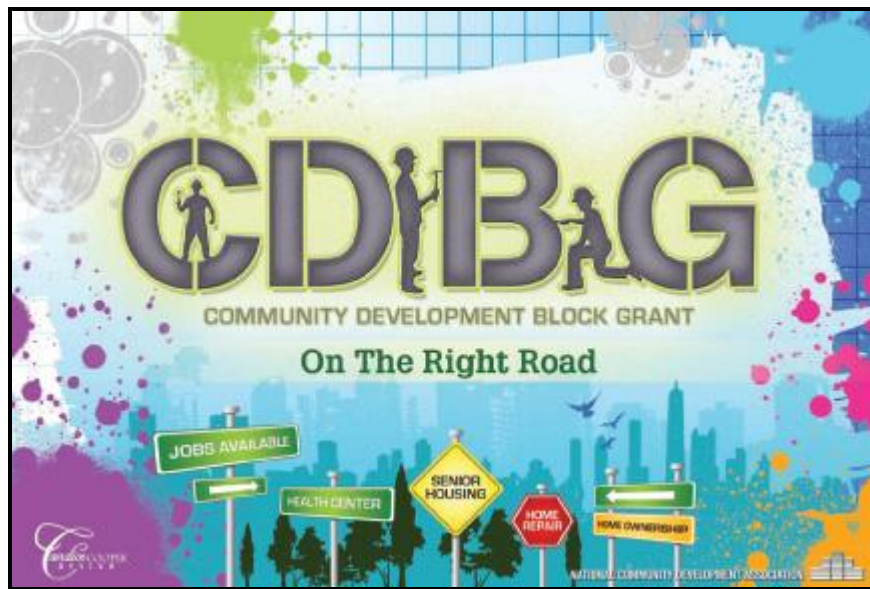


**2012 City of Bremerton and Kitsap County
Community Development Block Grant**



**2012
CDBG/HOME POLICY PLAN**

This Page Intentionally Blank

CDBG/HOME POLICY PLAN

Contents

Community Development Block Grant Program.....	1
CDBG Funding.....	1
HOME Funding.....	3
Allocation Process.....	4
Policies & Regulations for Use of Funds.....	5
Citizen Participation Plan.....	11
Consolidated Plan.....	11

Appendix A – Citizen Participation Plan

Appendix B – Requirements for Section 108 Loan Guarantee

Appendix C – Consolidated Plan Objectives & Strategies

Appendix D – CDBG National Objectives & Eligibility Requirements

Appendix E – HOME Eligibility Requirements & Program Rules

Appendix F – Anti-Displacement & Relocation Assistance Plan

Appendix G – Glossary

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

WHAT IS THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM?

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

The City of Bremerton is designated as an Entitlement Community by the Department of Housing and Urban Development (HUD) and receives federal funds in the form of Community Development Block Grant (CDBG). Kitsap County, with the cities of Port Orchard, Poulsbo and Bainbridge Island, is also designated as an Entitlement Community and receives a separate allocation of CDBG funds. Kitsap County and the City of Bremerton together form a consortium and receive an allocation of HOME Investment Partnership Program (HOME) funds. Through an interlocal agreement between the County and the City, 43% of the annual allocation of HOME funds is designated for the City and the remaining designated for the County.

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

CDBG FUNDS

WHAT ARE CDBG FUNDS?

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

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

WHO IS AN ELIGIBLE APPLICANT/RECIPIENT?

Eligible applicant/recipients include:

- City or County governments
- Public and private nonprofit organizations (501(c)3)
- Section 301(d) small business investment companies
- Local development corporations
- Private for-profit organizations may implement certain economic development and microenterprise activities.
- Faith based organizations
- Additionally, applicants must:
 - Demonstrate an active governing body or board of directors with skills and experience to provide leadership and direction to the agency.

- Demonstrate the legal, financial, and programmatic ability to administer the proposed program/project; and,
- Meet the County/City requirements for contracting agencies such as insurance requirements, audit and financial requirements.

WHAT ARE ELIGIBLE ACTIVITIES?

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

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

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

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

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

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

WHAT IS THE SECTION 108 LOAN GUARANTEE?

