Exhibit A

City of Bremerton
Community Development Block Grant

C · D · B · G *signs of progress • signs of success*

2020 CDBG/HOME
POLICY PLAN

CDBG/HOME POLICY PLAN

Contents

Executive Summary……1

Community Development Block Grant Program……1

CDBG Funding……2

HOME Funding……7

Allocation Process……..8

Policies & Regulations for Use of Funds.....9

Neighborhood Revitalization Strategy Area……12

Citizen Participation Plan…….....17

Consolidated Plan……17

Appendix A – Citizen Participation Plan

Appendix B- Funding Process

Appendix C – CDBG Eligibility Requirements & Program Rules

Appendix D - HOME Eligibility Requirements & Program Rules

Appendix E – Conflict of Interest Policy

Appendix F – Map

Appendix G – Glossary

Executive Summary

The 2020 City of Bremerton CDBG/HOME Policy Plan provides guidance for applicants applying for 2020 funds on things such as eligibility, overview of the funding allocation process, regulatory requirements and local policy decisions.

The allocation of CDBG and HOME funds are guided by the Strategic Plan which is a part of the Consolidated Plan. Kitsap County and the City of Bremerton have prepared a Consolidated Plan for 2016-2020 in order to implement our community's federal program funds. The purpose of the plan is to evaluate community needs and set goals for the five year plan period. Through a Community Needs Assessment, Housing Market Analysis and with community and stakeholder input, the City of Bremerton has developed a Strategic Plan. The City of Bremerton's Strategic Plan outlines the priorities and goals which guide the allocation of funds over the five year period. The funds allocated for the 2020 grant application cycle will be included in the Year 5, Action Plan associated with the 2016-2020 Consolidated Plan.

The priorities identified for the five year period are as follows:

- Revitalize targeted neighborhoods;
- Improve and preserve affordable housing;
- Expand economic opportunities for very-low, low, and moderate income Bremerton residents;
- Abate Blight conditions downtown;
- Increase homeownership opportunities for low to moderate income Bremerton residents.

Policy Changes for 2020:

1. City of Bremerton HOME Funding priority will be for increasing affordable housing stock.

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 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 a percentage (as determined by HUD) of the annual allocation of HOME funds is designated for the City and the remaining designated for the County. As the City of Bremerton is designated as a separate Entitlement Community and therefore the City receives its own CDBG funds directly.

CDBG funds are allocated annually through the City in Requests for Funding Proposals.

HOME funds are allocated annually through a competitive grant process coordinated by Kitsap County. 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 capital, economic development and microenterprise activities (please contact the Block Grant Administrator to confirm if your activity is eligible).
- Faith based organizations
- Additionally, applicants must:
    - Demonstrate an active governing body or board of directors or other applicable leadership within your organization 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 City requirements for contracting agencies such as insurance requirements, audit and financial requirements.

FUNDING PRIORITIES

All Projects **MUST** meet one of the following Consolidated Plan funding priorities:

- Revitalize targeted neighborhoods;
- Improve and preserve affordable housing;
- Expand economic opportunities for very-low, low, and moderate income Bremerton residents;
- Abate Blight conditions within the designated blight area (see map in **Appendix F**);
- Increase homeownership opportunities for low to moderate income Bremerton residents.

If the applicant cannot associate its project with one of the funding priorites listed above the project will be deemed ineligible for funding.

For the 2020 Program Year Bremerton City Council has chosen the following priorities for use of funds:

- **Capital Projects in the Target Area (See map in Appendix F)**
    - **Focus on: Affordable Housing, Weatherization and Minor Home Repair, and Projects which create or support suitable living environments.**
- **City-Wide Job Training Programs**

Proposals for Activities that do not meet these funding priorities will not be eligible for funding.

WHAT ARE ELIGIBLE ACTIVITIES?

This list is broken down by priority area. Please ensure your project both match a Council Priority and are an eligible activity.

1. Capital Projects in the Target Area which create suitable living environments

Eligible activities are defined in the CDBG Federal program regulations at 24 CFR 570.201 and 570.207.

