE #
Adjacent Land Use:	North	Click here to enter text.	page #
	South	Click here to enter text.	
	East	Click here to enter text.	

	West	Click here to enter text.	
Adjacent Water:	Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
Adjacent Wetland:	Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
Adjacent Contamination: (known or suspect)	Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
USTs (within 0.5 mile):	Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
Leaking USTs (within 0.5 mile):	Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #
RCRA regulated:	Yes <input type="checkbox"/> No <input type="checkbox"/>	Click here to enter text.	page #

Addendum B-4

Letter of Reliance

Click here to enter a date.

Alabama Housing Finance Authority
7460 Halcyon Pointe Drive, Suite 200
Montgomery, AL 36117

RE: Phase I ESA for: Development Name
 Development Name
 Development Name

Please find enclosed the Phase I Environmental Site Assessment (ESA) for the subject property dated [Click here to enter a date.](#) to the Alabama Housing Finance Authority (AHFA).

It is my understanding that the information contained in the ESA will be used by AHFA in considering proposed financing of residential development/rehabilitation of the property and, therefore, AHFA may rely upon the ESA as if it were originally issued to AHFA.

I **certify** that the attached is a true, correct and complete copy of the ESA and that the report represents my professional opinion of the site as of this date. I also confirm the evaluation, recommendations and conclusions contained in the ESA as of this date and that the ESA has been performed in conformance with the scope and limitations of **both** the ASTM Designation: E1527-13, and AHFA's 2015 Environmental Policy.

Sincerely,

Environmental Professional Name
Environmental Professional Company Name

Addendum C

Alabama Housing Finance Authority's 2015 Design Quality Standards (For Attached New Construction Rental Units)

The following outline of minimum standards must be used in designing Housing Credit and HOME projects of twelve or more units.

Any deviations from these standards must have the written approval of AHFA prior to submitting an application for funding. The request for approval, with all supporting documentation, must be submitted to AHFA at least thirty (30) days prior to submitting an application for funding. Once the project begins construction and through the end of construction of project, any deviation must have written approval before any work commences or any deviation is made on the construction site. Any deviation requested and approved will be charged the appropriate fee as stated in AHFA's then applicable Housing Credit Qualified Allocation Plan and/or HOME Action Plan.

All projects must be designed and constructed in accordance with the applicable requirements of the 2010 Americans with Disabilities Act, Section 504 of the Rehabilitation Act, Fair Housing Act, state and local disaster mitigation standards, 2009 or 2012 International Building Code-International Residential Code and any more restrictive local building code requirements.

I. Site Selection Criteria:

- A. HOME proposed sites containing property within a 100-year flood plain and/or wetlands are not permitted.
- B. Sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices. The following counties are located in Radon Zone -1: Calhoun, Clay, Cleburne, Colbert, Coosa, Franklin, Jackson, Jefferson, Lauderdale, Lawrence, Limestone, Madison, Morgan, Shelby, and Talladega. For the most current radon information see: www.aces.edu.
- C. All new construction developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring per planned building location and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.
- D. Sites located outside municipal city limits:
 - 1. A proposed new construction site may be located outside a municipality's city limit, but must be within the local police or sheriff jurisdiction.
 - 2. A proposed site that is located in the police jurisdiction of a local municipality must comply with applicable zoning restrictions as if located within that municipality's city limit.
 - 3. Domestic water and fire water service must be provided to the development by the local utility service provider.

II. Building Design Criteria

A. Maximum Building Standards:

1. The square footage of the Project's clubhouse/community building may exceed 3,000 square feet heated and cooled (inclusive of the office area, community laundry, community meeting room, restrooms, kitchens, etc.)(any square footage over this amount will not be included in the eligible basis used to calculate the Housing Credit) and be ADA accessible.
2. All 100% Elderly projects must be one-story structures. Exception: Projects may have more than one story, provided elevators are to be installed to service all upper level apartments. Design exceptions, or deviations, must be reviewed by AHFA on an individual basis.

B. Minimum Building Standards:

1. Minimum Apartment Unit Net Area Requirements:
 Net area is measured from the **interior finished face** of the exterior wall to the **interior finished face** of the common or tenant separation wall.
 Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

<u>Unit Type</u>	<u>Number of Bathrooms</u>	<u>Minimum Unit Net Area*</u>	<u>Min. Bedroom Net Area</u>
1 Bedroom	1	725 s.f.	120 s.f.
2 Bedroom	1	900 s.f.	120 s.f.
2 Bedroom	1.5	925 s.f.	120 s.f.
2 Bedroom	2	975 s.f.	120 s.f.
3 Bedroom	2	1,200 s.f.	120 s.f.
4 Bedroom	2	1,455 s.f.	120 s.f.

**Note 1: Net unit areas do not include outside storage, covered porches, patios, balconies, etc.*

2. Exceptions to the minimum area requirements:

Single-Room Occupancy (“SRO”) projects

3. All units must include an exterior storage closet with a minimum area of sixteen (16) square feet. Developments designed with all interior unit access must provide the additional required exterior storage for each unit in the interior of the building(s). It may be located inside the unit, on the tenants’ floor, or in a common area. All exterior and interior storage must be lockable.

4. Exterior Building Standards:

a. Exterior Finishing Materials:

1. Exterior building coverings: For new construction, very low maintenance materials are required. Acceptable materials include:
 - a. Brick;
 - b. High quality vinyl siding with a minimum thickness of .044 and a lifetime non-prorated limited warranty (50 year) transferable;

- c. Cementitious siding and trim material; or
- d. Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick, decorative block or cultured stone must be used as an apron material.

2. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.
3. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.
4. Materials for entry doors are to be metal-clad wood, fiberglass, or hollow metal construction. "Peepholes" and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.
5. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.
6. Roof gable vents must be made of aluminum or vinyl materials.
7. All attics shall be vented.
8. All primary entries must be within a breezeway or have a minimum roof covering of 3-feet deep by 5-feet wide, and must be designed to divert water away from the entry door. Entry pads measuring 4 feet by 4 feet and made of impervious material with a minimum slope of 1/4 inch per foot are required at each exterior entry.
9. All breezeways must be constructed of concrete floor/decking material.
10. Exterior shutters are required on all 100% Brick or vinyl siding buildings.
11. Stairway components, such as stringers, treads, and risers must be constructed from steel or concrete. All project steps must include a kick plate in between each step beginning at the first step nearest to the ground and ending at the nearest step at the balcony or landing. Handrails and pickets must be constructed from steel or aluminum.
12. Patio and porch/balcony components used as part of the building must have concrete slabs or decks and must be constructed so that no wood is exposed. Concealment must be with materials such as aluminum, vinyl, cementitious materials trim or engineered composite trim. Structural wood columns must be at a minimum 6" x 6" pressure treated columns concealed as noted above or properly sized columns of fiberglass, high density urethane or aluminum. Decorative rails and/or guard rail systems used at porches and patios must be code compliant systems of vinyl, fiberglass steel or aluminum. Wooden support posts must be installed to prevent degradation (rotting) to ends of posts and to provide for structural and anchoring of post to slab. Wood railings are not allowed.

b. Other Exterior Standards:

1. Adequate exterior lighting is required in all covered exterior breezeways/walkways. Exterior lighting fixtures are required at all entry doors. The fixtures must be controlled from the interior of the unit.
2. Address numbers are to be clearly visible.

3. One and one-half parking spaces per living unit required for family units, one space per unit for elderly units, two parking spaces for single family homes, and two parking spaces for each duplex, unless local code dictates otherwise, and no designated street parking allowed.
4. Metal flashing or 20 mil polyethylene when used in conjunction with a self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable municipal landscape ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. Landscaping around and between the buildings is allowed. At a minimum, provide one 2" caliper tree per unit and Six 1 gallon shrubs per unit.
6. Concrete curbing is required along all paved areas throughout the development site, including parking areas. (Valley curbs are not allowed)
7. Sidewalk access to all parking spaces must be provided. Where the accessible route on the site crosses a vehicular roadway, crosswalk lines are required. They shall not be less than 6 inches or greater than 24 inches in width.
8. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.
9. A minimum of one trash dumpster or compactor enclosed on a minimum of 3 sides is required. The trash dumpster/compactor enclosure must be ADA accessible and have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants.
10. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.
11. All parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the application by a geotechnical engineer.
12. All sidewalks and walkways must be concrete and at least 36 inches wide. All public buildings, clubhouse/community building and amenities must be connected to the dwelling units by a sidewalk or walkway.
13. Mailboxes, playground and all exterior project amenities must be on an accessible route as defined by the Fair Housing Guidelines. All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table and bench seating.
14. No above ground propane tanks allowed on the site.
15. All utilities located on site must be underground.
16. Storm Water retention basins must include fencing around the entire perimeter and a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

5. Interior Building and Space Standards:

a. Wall Framing:

1. Walls may be framed using metal studs in lieu of wood.
2. Sound proofing or sound batt insulation is required between the stud framing in tenant separation walls. A sound rating of Sound Transmission Class (STC) 54 is required.
3. Sound proofing between floors is required to achieve a rating of (STC) of not less than 50 and an Impact Insulation Class (IIC) of not less than 50.

b. Insulation Requirements:

1. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly.
2. Roof or attic insulation must have an R-38 minimum.
3. Vapor retarders must be installed if recommended by project architect.

c. Kitchen spaces:

1. A minimum 6 1/2-inch deep double bowl stainless steel sinks are required in each unit.
2. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.
3. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets must meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets must bear the certification seal of KCMA (Kitchen Cabinet Manufacturers Association).
4. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1'6" x 1'6" deep with a minimum five shelves, located in or adjacent to the kitchen.
5. A 4 foot long fluorescent light fixture is required.
6. All appliances must be Energy Star rated.
7. A grease shield is required behind ranges on the wall.
8. A microwave oven must be provided in each unit.
9. The refrigerator must contain an ice maker.
10. A dishwasher must be provided in each unit.

d. Bathroom Spaces:

1. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. All tubs in designated handicap accessible units must come complete with "factory-installed grab bars" where the tub surrounds are reinforced fiberglass. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble, solid wood blocking must be installed.
2. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines. At a handicap accessible unit the water closet must be centered 18" from the adjacent wall. At a Fair

- Housing unit the water closet must be centered 18" minimum to a fixture or wall opposite the direction of approach.
3. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24".
 4. Vanity cabinets with drawers and a medicine cabinet must be provided in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.
- e. Hallways must have a minimum clear width of 36 inches.
- f. All interior doors to habitable spaces in units subject to Fair Housing Guidelines must have a minimum clear width of 34 inches. All interior doors to habitable spaces in designated handicap accessible units must have a minimum width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.
- g. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom.
- h. Window treatments are required for all windows.
- i. Sliding glass doors are prohibited.
- j. Floor Finishes:
1. Carpet materials must meet FHA minimum standards.
 2. Resilient flooring materials must meet FHA minimum standards.
- k. A minimum of two hard-wired with battery back-up smoke detectors are required per unit. Townhomes must have a minimum of one smoke detector upstairs.
- l. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.
- m. All units pre-wired for cable television hook-ups in the living room and one (1) per bedroom.
6. Plumbing and Mechanical Equipment:
- a. Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system. Water heater T&P relief valve discharge must meet applicable building code requirements.
 - b. Through-wall HVAC units are not permitted in residential units except in efficiency units.
 - c. CPVC supply piping is not allowed for interior space in-wall or overhead services.

d.HVAC units and water heaters are not permitted in attic spaces. HVAC units must be installed in Mechanical Closets with insulated walls located within the living unit. Water heaters are to be located within the living unit.

e.HVAC refrigeration lines must be insulated.

f. HVAC 14 SEER or greater must be used.

g. All units must contain washer and dryer connections.