Section 108 is a loan guarantee provision of the CDBG program. Section 108 provides communities with a means of leveraging their CDBG funds to obtain additional financing resources for economic development, public facilities, large-scale physical development projects

and housing rehabilitation. Local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocation to cover the loan amount as security for the loan. The decision to award a Section 108 loan to a particular project is made by HUD. Section 108 Loan Guarantee funds may be used for activities described in 24 CFR 570.703 provided such activities meet the general requirements of the CDBG program as described at 24 CFR 570.200. Eligible activities are defined in the CDBG program regulations at 24 CFR 570.201 and 570.207. Eligible activities include, but are not limited to:

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

For more information and application requirements for the Section 108 Loan Guarantee please see **Appendix B**.

HOME FUNDS

WHAT ARE HOME FUNDS?

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

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

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

WHAT ARE ELIGIBLE ACTIVITIES?

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

- Rehabilitation of residential property where property is fully repaired
- New construction of residential property
- Acquisition of residential property
- Rental assistance payments to tenants
- Relocation associated with an eligible HOME project

- A small part (up to 5%) of the annual HOME allocation may be used to help pay the operating expenses of designated Community Housing Development Organizations (CHDOs) within the guidelines established by HUD

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

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

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

ALLOCATION PROCESS

HOW ARE FUNDS ALLOCATED?

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

HOW MUCH MONEY IS AVAILABLE?

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

The amount of funds available for Section 108 Loans is five times the current CDBG allocation, less any outstanding loans. The amount is included in the Application Packet separately for the County and City.

WHAT IS THE DISTRIBUTION OF CDBG AND HOME FUNDS?

CDBG and HOME program regulations allow certain set-asides to further specific program goals. The following is the distribution for Kitsap County and the City of Bremerton:

CDBG

- Public Service Projects - 15% max

- Planning & Administration – 20% max
- Capital Projects (Including Kitsap County's 10% set-aside for Economic Development) – 65%

HOME

- Administration - 10% max
- Community Housing Development Organization (CHDO) Set-Aside – 15% min
- Capital Projects (Including City of Bremerton set-aside for Downpayment Program) – 75%

HOW CAN MY ORGANIZATION APPLY?

The annual application cycle begins in April with the publication of the Draft Grant Application and commencement of a 30 day public comment period. At the end of the comment period, upon approval of the application by the Kitsap Regional Coordinating Council (KRCC) and Bremerton City Council, the application is made available in May. Interested organizations can find the application and all associated information on the County web site at http://www.kitsapgov.com/hr/block_grant_program/block_grant_program.htm, or on the City web site at <http://www.ci.bremerton.wa.us/display.php?id=864>. The schedule for the annual application cycle, including the due date for applications, is available on the web site. Interested organizations can also request to be placed on the City/County interested parties list to receive notices about these programs by contacting Block Grant staff.

WHEN WILL FUNDS BE AVAILABLE?

Funding recommendations approved in the annual application cycle and included in the Action Plan submitted to HUD in November, are not available until spring or early summer of the next year. Timing is dependent on when the federal budget is approved and how quickly HUD is able to allocate funds to local jurisdictions. The County and City is not able to execute contracts with subrecipients until we have a contract from HUD. Once subrecipient contracts are executed CDBG and HOME funds can only be disbursed on a reimbursement basis.

POLICIES & REGULATIONS FOR USE OF FUNDS

RULES AND REGULATIONS FOR USE OF FEDERAL FUNDS

CDBG and HOME funds are Federal funds. Use of Federal funds may affect the way your agency does business. If you are applying for Federal funds for the first time, you are strongly encouraged to meet with Block Grant staff to discuss Federal regulations. In addition to the rules and requirements of HOME and CDBG, there are several additional broad Federal rules that must be followed, including rules pertaining to non-discrimination and equal access, employment, contracting and procurement, environmental requirements, record keeping and financial controls.

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

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

B. Restriction on Assessments

CDBG funds may not be used for public improvement projects where a portion of the projects is to be financed by assessments to area property owners, unless the project is structured such that CDBG funds are used to pay the assessments of all low and very

low income property owners. The analysis of incomes of affected persons must be done ahead of time and submitted as part of the application for CDBG funds.