Examples from CFR include:

- Acquisition of real property by purchase, lease or donation;
- Acquisition, construction, reconstruction, rehabilitation or installation of public facilities and improvements;
- Childcare Center Improvements
- Clearance, demolition and removal and rehabilitation of buildings and improvements;
- Removal of material and architectural barriers;
- Preservation, rehabilitation or restoration of historic properties;

2. **Projects that create or support affordable housing, or weatherization and minor home repair, (Projects must take place within the Target area)**
   Council has requested that any projects that lead to the creation or support of affordable housing will have additional preference during application review

- Acquisition, rehabilitation of rental housing;
- In Rem housing-CDBG funds may be used to make essential repairs and payment of operating expenses needed to maintain the habitability of housing units acquired through tax foreclosure proceedings in order to prevent abandonment and deterioration of such housing in primarily LMI neighborhoods;
- Conversion of a closed building from one use to a residential use (such as a closed school building to residential units);
- New construction must be undertaken by a Community Based Development Organization *only;*
- Site clearance and site improvements;
- Energy Efficiency improvements for homeowner or rental properties.

3. City-Wide Job Training Programs

- Assistance to carry out economic development projects for job training purposes;

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

Beneficiaries of projects receiving CDBG funds must have incomes below 80% of the area median income.

LMI Housing National Objective

If a grantee wishes to qualify a housing rehabilitation, acquisition or construction activity under the LMI national objective, the housing national objective must be used. LMI area, LMI limited clientele or LMI job creation may not be used.

— A LMI household must occupy a structure with one unit. Two-unit structures must have at least one unit occupied by a LMI household. If the structure contains three or more units, at least 51 percent must be LMI occupied.

- When housing rehabilitation or new construction single family housing activities are conducted by a CDFI or as part of a HUD-approved Neighborhood Revitalization Strategy multiple units (e.g. scattered site housing) may be aggregated for the purposes of meeting the LMI benefit national objective.

Rental Housing (both new construction and rehabilitation) activities that provide or improve permanent residential structures can only qualify as benefitting LMI households under the ***Housing*** criteria of the LMI benefit national objective, which deals with the occupancy of units by LMI households.

- The general rule is that 51 percent of the units in each assisted structure are to be occupied by LMI households. However, when rental housing activities are carried out by a CDFI or as part of an approved NRSA, multiple units (e.g. scattered site housing) may be aggregated for the purposes of meeting the LMI benefit National Objective.

Rental Rates

- ✓ In order to meet the LMI housing national objective, rents in CDBG-assisted rental projects must be set at levels which are affordable to LMI persons.
- ✓ Grantees are required to adopt and make public their standards for determining "affordable rents"
- ✓ The generally accepted affordability standard is that households pay no more than 30 percent of income for rent and utilities. However, use of this standard is not required by CDBG regulations.
- ✓ Grantees may want to establish rent limits or ceilings based on local LMI limits and bedroom sizes. However, *each project* must be undertaken in such a manner as to ensure that rents are truly affordable to LMI persons.

HOW MUCH MONEY IS AVAILABLE?

CDBG programs are federally funded through the Department of Housing and Urban Development. Funding levels are determined by HUD after the Federal Budget is finalized, which often occurs after the program year has begun. The City of Bremerton estimates funding levels in order to start the grant application process; therefore, funding amounts shown in the table below are estimates. If HUD allocates a different amount to these programs than what was estimated, actual funding awards will be increased or decreased to accommodate the discrepancy. The estimated funds below are based on 2019 allocations and historic funding trends.

The following table (*on next page)* shows an overall view of the total ***estimated*** amount of funds available in this application cycle by the application type and funding sources. Please note that the City of Bremerton is basing this estimate on an amount of $400,000. There is no designated amount for application type excluding any public service project, applicants are encouraged to apply for the amount of funding they need to complete a project. Please note that projects with multiple sources of funding will be more competitive than projects that are utilizing CDBG as their ***only*** funding source.

WHAT IS THE DISTRIBUTION OF CDBG FUNDS?

The CDBG program allows certain set-asides to further specific program goals. The City has set additional funding targets to help meet local objectives. The following is the distribution for the City of Bremerton:

CDBG

- Planning & Administration – 20% max
- City-Wide Job Training Programs
- Capital Projects in Target Area
    - *Projects which create units of affordable housing*
    - *Projects which create suitable living environments*
    - Weatherization and Minor Home Repair

Appendix C 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.