C. Modular Construction:

1. Modular units are to be constructed in component sections and assembled by a manufacturer in a controlled environment. The component sections are to be assembled on a conventional permanent foundation at the project site. Finish work is to be completed on site.
2. Modular units must be constructed to meet applicable building codes, AHFA's specifications and Design Quality Standards stated herein.
3. A modular home manufacturer's warranty must be provided.

Drawing Submission Criteria:

The following documents must be prepared by a registered architect, surveyor, or engineer licensed to practice in the State of Alabama.

A. Site Plan: The following items must be shown.

1. Scale: 1 inch = 40 feet or larger for typical units.
2. North arrow.
3. Locations of existing buildings, utilities, roadways, parking areas if applicable.
4. Existing site/zoning restrictions including setbacks, rights of ways, boundary lines, wetlands, and flood plain.
5. All proposed changes and proposed buildings, parking, utilities, and landscaping.
6. Existing and proposed topography of site.
7. Finished floor height elevations and all new paving dimensions and elevations.
8. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
9. Provide an accessible route site plan with applicable details.

B. Floor Plans:

1. Scale: 1/4 inch = 1 foot or larger for typical units.
2. Show room/space layout, identifying each room/space with name and indicate finished space size of all rooms on unit plans.
3. Indicate the total gross square foot size, and the net square foot size for each typical unit. For projects involving removal of asbestos and/or lead paint, identify location and procedures for removal.

C. Elevations and sections:

1. Scale: 1/8 inch = 1 foot or larger.
2. Identify all materials to be used on building exteriors and foundations.

D. Title Sheet:

Indicate Building Codes that are applicable for the project.

Addendum D

Alabama Housing Finance Authority's 2015 Design Quality Standards (For Single-Family Rental Homes)

The following outline of minimum standards must be used in designing Housing Credit and HOME projects of twelve or more units and consist of single-family. All single-family homes must be new construction.

Any deviations from these standards must have the written approval of AHFA prior to submitting an application for funding. The request for approval, with all supporting documentation, must be submitted to AHFA at least thirty (30) days prior to submitting an application for funding. Once the project begins construction and through the end of construction of project, any deviation must have written approval before any of the work commences or any deviation is made on the construction site. Any deviation requested and approved will be charged the appropriate fee as stated in AHFA's then applicable Housing Credit Qualified Allocation Plan and/or HOME Action Plan.

All projects must be designed and constructed in accordance with the applicable requirements of the 2010 Americans with Disabilities Act, Section 504 of the Rehabilitation Act, Fair Housing Act, state and local disaster mitigation standards, 2009 or 2012 International Building Code-International Residential Code and any more restrictive local building code requirements.

I. Site Selection Criteria:

- A. HOME proposed sites containing property within a 100-year flood plain and/or wetlands are not permitted.
- B. Sites located in a Radon Zone-1 (highest level) will require Radon Resistant New Construction Practices. The following counties are located in Radon Zone -1: Calhoun, Clay, Cleburne, Colbert, Coosa, Franklin, Jackson, Jefferson, Lauderdale, Lawrence, Limestone, Madison, Morgan, Shelby, and Talladega. For the most current radon information see: *www.aces.edu*.
- C. All developments must submit a complete site specific soils report, not more than one year old at the time of submission of final plans and specifications, bound within the project specifications. The soils report must reflect the results of laboratory tests conducted on a minimum of one (1) soil boring for every two (2) single family buildings and a minimum total of two (2) soil borings at the planned paved areas of the development. A registered professional engineer or a certified testing agency with a current license to practice in the State of Alabama must prepare the report.
- D. Sites located outside municipal city limits:
 - 1. A proposed new construction site may be located outside a municipality's city limit, but must be within the local police or sheriff jurisdiction.
 - 2. A proposed site that is located in the police jurisdiction of a local municipality must comply with applicable zoning restrictions as if located within that municipality's city limit.
 - 3. Domestic water and fire water service must be provided to the development by the local utility service provider.

II. Building Design Criteria

A. Maximum Building Standards:

- 1 The square footage of the Project’s clubhouse/community building may exceed 3,000 square feet heated and cooled (inclusive of the office area, community laundry, community meeting room, mechanical room, restrooms, kitchens, etc.)(any square footage over this amount will not be included in the eligible basis used to calculate the Housing Credit) and be ADA accessible.
2. All 100% Elderly projects must be one-story structures.

B. Minimum Building Standards:

1. Minimum Unit Net Area Requirements:

Minimum Bedroom Net Area is measured from the interior faces of all walls surrounding each bedroom, excluding closets, mechanical rooms, and storage rooms.

<u>Unit Type</u>	<u>Number of Bathrooms</u>	<u>Minimum Unit Net Area*</u>	<u>Minimum Bedroom Net Area*</u>
3 Bedroom	2	1,200 s. f.	120 s. f.
4 Bedroom	2	1,455 s. f.	120 s. f.