C. Contract Retainage for Federal Compliance

- City/County will withhold up to 15% of the award amount included in the written subrecipient agreement until all federal compliance requirements are met.
- All construction contracts between a subrecipient and contractor shall have 10% of payment retained until fulfillment of federal compliance is documented.

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

a. Restrictions on the Change-of-Use of CDBG Assisted Property

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

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

*Dollar threshold is per unit for single family housing

b. Affordability Period restrictions for HOME funded projects

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

Activity	Dollar Threshold*	Minimum Affordability Period
Homeownership assistance including acquisition, rehabilitation and new construction of homes	Less than \$15,000/unit \$15,000 - \$40,000/unit Greater than \$40,000/unit	5 Years 10 Years 15 Years
Rehabilitation or Acquisition of Existing rental housing	Less than \$15,000/unit \$15,000 - \$40,000/unit Greater than \$40,000/unit	5 Years 10 Years 15 Years
Refinance or Rehabilitation of a rental project	Any \$ amount	15 Years
New Construction (including land acquisition) or Acquisition of New Rental Housing	Any \$ amount	20 Years

HUD requires that facilities acquired, constructed or improved with CDBG and/or HOME funds be “publicly owned” and that the public interest be protected. The interest will be secured, when appropriate, through a lien on the property recorded as a deed of trust, explaining the sale and change of use provisions that accompany CDBG/HOME assisted real property. The specific terms and conditions of the public interest security agreements will vary depending on the type of project assisted. The Participating Jurisdiction (County or City) will designate in the subrecipient contract whether Resale or Recapture (24 CFR 92.294(a)(5)) will be used for maintaining affordability for each HOME assisted property. Additionally, deed restrictions must be recorded on the property to ensure the affordability.

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

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

F. Uniform Administrative Requirements

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

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

Non-governmental agencies must comply with the requirements and standards of:

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

G. Audit Requirements

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

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

H. Environmental Review (24 CFR Part 58)

- All CDBG/HOME projects must have a NEPA compliant environmental review process completed before **any** funds, including funds committed from other sources,

can be spent on the project. For more information on the environmental review process visit www.hud.gov/offices/cpd/environment/review/

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

I. Fair Housing and Equal Opportunity

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

- Title VI of the Civil Rights Act of 1964: No person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving Federal assistance on the basis of race, color or national origin (24 CFR Part 1).
- The Fair Housing Act: Prohibits discrimination in the sale or rental of housing, the financing of housing or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap or familial status (24 CFR Part 100-115).
- Equal Opportunity in Housing: Prohibits discrimination against individuals on the basis of race, color, religion, sex or national origin in the sale, rental, leasing or other disposition of residential property, or in the use or occupancy of housing assisted with Federal funds (24 CFR Part 107).
- Age Discrimination Act of 1975: Prohibits age discrimination in programs receiving Federal financial assistance (24 CFR Part 146).
- For more information on eliminating discrimination visit www.hud.gov/offices/fheo/progdsc/title8.cfm

J. Minimizing the Loss of Low and Very Low Income Dwelling Units (24 CFR Part 42)

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

K. Procurement

Any subrecipient using CDBG or HOME funds to purchase goods or services shall have a formalized written procurement procedure in place prior to contracting for any goods or services. OMB Circular A-110 (available at www.whitehouse.gov/omb/circulars_a110/) sets forth the standards for use by non-profit organizations in establishing procedures for the procurement of supplies and other expendable property, equipment, real property and other services with Federal funds. There are four methods of procurement allowed.

- Small Purchases (under \$100,000). Small purchasing procedures are applicable for the procurement of services, supplies, or other property costing in the aggregate not more than \$100,000.
- Competitive Sealed Bids (over \$100,000). This method of procurement is appropriate for all construction and material contracts exceeding \$100,000. Competitive sealed bids means sealed bids are publicly solicited through formal advertising and a formal bid opening is conducted. A firm fixed-price contract is awarded to the responsible bidder whose bid conforms to all the material terms and conditions of the bid invitation.
- Competitive Proposals (over \$100,000). This method is appropriate for the procurement of professional services such as architectural or engineering. For contracts exceeding \$100,000, a Request for Proposal (RFP), Request for Letters of Interest (RLI), or Request for Statement of Qualification (RFQ) should be published in a business newspaper of general circulation.
- Noncompetitive Proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

All subrecipients must obtain CDBG preauthorization before entering into any noncompetitive negotiations, regardless of price.