Estimated 2020 Entitlement	$400,000
Estimated 2020 Program Income	$5,000
2020 Total	**$405,000**
2020 Funding Available for Grant Administration (20% of Entitlement + Program Income)	$81,000
2020 Funding Available for Grant Applications	**$324,000**
15% available for job training programs:	$60,000
Total Remaining for Capital Projects:	$264,000
**prioritization of capital projects will be for: affordable housing projects, weatherization and minor home repair, and projects which create suitable living environments.*	

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.

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

What are the HOME priorities for the City of Bremerton? Projects must support affordable housing. For example:

- Preservation of affordable housing for new homeownership;
- Increasing homeownership opportunities for low to moderate Bremerton residents;
- Rehabilitation of older housing stock to increase homeownership opportunities.
- Acquisition with or without rehabilitation of rental housing units
- Rehabilitation of rental housing units
- Site-Acquisition and new construction of new rental housing units.

HOW MUCH MONEY IS AVAILABLE?

- 2018 CHDO: $35,921.41
- 2019 CHDO: $35,921.41
- 2020 CHDO: $35,921.41
- 2019 HOME: $179,600
- 2020 HOME: $179,600
- 2018 HOME PI: $23,213.70

Total Amount Available for CHDO: $107,764.23
Total Amount Available for Non-CHDO: $382,413.70

Total Combined amount for funding (CHDO and non-CHDO funds): $490,177.93

Priorities: **Projects which create or support affordable housing**
Preference will be given to a CHDO Agency undertaking one of the targeted activities above.

Rental projects must serve households at or below 80% AMI. HOME assisted units must serve households at or below 60% AMI, with 20% serving at or below 50% AMI.

HOME funds will be allocated via a separate process than CDBG funds. This process will be in coordination with Kitsap County of whom the City of Bremerton participates as a part of the Kitsap County HOME Consortium, however, the City will determine any prioritization of its own percentage of HOME funds.

ALLOCATION PROCESS

HOW ARE FUNDS ALLOCATED?

The City of Bremerton, as a member of the Kitsap County HOME consortium will issue a joint RFP for use of City HOME funds. This RFP will have a NOFA attached which will be released in March of 2019. Following release of the NOFA, the City and County will release a joint RFP in April with a due date in May.

The City independent from the County will create a Competitive Funding Application for CDBG funds based on its priorities for use of funds which is separate from the process used for HOME funds. The request for funding proposals will be released in June and a city-driven process will be used to determine funding allocations for CDBG. 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.

HOW CAN MY ORGANIZATION APPLY?

For the 2020 program year the application cycle will begin with the release of the Policy Plan in February and the commencement of a 30 day public comment period. At the end of the comment period, upon approval of the Policy Plan by the Bremerton City Council, the RFP for use of HOME funds will be made available. The City's CDBG funding applications will be released in approximately May/June 2019.

Interested organizations can find the funding application and all associated information 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 also available on the web site. Interested organizations may also contact Block Grant staff to request to be placed on the City interested parties list to receive automatic notices about these programs.

WHEN WILL FUNDS BE AVAILABLE?

Funds for the programs taking place in the January 1 – December 31 program year are generally not available until mid-summer of the program year. Timing is dependent on federal budget approval—which is often delayed—and how quickly HUD is then able to allocate funds to local jurisdictions. The City will not execute contracts with subrecipients until we have a contract from HUD. Once contracts are executed CDBG and HOME funds can only be disbursed on a reimbursement basis.

POLICIES & REGULATIONS FOR USE OF 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 familiarize yourself with the requirements. A Guidebook for recipients of CDBG and HOME funds can be found on the City web site at: http://www.bremertonwa.gov/213/Subrecipient-CDBG-HOME-Guidebook.
You may also contact the City Block Grant Staff for additional assistance.

All new applicants for 2020, and applicants who are unfamiliar with Fluid Review will be required to attend a Technical Assistance session on July 26th beginning at 10:00 am in the Mayor's Conference room on the 6th floor of the Norm Dicks Government Center.