**Note 1: Unit areas do not include outside storage, covered porches, patios, balconies, etc.*

2. All units must include an exterior storage closet with a minimum area of sixteen (16) square feet.
3. All single-family rental homes must have a minimum of thirty (30) feet of building facing the front street. This thirty (30) feet must be the sum of all front-facing dimensions adjacent to conditioned space and can include the “common” wall which is part of a front-facing garage as long as this wall is front-facing and conditioned on one side.
4. All single-family rental homes must have a minimum of thirty (30) feet front yard building set-back from the curb. Each home must have a minimum of ten (10) foot side yards. (Minimum width of lot shall be fifty (50) feet.) Both lot width and side yard setbacks can be modified with the following exception: A ten (10) foot side yard setback on one lot side and a “zero lot line” setback on the other (thus, a forty (40) foot minimum lot width) will be allowed with a front-facing garage.
5. All single-family rental homes must have a minimum of three (3) different front and rear elevation designs. No identical front elevations may be built next to each other.
6. All single-family rental homes must have a minimum of three (3) different color schemes.
7. Exterior Building Standards:
 - a. Exterior Finishing Materials:
 1. Exterior building coverings: Very low maintenance materials are required. Acceptable materials include:
 - a. Brick;

- b. High quality vinyl siding with a minimum thickness of .044 and a lifetime non prorated limited warranty (50 year) transferable;
- c. Cementitious siding and trim material; or
- d. Engineered composite siding and trim material.

All siding materials listed above are required to be 12 inches above the finished floor elevation of the building ground floor, with the exception of concrete patio and covered breezeway areas. Brick decorative block or cultured stone must be used as an apron material.

- 2. Fascia and soffit: Must be prefinished vinyl, prefinished aluminum, cementitious trim or engineered composite trim. Material used for soffits must be perforated or vented.
- 3. Windows frames and sashes are to be constructed of vinyl-clad wood, solid extruded vinyl, fiberglass, or aluminum and all windows are required to have screens.
- 4. Materials for entry doors are to be metal-clad wood, fiberglass, or hollow metal construction. "Peepholes" and deadbolt locks are required in entry doors. Dead bolt locks on entry doors must have "thumb latch" on interior side. Double keyed dead bolt locks are prohibited. Minimum clear width of all exterior doors must be 34 inches.
- 5. Roofing materials: Anti-fungal shingles or metal roof with 30-year warranty or better must be used.
- 6. Roof gable vents must be made of aluminum or vinyl materials. All roof penetrations must be located on the rear most section of the roofline.
- 7. All attics must be vented.
- 8. Exterior shutters are required on all single-family homes.
- 9. Units where a conventional wood frame foundation system is used, a non-wood "maintenance-free" composite decking material may be used at porches above a pressure treated wood framing system.

b. Other Exterior Standards:

- 1. Exterior lighting is required at entry doors.
- 2. Address numbers are to be clearly visible.
- 3. Two parking spaces for each home.
- 4. Metal flashing or 20 mil polyethylene when used in conjunction with self-adhering polyethylene laminate flashing, must be installed above all exterior door and window units.
- 5. A landscaping plan must be submitted indicating areas to be sodded and landscaped. Landscaping plan(s) must follow any applicable landscape municipal ordinance. At a minimum, 20 feet of solid sod must be provided (if ground space allows) from all sides of every building and between all buildings and paved areas. All disturbed areas must be seeded. All rental units must have minimum of two (2) trees per unit and twelve (12) 1 gallon shrubs per unit.
- 6. Concrete curbing is required along all paved areas throughout the development site, including parking areas. Six (6) inch raised curbs and gutter design is required. No valley curbs allowed.
- 7. Sidewalk access to the front door and the driveway must be provided.
- 8. A lighted project sign including the Fair Housing logo is required. Depending on the placement as it relates to the access of the property from the public road, the project's sign may require the project's name and Fair Housing logo on both sides of the sign.
- 9. A minimum of one trash dumpster or compactor enclosed on a minimum of 3 sides is required. The trash dumpster/compactor enclosure must be ADA accessible and

have a concrete apron. If the dumpster itself is not accessible, trashcans must be placed within the enclosure for use by handicap tenants. Individual trash receptacle at each home may be provided instead of a single trash dumpster.

10. Continuous asphalt or concrete paved access road must be provided to the entrance of the development.
11. All community parking must be asphalt or concrete. An asphalt or concrete paving recommendation letter must be provided with the application by a geotechnical engineer.
12. All sidewalks and walkways must be concrete and at least 36 inches wide. All public buildings, community building and amenities must be connected to the dwelling units by a sidewalk or walkway on one side of the street throughout the development.
13. All driveways must be concrete.
14. Mailboxes, playground and all exterior project amenities must be ADA accessible. All exterior project amenities that have exposed components used as part of the structure must be constructed so that no wood is exposed. Concealment shall be with materials such as aluminum or vinyl siding or cementitious materials. Decorative rails and/or guard rail systems used shall be code compliant systems of vinyl, fiberglass or metal. Wood railings are not allowed. Gazebos and picnic shelters shall have table and bench seating.
15. No above ground propane tanks allowed on the site.
16. All onsite utilities must be underground.
17. Storm Water retention basins must include fencing around the entire perimeter and a lockable maintenance gate. The retention area will be maintained and managed in a manner to provide safety to the tenants. Including preventing vermin, insect and reptile infestation, vegetation overgrowth, and must be kept free of all trash and debris.

8. Interior Building and Space Standards:

a. Wall Framing:

Walls may be framed using metal studs in lieu of wood.

b. Insulation Requirements:

1. Exterior wall insulation must have an overall R-13 minimum for the entire wall assembly.
2. Roof or attic insulation must have an R-38 minimum.
3. Vapor retarders must be installed if recommended by project architect.

c. Kitchen spaces:

1. 6 1/2-inch deep double bowl stainless steel sinks are required in each unit.
2. Each unit must be equipped with a 5 lb. ABC rated dry chemical fire extinguisher readily accessible in the kitchen and mounted to accommodate handicapped accessible height in accessible units. Each unit must also contain either fire protection canisters above the cooktop surface or temperature limiting plates on the cooktop surface.
3. New cabinets must have dual sidetrack drawers and no laminate or particleboard fronts for doors or drawer fronts. Cabinets shall meet the ANSI/KCMA A161.1 performance and construction standard for kitchen and vanity cabinets. Cabinets shall bear the certification seal of KCMA (Kitchen Cabinet Manufacturers

Association).