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

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

M. Equal Opportunity for Employment and Contracting

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

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

N. Labor Requirements

CDBG and HOME projects must comply with certain regulations on wage and labor standards. Pursuant to the Davis-Bacon Act, federal wage rates apply to most (but not

all) construction projects over \$2,000. Applications that involve construction must consider Davis-Bacon wage rates in the budget.

- Davis-Bacon and Related Acts: Ensures that mechanics and laborers employed in construction work under federally assisted contracts are paid the Federal prevailing wage for the locality.
- Contract Work Hours and Safety Standards Act: Provides that mechanics and laborers employed on federally assisted construction jobs are paid time and one-half for work in excess of 40 hours per week.
- Copeland (Anti-Kickback) Act: Governs the deductions from paychecks that are allowable.
- For more information on Davis Bacon requirements visit <http://www.hud.gov/offices/olr/>

O. Lead-Based Paint Abatement (24 CFR Part 35)

Any proposed homeownership, rental housing, rehabilitation, and acquisition of or program support to public facilities project that involves a (1) pre-1978 structure, and (2) would likely house a child age 6 or less, must be informed of the possible hazards of lead based paint and a plan must be developed for addressing the presence of lead based paint under 24 CFR 35. Costs for abatement must be included in the rehabilitation budget.

P. Supplanting (24 CFR 570.207)

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

Q. Handicapped Accessibility

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

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

R. Project/Activity Delivery Costs

Costs directly related to carrying out a funded activity may be charged as project costs (HOME funding) or activity delivery costs (CDBG funding) to subrecipient grant awards. For example, if staff underwrites loans that are to be made with CDBG or HOME funds, the portion of their salaries spent on this function can be treated as costs of carrying out the activity and charged to the grant. These costs may also include such things as the cost of conducting a NEPA compliant environmental review or project document preparation. These costs will not be included in your written agreement (contract); staff will allocate additional funds for project/activity delivery costs and include them in the Action Plan.

TIMELY EXPENDITURE OF FUNDS

CDBG Capital and Economic Development projects should be ready to proceed during the program year of the awarded funds. HUD expects and monitors for the timely expenditure of allocated funds to projects. CDBG Public Service funding must be fully spent by December 31st of the award year.

HOME funds have specific requirements for commitment and expenditure. HOME funds awarded to a project must be committed (under contract) with 24 months after the Congressional release date of that year's funding. This date is typically April or May of the award year. The funds must be fully expended within 5 years of this date. Projects using HOME funds to acquire vacant land, must be under construction within 12 months of the commitment date.

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

1. Organizations awarded HOME funds must enter into a written agreement with the County/City during the award year (i.e. Funds awarded for 2012 must have an agreement executed by Dec. 31, 2012).
2. Organizations must begin drawing funds within one year of the contract execution date (date the contract was signed by County Administrator or City Mayor).
3. Up to 15% of grant funds will be retained to ensure compliance with federal requirements.
4. Deobligation of funds – organizations unable to meet the requirements under #1 and #2 will lose their funding and funds will be allocated to another eligible project.

CITIZEN PARTICIPATION PLAN

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

CONSOLIDATED PLAN

WHAT IS THE CONSOLIDATED PLAN?

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

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

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

WHAT ARE THE KEY PARTS OF THE PLAN?

A. Housing & Community Development Needs Assessment

This is the part of the Plan that has U.S. Census Bureau information and other information which presents a picture of the jurisdiction. People are the focus of the “Needs” section of the plan. The emphasis is on the human side of housing and community development including the needs of homeless people, people with special needs and those who are low-income.

B. The Housing Market Analysis

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

C. The Strategic Plan

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

D. Annual Action Plan

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

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

GLOSSARY

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

Appendix A

Citizen Participation Plan

This Page Intentionally Blank

CITY OF BREMERTON AND KITSAP COUNTY CITIZEN PARTICIPATION PLAN

Introduction

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

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

Beginning with the application cycle for 2012 funding, Kitsap County and the City of Bremerton Block Grant Programs have joined with the Homeless Housing Grant Program and Affordable Housing Grant Program to develop a combined funding & application process. The combined process will include a single application for funds, a single Grant Recommendation Committee (GRC) process and funding recommendation. Funding recommendations will continue to be approved by the Kitsap Regional Coordinating Council (KRCC) for County CDBG/HOME funds and by the Bremerton City Council for City CDBG/HOME funds. This Citizen Participation Plan reflects the changes that have been made to the annual application process.