A. GENERAL REQUIREMENTS

1. **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

Agencies that are currently receiving County or City CDBG or HOME funds, who are applying for funds, must be in compliance with all terms of their current agreement(s) and must not have outstanding audit findings, monitoring findings or concerns related to prior year's funding.

2. **Contract Retainage for Federal Compliance**
City will withhold up to 10% of the award amount included in the written subrecipient agreement until all federal compliance requirements are met.

All construction contracts between a subrecipient (ie: your agency) and contractor shall have 10% of payment retained until fulfillment of federal compliance is documented.

3. **Definition of Income**
Most CDBG and HOME funded projects use income to determine who is eligible for services or housing. Per HUD, income must be defined in one of two ways under the CDBG and HOME programs; subrecipients must select one method which it will use for the duration of each program/project (rental housing projects must use the Part 5 definition):

- Annual income as defined in 24 CFR 5.609, referred to as "**Part 5 annual income**", or;
- Adjusted gross income as defined for reporting purposes under the **IRS Form 1040** long form (not IRS Forms 1040A or 1040EZ).

For more information on determining income see the Technical Guide for Determining Income and Allowances for these programs. This guide and can be downloaded from: http://archives.hud.gov/offices/cpd/affordablehousing/modelguides/1780.pdf

4. **Project/Activity Delivery Costs**
The City does not currently take project/activity delivery costs. 100% of funds will go to each project that is awarded funds.

5. **Commitment and Timely Expenditure of Funds**
In order to meet regulatory requirements the City and County have established the following policies for CDBG and HOME funded projects:

CDBG:

- Job Training-Public Service Contracts: Organizations awarded CDBG funds for public service or micro enterprise programs must be ready to enter into a written agreement with the City during the award year and funds must be fully disbursed by Dec. 31st of that same year.

- Capital Awards:

    - 1. Organizations with an award of CDBG funds for a capital project must enter into written agreement (contract) in the award year.
        - If there are extenuating circumstances beyond the organizations control and adequate progress is being made to resolve the issues, an additional year for execution of the written agreement will be granted to the organization.

- 2. The project must begin drawing grant funds within one year of the contract execution date.
- 3. The project must be completed within 2 years of the contract execution date and meet milestones included in the written agreement, including the schedule for completion.
- 4. The Agreement will not be amended to extend the term. Organizations unable to meet these requirements will lose their funding; funds will be re-allocated to another eligible project.
    - The contract term may be considered for extension if there are extenuating circumstances beyond the organizations control and adequate progress is being made.
- 5. In no circumstance can a project take more than 5 years to complete.

HOME:

- HOME regulations require commitment of funds within 24 months. Due to this requirement City of Bremerton and Kitsap County (who is the contracting agency) requires the project HOME funds be ready to commit no later than 18 months from HUD's Funding Agreement execution date. If after 18 months all project funding has not been secured, the conditional commitment will be canceled and the funds will be re-allocated. Staff will work with agencies during this time period to ensure the project is moving forward and can meet the timeline.

- Organizations awarded HOME funds must have all other funding sources committed (documented with letters of commitment) and all HOME requirements for environmental review and project underwriting completed before funds can be committed. Commitment is defined as having a fully executed written agreement with Kitsap County (the contracting agency for City HOME funds) and funds committed in HUD's Integrated Disbursement Information System (IDIS).

- A conditional commitment of funds will be made for projects that do not have all project funds committed at the time of the funding recommendation.

- HOME funds require project completion no later than four years from HUD's Funding Agreement execution date. Projects using HOME funds to acquire vacant land must be under construction within 12 months of the commitment date.

- Organizations must begin drawing funds within one year of the contract execution date (date the contract was executed) and at least annually thereafter.

- Organizations unable to meet these requirements will lose their funding; funds will be reallocated to another eligible project.

- Rental properties will be required to be leased up within six (6) months of project completion. Homeowner properties will be required to be sold within nine (9) months of project completion.

For additional expenditure criteria and deadlines for use of 2020 (and prior years CHDO's will be found in the Affordable Housing RFP for use of City of Bremerton HOME funds).

6. **On-going Restrictions for CDBG & HOME Funded Capital Projects**
   Recipient of CDBG funds must agree to restrict the use of the property, which was acquired and/or improved using CDBG funds, to the intended purpose for which the funds were awarded. Projects awarded HOME funds are subject to an affordability period which places certain restrictions on occupancy, resale, and rent for rental properties. The City may require a recorded document to be attached to the property to ensure the appropriate provisions are secured. See **Appendix C** for CDBG eligibility requirements.