4. A pantry closet or pantry cabinet is required in each unit. The pantry must be 1'6" x 1'6" deep with a minimum five shelves, located in or adjacent to the kitchen.
5. A 4 foot fluorescent light fixture is required.
6. All appliances must be Energy Star rated.
7. A grease shield is required behind ranges on the wall.
8. A microwave oven must be provided in each unit.
9. The refrigerator must contain an ice maker.
10. A dishwasher must be provided in each unit

d. Bathroom Spaces:

1. Tub/shower units must have minimum dimensions of 30-inch width by 60-inch length and be equipped with anti-scald valves. All tubs in designated handicap accessible units must come complete with "factory-installed grab bars" where the tub surrounds are reinforced fiberglass. If the tub surrounds are not reinforced fiberglass, hard tile or cultured marble, solid wood blocking must be installed .
2. Water closets must be installed to comply with applicable ANSI, UFAS and Fair Housing accessibility guidelines. At a handicap accessible unit the water closet must be centered 18" from the adjacent wall. At a Fair Housing unit the water closet must be centered 18" minimum to a fixture or wall opposite the direction of approach.
3. Mirror length must extend to top of vanity backsplash with top of mirror a minimum of 6'-0" above finish floor. Framed decorative mirrors or medicine cabinets with mirrors are allowed with a minimum size of 14" x 24".
4. Vanity cabinets with drawer and a medicine cabinet must be provided in all units. All cabinets in designated handicap accessible units must be installed in compliance with applicable ANSI or UFAS guidelines.

e. Hallways must have a minimum clear width of 36 inches.

f. All interior doors to habitable spaces in units subject to Fair Housing Guidelines must have a minimum clear width of 34 inches. All interior doors to habitable spaces in designated handicap accessible units must have a minimum width of 36 inches. All interior doors to habitable spaces in all other units must have a minimum clear width of 30 inches.

g. Separately switched overhead lighting is required in each room. Energy Star ceiling fans with light kits are required in the living room and each bedroom

h. Window treatments are required for all windows.

i. Sliding glass doors and bi-fold doors are prohibited.

j. Floor Finishes:

1. Carpet materials must meet FHA minimum standards.
2. Resilient flooring materials must meet FHA minimum standards.

k. A minimum of two hard-wired with battery back-up smoke detectors is required per unit.

1. A carbon monoxide detector must be installed in each unit with gas mechanical systems or appliances. Units with an attached garage must also have a carbon monoxide detector installed.
9. Plumbing and Mechanical Equipment:
- a. Water heaters must be placed in drain pans with drain piping plumbed to the outside or to an indirect drain connected to the sanitary sewer system. Water heater T&P relief valve discharges must be direct to exterior of building and elbow down to 6" above finish grade.
 - b. Through-wall HVAC units are not permitted in single-family homes.
 - c. CPVC supply piping is not allowed for interior space in-wall or overhead services.
 - d. HVAC refrigeration lines must be insulated.
 - e. HVAC 14 seer or greater must be used. HVAC equipment must be placed so that their operation does not interfere with the comfort of the adjacent dwellings.
 - f. All units must contain washer and dryer connections.

C. Modular Construction:

1. Modular units are to be constructed in component sections and assembled by a manufacturer in a controlled environment. The component sections are to be assembled on a conventional permanent foundation at the project site. Finish work is to be completed on site.
2. Modular units must be constructed to meet applicable building codes, AHFA's specifications and Design Quality Standards stated herein.
3. A modular home manufacturer's warranty must be provided.

III. Drawing Submission Criteria:

The following documents must be prepared by a registered architect, surveyor, or engineer licensed to practice in the State of Alabama.

A. Site Plan: The following items must be shown.

1. Scale: 1 inch = 40 feet or larger for typical units.
2. North arrow.
3. Locations of existing buildings, utilities, roadways, parking areas if applicable.
4. Existing site/zoning restrictions including setbacks, rights of ways, boundary lines, wetlands, and flood plain.
5. All proposed changes and proposed buildings, parking, utilities, and landscaping.
6. Existing and proposed topography of site.
7. Finished floor height elevations and all new paving dimensions and elevations.
8. Identification of all specialty apartment units, including, but not limited to, designated handicapped accessible and sensory impaired apartment units.
9. Provide an accessible route site plan with applicable details.

B. Floor Plans:

1. Scale: 1/4 inch = 1 foot or larger for typical units.

2. Show room/space layout, identifying each room/space with name and indicate finished space size of all rooms on unit plans.
3. Indicate the total gross square foot size and the net square foot size for each typical unit.

C. Elevations and sections:

1. Scale: 1/8 inch = 1 foot or larger.
2. Identify all materials to be used on building exteriors and foundations.

D. Title Sheet:

Indicate Building Codes that are applicable for the project.

Addendum E

HOME HOME Action Plan for 2015 Funds

Compliance Monitoring Procedures, Requirements and Penalty Criteria

As referenced in Section VII (“Compliance”) of the HOME Action Plan for 2015 funds (“HOME Action Plan”), the AHFA Compliance department will conduct monitoring procedures and requirements to ensure owner and project are in compliance with the HOME regulations. These compliance monitoring procedures apply to all buildings placed in service in Alabama, which have received an allocation of HOME funds from AHFA. A complete outline of AHFA’s compliance requirements is located in AHFA Compliance Manual available at www.ahfa.com.