Purpose

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

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

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

Annual Allocation Process / Action Plan Submission

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

A. Notice of Funding Availability & Application

In April of each year a notice will be published in the newspaper of record to announce funding availability and provide details about the Application. This notice will begin a 30-day

comment period on the Draft Application and include the date and time of public hearings to take citizen comments. Notifications will also be sent to any agency or organization who requests to be placed on our mailing lists.

Upon approval of the Application by the Kitsap Regional Coordinating Council and Bremerton City Council, the Application will be available from:

Kitsap County Block Grant Division
345 6th Street, Suite 400, Bremerton, WA 98337-1873.
Applications are also available in PDF format on the Kitsap County website:
http://www.kitsapgov.com/hr/block_grant_program/block_grant_program.htm

and

City of Bremerton, Community Development Block Grant
345 6th Street, Suite 600, Bremerton, WA 98337-1873
Applications can be obtained online at: <http://www.ci.bremerton.wa.us/display.php?id=864>.

Applications will be made available in a format accessible to persons with disabilities upon request. Application submittal instructions and due date are included in the Application packet. Applications must be mailed or hand delivered by the due date, electronic submission is not available and postmarks are not accepted.

B. Technical Assistance

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

In addition to the mandatory Technical Assistance described above, Application Pre-Submittal assistance, to have an application reviewed for completeness, is available by appointment with staff. City and County Block Grant staff is also available by appointment for one-on-one Technical Assistance to provide guidance to citizens and organizations regarding specific project considerations.

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

C. Application Review & Grant Recommendation Committee Process

Applications will be reviewed by Block Grant Staff to determine compliance with technical requirements including eligibility for CDBG and/or HOME funds. Eligible applications will be given a score rating the organizational and financial capacity of the organization submitting the application. Eligible applications will be provided to a Grant Recommendation Committee (GRC) for consideration.

The GRC will review all proposals, interview applicants and develop recommendations for funding based how they address needs & objectives identified in the 2011-2015 Consolidated Plan and/or Homeless Housing Plan, organizational and financial capacity of the organization to carry out the program/project, project feasibility, and funding availability.

There are two GRCs. The Public Service GRC reviews applications for supportive services or public services. The Capital GRC reviews housing, capital improvements, and operations & maintenance applications. Both GRCs play an integral role in the allocation of CDBG and HOME federal funds according to the needs of the community.

While all GRC members must be well-versed in the needs of the community and be willing to participate in all the activities relevant to the GRCs, each individual GRC requires that members demonstrate specific skills and qualifications:

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

Each GRC will be comprised of 8 members as follows:

- Two members representing the City of Bremerton and approved by the Bremerton City Council
- Four members representing Kitsap County and approved by the KRCC
- Two members representing the Continuum of Care and approved by the KRCC

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

GRC members serve two terms, terms are staggered so each year there are at least four returning members. Applications for GRC members are solicited each Spring. Applications are reviewed by staff and individuals who meet the above requirements are recommended to the KRCC and City Council for approval. Citizens interested in serving on either the Public Service or Capital GRC are encouraged to contact:

- Kitsap County Block Grant Program Manager, Bonnie Tufts at 360-337-4606 or by email at btufts@co.kitsap.wa.us; or
- City of Bremerton Block Grant Program Administrator, Marie Vila at 360-473-5375 or by email at Marie.Vila@ci.bremerton.wa.us

D. Funding Recommendations & Action Plan

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

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

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

Five Year Consolidated Plan

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

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

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

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

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

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

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

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

Amendments to the Annual Action Plan

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

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

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

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

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

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

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

Performance Reports

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

Public Hearings

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

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

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

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

Public Comments

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

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

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

Complaints

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

Resources

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

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

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

Kitsap County Block Grant Division:

http://www.kitsapgov.com/hr/block_grant_program/block_grant_program.htm (scroll down to “ANNUAL APPLICATION PROCESS”).