Neighborhood Revitalization Strategy Area

The City of Bremerton has an approved Neighborhood Revitalization Strategy Area (NRSA) which matches the target area for use of CDBG funds (See attached map, **Appendix F**). NRSA benefits do not apply to HOME funds.

Communities with approved Neighborhood Revitalization Strategy Areas are offered enhanced flexibility in undertaking economic development. This flexibility is designed to promote innovative programs in economically disadvantaged areas of the community.

Areas of enhanced regulatory flexibility include:

-Job creation or retention effort focused on the selected neighborhood may be classified as meeting the Low/Moderate Income (LMI) area benefit national objective requirements.

- Businesses that receive such assistance need not track the specific income of newly hired employees to demonstrate LMI benefit.
- This provision reduces the administrative burden to the business and is intended to provide an incentive to businesses to participate in the community's job creation/retention programs.

- Aggregation of housing units for which CDBG funds obligated during each program year and treat them as a single structure.
    - 51 percent of total number of units must be occupied by LMI households.
    - This permits grantees greater flexibility in applying the LMI housing national objective criteria for the housing category.
    - In turn, grantees have flexibility in providing housing to residents of the NRSA neighborhood.
    - NOTE: The flexibility to aggregate housing units assisted does not change the requirement that homeownership assistance provided under 570.201 (n) must be provided only to LMI households.
- Economic development activities carried out in the NRSA may be excluded from the aggregate public benefit standards.
    - This reduces recordkeeping requirements.
    - This affords greater flexibility in selecting and implementing economic development activities, and reduces the amount and scope of information that grantees must collect and document regarding its programs.

B. HOME FUNDING - SPECIFIC REQUIREMENTS

1. For more information on specific rules and requirements of the HOME program, including determining whether your project is eligible, please see Appendix D.

C. CDBG FUNDING - SPECIFIC REQUIREMENTS

1. For more information on specific rules and requirements of CDBG, including meeting a National Objective, please see **Appendix C CDBG Eligibility & Program Requirements.**

D. FINANCIAL MANAGEMENT

1. Uniform Administrative Requirements

Agencies must comply with 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

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

2. Audit Requirements

Private non-profit agencies expending $750,000 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 Circular A-133 Compliance Supplement. Agencies are responsible to meet this audit requirement.

Agencies that do not meet the $750,000 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 a third-party annual financial review. Block Grant staff will review financial information closely for all agencies submitting application.

E. PROCUREMENT

Any subrecipient using CDBG or HOME funds to purchase goods or services must have a formalized written procurement procedure in place prior to contracting for any goods or services. Procurement requirements are contained in 2 CFR Part 200. Additional information on procurement requirements can be found in Section E of the CDBG/HOME Guidebook on the City of Bremerton Block Grant Program Website.

F. ENVIRONMENTAL REVIEW

1. Environmental Review (24 CFR Part 58)

All CDBG/HOME projects must have a National Environmental Policy Act (NEPA) compliant environmental review process completed before **any** funds, including funds committed from other sources, can be spent on the project. Additional information on environmental review requirements can be found in Section F of the CDBG/HOME Guidebook on the City of Bremerton Block Grant Program web sites.

The costs associated with conducting a NEPA compliant environmental review for Capital CDBG and HOME funded projects may be charged to the grant award as project costs (HOME) or activity delivery costs (CDBG). 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, Geotechnical. 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.

G. EQUAL OPPORTUNITY & ACCESSIBILITY

1. 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:

a. 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).
b. 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).
c. 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).
d. Age Discrimination Act of 1975: Prohibits age discrimination in programs receiving Federal financial assistance (24 CFR Part 146).
e. For more information on eliminating discrimination visit www.hud.gov/offices/fheo/progdesc/title8.cfm

2. Handicapped Accessibility

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

a. 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.

b. Section 504: Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted programs on the basis of handicap.

Additional information on equal opportunity and accessibility can be found in Section G of the CDBG/HOME Guidebook on the City of Bremerton Block Grant Program web sites.