I. Compliance Monitoring Procedures and Requirements:

- A. AHFA will verify that each owner of a HOME project is maintaining records for each qualified HOME building in the project. These records must show, for each year in the affordability period, the information required by the record-keeping provisions contained in the HOME regulations, incorporated herein by reference.
- B. AHFA will verify that the records documenting compliance with the HOME regulations for each year as described in Paragraph A above are retained for the entire affordability period.
- C. By April 1st of each year, AHFA must receive from the owner of each HOME funded project combined with Housing Credits or each HOME only funded project, the applicable Annual Owner’s Certification (AOC), under penalty of perjury, as provided in Section 1.42-5(c)(1) of the Treasury Regulations. The AOC package will include the signed Owner Certification and rent roll as of December 31st of the previous year. Each owner must also enter all required tenant data into the AHFA Online Data Management System (AHFA DMS) by April 1st of each year. The required tenant data must be for all tenant events including all move-in and move-out occurrences, income recertification, and transfer of tenants through the previous year ended December 31st. Penalty points as described in Section II (A) of Addendum E will be applied if an owner fails to provide an AOC package by April 1st of each year. Continued failure to submit the AOC package to AHFA within thirty (30) days after written notification of non-receipt by AHFA will result in a fee as referenced in Section I (D) (15) of the HOME Action Plan.
- D. By April 1st of each year, the owner or owner’s management company must also submit an updated Capital Maintenance Plan (CMP) to AHFA. Each CMP must be completed in the manner as defined specified by AHFA per the following requirements:

During the term of each HOME Loan, the owner must maintain a written CMP for each project that complies with 24 C.F.R. Section 92.251. This documentation will be submitted to AHFA annually and must be available for AHFA review at any time, upon request. At a minimum, and without limiting the foregoing, the CMP must include the following components:

1. **Annual Physical Needs Summary:** This summary shall provide an estimate of all the planned and anticipated repairs, replacements, and significant deferred and other maintenance items that will need to be addressed within the next 12 months. It should take into consideration anticipated unit turn-over, physical assessment of grounds/amenities/common areas, and any deferred maintenance items (including reason for deferral). Funding sources for this work must be identified. This summary serves as the short-term action plan for the property management and as a reporting tool for AHFA and the owner. Documentation of repairs (e.g. receipts, before/after photos, completed work orders, etc.) must be maintained through the course of the year. Any additional repairs, replacements, or maintenance completed during the course of the year should also be documented. In addition to the current summary, a copy of the previous year's summary must be provided to AHFA. The previous year's summary must include all repair, replacement, or maintenance performed with the funding source identified or current status of outstanding items with planned remedy, estimated timeline for completion, and funding source identified.
 2. **Long-Term Physical Needs Summary:** This summary shall provide an estimate of the repairs and replacement items beyond the first year which are required to maintain the development's physical integrity over the term of the HOME Loan. Items to be addressed include major structural systems (e.g. stairs, balconies, pavements, sidewalks, etc.) and interior components (e.g., appliances, flooring, lighting/plumbing fixtures, etc.) which, based on the expected useful life (EUL), require replacement during this period. Prior to the Loan closing, the owner shall present to AHFA, for review and approval, a sample version of the capital maintenance tracking system intended for use over the term of the HOME Loan. This maintenance tracking system should be continually updated by management and should address units during turn over as well as units occupied by long-term tenants. Sources of funding for the planned replacements must be identified.
 3. **Analysis of Reserves for Replacement:** This analysis will provide an estimate of the initial and monthly deposit to the Replacement Reserve Account needed to fund the development's long-term physical needs during the term of the HOME Loan. This plan will account for inflation, the existing Replacement Reserve balance, and the Expected Useful Life (EUL) of major building systems. This analysis should include the costs of twelve (12) month annual physical needs, but not any work items that would be considered an operating expense.
- E. AHFA will inspect each active HOME project on an annual basis. AHFA will also review the income certification, the documentation the owner has received to support that certification and the rent records in those projects for at least twenty-five percent (25%) of the

HOME units. AHFA will also conduct a physical inspection of at least twenty percent (20%) of the HOME units in each project selected for tenant file review. Additional household files and/or units may be inspected up to one-hundred percent (100%) if deemed necessary by AHFA's compliance team.

- F. The owner must allow AHFA or its designated representative to perform additional on-site inspections of any HOME building in a project through the end of the affordability period. These additional inspections are separate from any review of tenant files or units under Paragraph E. Inspections performed outside of Paragraph E will be at the expense of the owner. Each unit or building inspection will be performed using the Uniform Physical Condition Standards (UPCS) guidelines established by HUD. The UPCS standards and related definitions provided by HUD (http://www.hud.gov/offices/reac/pdf/pass_dict2.3.pdf) provide guidance for at least five hundred twenty (520) compliance protocols.
- G. AHFA will promptly notify the owner in writing if AHFA does not receive the AOC, or is not permitted to inspect and review as described in Paragraphs E and F, or otherwise discovers that the project does not comply with the HOME regulations. In such event, the owner will be informed in writing of the stipulated period to supply missing documentation or to correct noncompliance commencing on the date of the notification letter.
- H. AHFA may notify HUD of an owner's noncompliance or failure to certify no later than forty-five (45) days after the end of the time allowed for correction and no earlier than the end of the correction period, whether or not the noncompliance or failure to certify is corrected.
- I. During the affordability period, the owner will furnish to AHFA, within sixty (60) days of the close of each fiscal year, a consolidated statement of financial position, an income and expense statement, and a rent roll of the project for that fiscal year. These items are to be certified by the owner.
- J. Compliance with requirements of the HOME regulations is the responsibility of the owner of the building for which HOME funds are loaned or granted. AHFA's obligation to monitor for compliance with the requirements of the HOME regulations does not make AHFA or the State of Alabama liable to any owner or to any shareholder, officer, director, partner, member or manager of any owner or of any entity comprising any owner for an owner's non-compliance therewith.
- K. It is the policy of AHFA to immediately report to the appropriate federal department and the cognizant inspector general of such department any indication of fraud, waste, abuse, or potentially criminal activity pertaining to federal funds.