City of Bremerton Block Grant Program:

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

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

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

This Page Intentionally Blank

Appendix B

Requirements for Section 108 Loan Guarantee

This Page Intentionally Blank

SECTION I – GENERAL GUIDELINES

A. Introduction

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

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

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

B. Section 108 Loan Program Criteria

Eligible Applicants:

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

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

Eligible Activities:

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

Meeting a National Objective:

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

C. Projects Eligible for Section 108 Loans

1. Economic Development Projects:

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

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

2. Housing Projects:

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

3. Community Development:

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

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

D. How The Program Operates

1. Maximum Commitment Amount

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

2. Financing Source

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

3. Security

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

4. Loan Repayment

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

5. Prepayment

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

6. Interest Rates

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

7. Financing Fees

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

8. Regulations

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

SECTION II – UNDERWRITING STANDARDS & GUIDELINES

A. Underwriting Standards & Guidelines

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

B. Objectives of Financial Review

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

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

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

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

C. Application

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

Appendix C

Consolidated Plan Objectives & Strategies

This Page Intentionally Blank

HUD Program Goal: Decent Housing – including:

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

Housing Objectives

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

Housing Strategies

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

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

Special Needs Objectives 91.215(e)

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

Special Needs Strategies

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

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

Homeless Objectives

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

Homeless Strategies

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

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

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

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

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

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

Community Objectives – Public Services

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

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

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

Community Strategies – Public Services

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

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

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

Community Objectives – Public Facilities & Infrastructure

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

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

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

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

Community Strategies – Public Facilities & Infrastructure

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

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

HUD Program Goal: Expanded Economic Opportunities – which includes:

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

Economic Objectives

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

Economic Strategies

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

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

Appendix D

CDBG National Objectives & Eligibility Requirements

This Page Intentionally Blank

CDBG NATIONAL OBJECTIVES AND ELIGIBILITY REQUIREMENTS

Every CDBG activity must meet a national objective and must be eligible in order to be funded. The following information is provided to assist you in defining the eligibility and national objective that your activity meets and the type of information you need to provide to the County. Specific regulations that govern the CDBG program are available the Block Grant office.

What are the National Objectives? (Benefit Criteria)

An eligible CDBG activity must either

I. Principally benefit low and very low income

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

II.Reduce or Eliminate Slum or Blight

- A. Area Basis
- B. Spot Basis

III.Meet an Urgent Need

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

How Does A Project Meet a National Objective?

I. Principally benefit low and very low income

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

A. AREA BENEFIT

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

The City of Bremerton does not have exception criteria so projects which qualify under the Area Benefit must meet the 51% threshold. Kitsap County has exception criteria that is published by HUD and updated annually. For 2010 the exception percentage for Kitsap County is 43.27%. Please contact the City or County Block Grant office for maps and more information on documenting your service area.

Applicants must:

- Attach a map with the boundaries of the project's service area delineated (the surrounding geographic area in which all or most of the people benefiting from the project reside).
- Explain why that particular geographic area is the service area for the project;
- Indicate on the map residential and commercial areas within the service area boundary; and
- Provide documentation that 51%(City) or 43.3%(County) or more of the residents within the service area are low and very low income persons/households utilizing the most recent census data as provided by HUD. Please contact the City or County Block Grant office for maps and more information on documenting your service area.

B. LIMITED CLIENTELE

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

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

Applicants must:

- Demonstrate that the facility or service is designed for and used predominantly by one of the groups identified above.

2. **Require documentation on family size and income in order to show that at least 51 percent of the clientele are low or moderate income** -

Agencies must keep information on client income and family size which can document whether or not 51% or more of the clientele are persons whose family income does not exceed low and moderate income limits for Kitsap County. Note: Income qualification criteria from other programs (such as state poverty guidelines) may be substituted provided those criteria are at least as restrictive as the HUD income limits.

Applicants must:

- Provide documentation of the total number of clients/households served in 2009 (if this is an existing service);
- State what percent of the clients/households served in 2010 were low or very low income (or met criteria that are stricter);
- Provide a copy of the income qualification criteria that were used to screen clients and to determine the percent that were low and very low income;
- Provide a copy of the client intake form highlighting the questions regarding family size and income levels; and
- Agree to maintain documentation of the client's incomes for the CDBG contract period.