II. Penalty Scoring, Fees for Non-Compliance and Suspension Criteria

Consistent with the monitoring procedures described above, AHFA will assess automatic point deductions to each owner and management company based on the twenty-six (26) items defined in

Section II. (E) herein. According to the UPCS standards and related definitions provided by HUD (http://www.hud.gov/offices/reac/pdf/pass_dict2.3.pdf), there are at least five hundred and twenty (520) items that can be subject to compliance penalty point deductions, and the items that AHFA has identified in this Addendum as automatic point deductions were selected from the list of penalty point deduction items listed in the UPCS standards. AHFA expects, at minimum, that each owner and management company will develop a routine inspection protocol to ensure the items defined in Section II. (E) are regularly inspected by their respective staff on an ongoing basis. The automatic point deduction categories address health and safety concerns, sanitary nature and habitable living conditions of each unit and project, and AHFA standards for minimal record-keeping practices. Since AHFA will generally provide up to a seven (7) day notice with regard to scheduling compliance inspections, no cure period will be allowed for items defined under Section II. (E) All penalty points will be assessed to both the owner and the management company for the current cycle as follows:

- A. One (1) penalty point will be deducted for each project for which the owner does not submit the correct and complete AOC form to the AHFA's Compliance Department by April 1st of each year. Please be aware the AOC must be completed using the AHFA DMS. Failure to submit the AOC to AHFA within thirty (30) days after written notification of non-receipt will result in a fee as referenced in Section I. (D) (15) of the HOME Action Plan.
- B. AHFA will review all results of third party inspection reports it receives from any local, state, federal or financial entity or institution with an interest in the project which contains noncompliance issues as defined in the HOME Action Plan. AHFA will apply applicable point deductions for items of noncompliance found in any third party report in accordance with Section II. (E) of this Addendum.
- C. Two (2) additional penalty points will be assessed per occurrence to each owner for each project with uncorrected noncompliance issues from the project's most recent AHFA audit.
- D. AHFA will suspend or permanently ban any owner from applying for funding or any management company from participating in an application according to the following criteria:
 - a. If an owner or management company is assessed a minimum cumulative total of twenty (20) penalty points or more for all AHFA projects audited and/or inspected as of December 31st, the owner will be suspended from applying for any AHFA funded multifamily program for the current plan year's application cycle.
 - b. If an owner or management company is assessed a minimum cumulative total of twenty (20) penalty points or more for five(5) consecutive application cycles, the owner or management company will be permanently banned from applying for any AHFA funded multifamily programs.
- E. The following point deductions discussed in Subsections a, b, and c below are not intended to supplant or usurp applicable local or other building codes. Penalty points will be deducted if the owner or management company's approved and/or active projects are deemed by AHFA not to be in compliance with the applicable guidelines and regulations for any of the following: Section 42

of the Internal Revenue Code, the HOME program, AHFA Housing Credit Qualified Allocation Plan (QAP) and HOME Action Plan, the Tax Credit Assistance Program (TCAP) or the Exchange Program. Point deductions will be based on AHFA's QAP and HOME Action Plan for the applicable year and will cover audits and inspections conducted May 1st through December 31st of the year preceding the current HOME Action Plan Year. If an applicant has not had at least one AHFA-funded property audited and inspected during the applicable period, AHFA will perform an audit of an existing property owned by the applicant during the application cycle in accordance with AHFA's established policies and practices for onsite audits, and applicable point deductions for non-compliance, if any, will be determined based upon this audit. Points will be assessed to the owner or management company of record at the time of inspection unless ownership or management company changes have occurred within the last six (6) months. Point deductions for the HOME Action Plan will be based on the following methodology:

- a. Health and Safety Deficiencies - Two (2) penalty points per occurrence (or collectively per project audited if the same deficiency) will be assessed for health and safety deficiencies, if cited as a finding at the time of inspection by AHFA (its designated representative or other third party). At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the representatives of the owner and/or management company who are present at that time, and within a period not to exceed fourteen (14) business days after the onsite visit, AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the owner will be required to cure all applicable deficiencies. *Penalty deductions resulting from any deficiencies listed below will be assessed automatically upon discovery and regardless of whether the identified deficiencies are cured. In addition, four (4) additional penalty points will be deducted if the owner fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The health and safety deficiencies that will result in automatic penalty point deductions are as follows (the "Health and Safety Deficiencies"):*
 - i. Missing, non-charged or empty fire extinguishers (for properties funded under the 1999 HOME Action Plan and thereafter) for more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.
 - ii. Missing or non-working smoke detectors for more than twenty-five percent (25%) of the total units inspected. A missing or non-working smoke detector is defined as not having at least one operable smoke detector per floor for each apartment unit inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.
 - iii. Missing fire canisters above the cooktop surface or temperature limiting plates on the cooktop surface (applies to properties funded under the 2013 HOME Action Plan and thereafter) for more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent

(25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.

- iv. Exposed electrical wiring or electrical hazards including, but not limited to, missing, damaged or improperly installed cover plates or wire guards which leave connections exposed.
- v. Insect infestation (based on visible presence, damage or reports), including, but not limited to, owner's failure to notify AHFA of any bed-bug infestation.
- vi. Mold or mildew caused by improper or damaged plumbing in more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.
- vii. Severe damage to sidewalks or parking lots including, but not limited to, tripping hazards.
- viii. Missing, broken or loose handrails or steps.
- ix. Two (2) additional penalty points will be deducted if the same point deduction items listed above (except for items vii and viii) are found in more than fifty percent (50%) of the total units inspected.

b. Unit Deficiencies - One (1) penalty point per occurrence (or collectively per project audited if the same deficiency) will be assessed for each of the units inspected for any of the deficiencies listed below, if cited as a finding at the time of inspection by AHFA (or its designated representative or other third party). At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the representatives of the owner and/or management company who are present at that time, and within a period not to exceed fourteen (14) business days after the onsite visit, AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the owner will be required to cure all applicable deficiencies. *Penalty deductions resulting from any deficiencies listed below will be assessed automatically and regardless of whether or not the identified deficiencies are cured. In addition, two (2) additional penalty points will be deducted if the owner fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The deficiencies that will result in automatic penalty point deductions under this paragraph are as follows (the "Unit Deficiencies"):*

- i. Missing or inoperable plumbing fixtures.
- ii. Missing or disconnected stoves, dishwashers, or refrigerators.
- iii. Missing, improperly installed, affixed, or damaged cabinetry such as extensive mold or damage which would cause the cabinetry to be replaced in the unit.
- iv. A missing or damaged drawer in more than twenty-five percent (25%) of the total units inspected. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.
- v. Boarded, broken or missing exterior windows or doors.

- vi. Units which have been vacant for more than thirty (30) days and are not suitable for occupancy or are found to be unsanitary. A unit which is suitable for occupancy should at a minimum include removal of the previous household's items (furniture, clothing and trash), repairs to the walls and floors completed, cleaned carpets and walls and general maintenance completed to the unit which creates an overall market readiness.
 - vii. Units unable to be accessed or inspected by AHFA at the time of its inspection/audit due to an owner/owner agent's inability to unlock the unit's exterior door locks prior to AHFA inspectors' exit interview.
 - viii. Unrepaired damage to a unit which has been vacant for more than thirty (30) days not caused by a fire, storm, vandalism (while vacant) or natural disaster. The ownership is responsible for notifying AHFA when this unforeseen damage occurs.
 - ix. One (1) additional penalty point will be deducted if the same point deduction items listed above are found in more than fifty percent (50%) of the total units inspected.
- c. Site, Exterior or Common Area Deficiencies - One (1) penalty point per occurrence (or collectively per project audited if the same deficiency) will be assessed for the site, exterior or common area deficiencies listed below, if cited as a finding at the time of inspection by AHFA (or its designated representative or other third party). At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the representatives of the owner and/or management company who are present at that time, and within a period not to exceed fourteen (14) business days after the onsite visit, AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the owner will be required to cure all applicable deficiencies. *Penalty deductions resulting from any deficiencies listed below will be assessed automatically upon discovery and regardless of whether the identified deficiencies are cured. In addition, two (2) additional penalty points will be deducted if the owner fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The site, exterior or common area deficiencies that will result in automatic penalty point deductions under this paragraph are as follows (the "Site, Exterior or Common Area Deficiencies"):*
- i. Missing project amenities as approved in owner's approved application, including all amenities selected by the ownership at the time of application whether points were awarded or not. Ownership must notify AHFA **immediately** if any of their project amenities have been damaged, rendered unusable or subject to replacement upon occurrence, along with a written plan to repair or replace said amenities within a timeframe acceptable to AHFA.
 - ii. Gutters and downspouts with missing or damaged components which will not allow the gutters and downspouts to function as intended. Ownership must notify AHFA **immediately** if any damage occurs to their property along with a

written plan to repair or replace said damage within a timeframe acceptable to AHFA.

- iii. Siding and /or exterior trim has rotted and allows water to penetrate behind exterior. Ownership must notify AHFA **immediately** if any damage occurs to their property along with a written plan to repair or replace said damage within a timeframe acceptable to AHFA.

- d. Documentation or File Deficiencies - One (1) penalty point per occurrence (or collectively per project audited if the same deficiency) will be assessed for the documentation or file deficiencies listed below, if cited as a finding at the time of inspection by AHFA (or its designated representative or other third party). At the conclusion of the onsite visit, AHFA will provide a general verbal summary of the deficiencies identified during the visit to the representatives of the owner and/or management company who are present at that time, and within a period not to exceed fourteen (14) business days after the onsite visit, AHFA will provide a formal written notice regarding all applicable deficiencies and will specify the timeframe(s) in which the owner will be required to cure all applicable deficiencies. *Penalty deductions resulting from any deficiencies listed below will be assessed automatically upon discovery and regardless of whether the identified deficiencies are cured. In addition, two (2) additional penalty points will be deducted if the owner fails to cure the deficiencies within the timeframe specified in the deficiencies notice from AHFA. The documentation or file deficiencies that will result in automatic penalty point deductions under this paragraph are as follows:*
 - i. The failure to obtain an updated utility allowance which results in a household's gross rent being in excess of the applicable gross rent limit.
 - ii. If over twenty-five percent (25%) of the households in a project are over the applicable income limit. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.
 - iii. If over twenty-five percent (25%) of files selected for audit are missing. Any findings related to this category that is twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.
 - iv. If over twenty-five percent (25%) of files selected for audit indicates that tenants are ineligible households due to student rule violations. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.
 - v. If over twenty-five percent (25%) of the households in a project were charged over the maximum applicable rents. Any findings related to this category that total twenty-five percent (25%) or less will be subject to the penalty criteria as defined in Section II (E) (e) herein.

- e. Other General Deficiencies - Two (2) penalty points per occurrence (or collectively per project audited if the same deficiency is cited) will be assessed for other general

deficiencies if cited as a finding at the time of inspection by AHFA (or its designated representative) and is uncured after the end of the written specified timeframe to cure the deficiencies. All timeframes for curing deficiencies will be submitted in writing. General deficiencies include all violations or deficiencies not listed in the preceding paragraphs that are cited as findings during the AHFA onsite audits.

- F. Applicant/Owner(s) with less than three (3) projects funded with Housing Credits or HOME funds awarded by AHFA will be subject to the penalty criteria as specified herein in Section II. AHFA will subject the same scoring criteria to any new applications submitted by any owner/applicants with less than three (3) projects funded with Housing or HOME funds awarded by AHFA if any AHFA or non-AHFA units inspected by AHFA (or AHFA's designated representative) are cited for any Health and Safety Deficiencies, any Occupied or Vacant Deficiencies, or any Site, Exterior or Common Area Deficiencies.