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

Applicants must:

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

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

Applicants must:

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

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

- **Removal of Architectural Barriers**
A project which removes material or architectural barriers which restrict the mobility and accessibility of elderly or handicapped persons to publicly owned and privately owned non-residential buildings, facilities and improvements, and the common areas of residential structures containing more than one dwelling unit is considered a limited clientele activity. Note: This refers to the removal of existing barriers. It does not apply to new construction.
- **Assistance to Owners of Microenterprises**
When assistance is to be provided to a microenterprise (a commercial enterprise that has five or fewer employees, one or more of whom owns the enterprise) the

owner must qualify as low or moderate income. Note: for microenterprise projects under the limited clientele national objective justification, the low and moderate income threshold applies only to the owner, there are no income requirements for the workers the owner employs.

- **Employment Support Services.**

If CDBG assistance is only provided for training or supportive services (peer support programs, counseling, child care, transportation, and other similar services) to assist business(es), the percentage of low and moderate income persons assisted may be less than 51% if the proportion of the total cost borne by CDBG funds is no greater than the proportion of the total number of persons assisted who are low or moderate income. For example: A new business moves into town and begins an on-site day care program for workers. The total cost of the day care is \$10,000. There are 40 children, 3 of which meet qualifications as low and moderate income. The maximum amount chargeable to the CDBG program is \$750.00. ($\$10,000/40 = \$250 \times 3 = \750).

Applicants must:

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

C. Housing Activities

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

Applicants must:

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

D. Job Creation or Retention Activities

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

II. REDUCE OR ELIMINATE SLUM OR BLIGHT

An activity may meet the national objective of reducing or eliminating slum and blight, instead of benefiting low and very low income people. Currently, there are no designated slum and blight areas outside of the City of Bremerton. There are two different ways that CDBG activities can meet this second national objective.

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

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

III. MEET AN URGENT NEED

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

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

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

Appendix E

HOME Eligibility Requirements & Program Rules

This Page Intentionally Blank

HOME ELIGIBILITY REQUIREMENTS AND PROGRAM RULES

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

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

What are Eligible HOME - Funded Activities?

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

What are Eligible HOME Costs?

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

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

What Is a Community Development Housing Organization (CHDO)?

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

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

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

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

Program Rules

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

Long Term Affordability

One of the purposes of the HOME Program is to increase the supply of affordable housing units. To ensure that HOME investments yield affordable housing over the long term, HOME imposes rent and occupancy requirements over the length of an affordability period. The length of the affordability period depends on the amount of the HOME funds in the property and nature of the activity funded. Affordability periods range from 5 to 20 years. The PJ will designate in the subrecipient contract the method to be used-either Resale or Recapture (24 CFR 92.294(a)(5))-for maintaining affordability for each HOME assisted property. Additionally, deed restrictions must be recorded on the property to ensure the affordability. If the property is transferred during the period of affordability then resale or recapture will apply.

1. RECAPTURE (*Applies when the HOME Investment is a direct subsidy*).

This is the mechanism to recapture all or a portion of the direct HOME subsidy if the HOME recipient decides to sell the house within the affordability period. Procedures must be outlined to recapture the HOME assistance that was provided to the original buyer and invest it in another homebuyer unit. If proceeds are insufficient to recapture the entire subsidy, the rules permit recapturing a portion of the subsidy based on length of ownership. The HOME investment subject to recapture is the HOME assistance that enables the homebuyer to buy the dwelling.

2. RESALE (*Applies when the HOME Investment is a development subsidy*).

Homeownership - Sale of the property to another low-income buyer who will use it as their principal residence. Procedures must be outlined to assure the sale of the property is at a price which allows for a fair return on equity in addition to being affordable to the subsequent low-income buyer.

Period of Affordability - rental units:

HOME program rules require that HOME funded rental projects remain affordable for the following terms based on the per unit amount of HOME funds and the type of use:

Rehabilitation of up to \$15,000	5 years
Rehabilitation between \$15,000 and \$40,000	10 years

Rehabilitation of \$40,000 +	15 years
New Construction (any amount)	20 years

Period of Affordability - homeownership:

HOME program rules require that HOME funded homeownership projects remain affordable for the following terms based on the amount of HOME funds per house:

Up to \$15,000	5 years
Between \$15,000 and \$40,000	10 years
Over \$40,000 +	15 years

Longer periods of affordability may be placed on a project at the PJ's discretion.

Minority and Women Owned Businesses

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

Affirmative Marketing

HOME regulations require affirmative marketing of housing units assisted with HOME funds. Describe the methods of affirmative marketing that will be undertaken as part of the HOME-assisted project. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons from all racial, ethnic, and gender groups.

At a minimum, project sponsors will be required to use affirmative fair housing marketing practices in soliciting renters or buyers, determining their eligibility, and concluding all transactions. Any HOME assisted housing must comply with the following procedures for the duration of the applicable compliance period:

- Project sponsor advertising of vacant units must include the Equal Housing Opportunity logo or statement (newspapers, radio, television, brochures, leaflets, sign in a window, etc.)
- The project sponsor will be required to solicit applications for vacant units from persons in the housing market who are not likely to apply for the housing without special outreach (e.g. use of community organizations, places of worship, employment centers, fair housing groups, etc)

- The project sponsor must maintain records containing documentation of all marketing efforts (e.g. copies of newspaper advertisements, memorandums of telephone calls, copies of letters, etc.). A listing of all tenants residing in each unit at the time of application submittal through the end of the compliance period must also be maintained. Records to assess the results of the affirmative fair housing marketing actions must be available for inspection by Kitsap County Community Development Block Grant Staff.

Homeownership Requirements

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

- All of the HOME funds will benefit families whose incomes are at or below 80% of the area median income.
- The assisted housing will be the owner's principal residence.
- The purchase price of the property or the appraised value of a property already owned, after rehabilitation will be less than 95 percent of the median area purchase price.

HOME Income Eligibility Requirements

The HOME program requires that all HOME assisted rental projects ensure that:

- At least 20% of HOME assisted rental units must be occupied by families who have annual incomes that are 50% or less of median income (minus tenant paid utilities).
 - Properties with 5 units or less are exempt from this rule.
- Additionally, the PJ must ensure that 90% of the total households served under all PJ funded HOME rental programs have incomes that do not exceed 60% of the area median income. The remaining households must not exceed 80% of AMI
- Income calculation must be made using one of three HUD approved methods:
 - Section 8 Program definition of Annual Gross Income
 - IRS definition of adjusted gross income
 - U.S. Census Long Form definition

Home Match Requirements

The HOME Program requires a match of 25% or greater in other non-federal funds for projects. The match requirement may be met in several ways: City requires a minimum leveraging ratio of 1:2, or two dollars of other funding for every HOME dollar.

- Non-Federal Cash or Cash Equivalent – acceptable sources of cash match include
 - Local or state general revenues
 - Housing Trust Funds
 - Foundations, donations
 - State appropriations
 - HFA reserves that are not federal funds (e.g. bond proceeds)
 - The interest rate subsidy achieved by the exemption of state or local taxes
 - Present value of the interest subsidy for loans made at rates below market
- Value of waived taxes, fees or charges associated with the project;
- Value of donated land or real property;
- Cost of infrastructure improvements associated with the project;
- A percentage of the proceeds of single or multi-family housing bonds issued by state or local government;
- Value of donated materials, equipment, labor and professional services;
- Sweat equity;
- Direct costs of supportive services to residents of the project;
- Direct cost of homebuyer counseling to families purchasing homes with HOME assistance.

Priorities for Use of HOME funds

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

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

Appendix F

Anti-Displacement & Relocation Assistance Plan

This Page Intentionally Blank

Anti-displacement and Relocation Assistance Plan

INTRODUCTION

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

REAL PROPERTY ACQUISITION

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

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

NOTICES

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

PLANNING FOR RELOCATION UNDER URA

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

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

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

C. Rights of Residents who Remain in the Project

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

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

SECTION 104(d) - REPLACEMENT OF HOUSING

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

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

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

DEFINITIONS

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

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

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

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

This Page Intentionally Blank

Appendix G

Glossary

This Page Intentionally Blank

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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