H. LABOR STANDARDS & CONSTRUCTION

1. Equal Opportunity for Employment and Contracting

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

a. 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).

b. 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.

c. Minority/Women's Business Enterprise: Outreach to minorities and women in contracting for services (24 CFR 85.36(e)).

2. 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. The costs associated with the review of Certified Payrolls and compliance with DBRA requirements may be charged to the grant award as project costs (HOME) or activity delivery costs (CDBG). Cost will vary depending on the complexity of the project

a. 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.

b. 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.

c. Copeland (Anti-Kickback) Act: Governs the deductions from paychecks that are allowable.

More information on Davis Bacon requirements can be found in Section I of the CDBG/HOME Guidebook City of Bremerton Block Grant Program web site.

3. Lead-Based Paint Hazard (24 CFR Part 35)

Housing built before 1978, assisted with HOME or CDBG funds, is subject to the Lead-Based Paint Poisoning Prevention Act. The law imposes requirements related to:

- Disclosure of known hazards and what has been done to reduce them;

- Treatment, relocation during treatment, and ongoing inspection of units.

Project feasibility is an important consideration for housing with lead-based paint. Recipients of CDBG or HOME funds will need to be aware of the potential for additional time and cost associated with lead-based paint hazards. Information on Lead-Based Paint requirements can be found in Section I of the CDBG/HOME Guidebook on the City of Bremerton Block Grant Program web site.

4. **Compliance with Codes & Standards for Rehabilitation and New Construction**
   a. All capital projects funded with CDBG or HOME must comply with local building and fire codes.
   b. All HOME funded Rehabilitation projects must comply with the Rehabilitation Standards adopted by the City of Bremerton Block Grant Program.
   c. All rental housing units purchased and/or rehabilitated with CDBG or HOME must pass a Uniform Physical Conditions Standards inspection.
   d. All housing must comply with the applicable accessibility requirements for persons with disabilities.

I. REPORTING & MONITORING

All programs and projects funded with CDBG or HOME funds will be required to submit quarterly reports. Reports will be provided by the Block Grant Program and may be submitted electronically. Annual on-site monitoring is conducted by staff for all open contracts. A monitoring checklist is used by staff to review compliance with the requirements of the written agreement and federal regulations. Agencies will be contacted at the end of the program year to schedule the monitoring visit.

J. ACQUISITION & RELOCATION

1. **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 which can be provided to you by request. 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.

2. **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** which can be accessed by making a request to City Block Grant staff.

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 City in development of the Consolidated Plan and annual application cycle which results in the Action Plan submission to HUD. The City of Bremerton Block Grant Program Citizen Participation Plan 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 submittal of the 2020 action plan will be for year five.

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. The City of Bremerton use an annual application process through which funds are competitively awarded.

Note: The full text of the Consolidated Plan is available on the 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
(Updated 2/15/2019)

CITY OF BREMERTON
CITIZEN PARTICIPATION PLAN

Introduction

The City of Bremerton receives both Community Development Block Grant (CDBG) and HOME Investment Partnership (HOME) funds. The City receives its own CDBG funds as an entitlement, and HOME funds through its membership in a Consortium with Kitsap County. The City of Bremerton is committed to assuring opportunities for citizen involvement in decisions concerning activities taking place within the community.

Each year the City of Bremerton is 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, the City has adopted a Citizen Participation Plan.

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 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 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 community.

Annual Allocation Process / Action Plan Submission

The City of Bremerton as an entitlement jurisdiction will 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

Annually in the spring a notice will be published in the newspaper of record to announce funding availability and provide an opportunity for comment on the CDBG/HOME Policy Plan. This notice will begin a 30-day comment period on the Policy Plan (including the Citizen Participation Plan) 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 interested parties email list.

Upon approval of the Policy Plan by the Bremerton City Council, information about the Request for Funding Proposals and mandatory technical assistance session for first time applicants will be available by request in writing to:

City of Bremerton, Community Development Block Grant
345 6th Street, Suite 100, Bremerton, WA 98337-1873
http://www.bremertonwa.gov/209/Consolidated-Planning

or by contacting Sarah Achaoui by email at: sarah.achaoui@ci.bremerton.wa.us or by phone at: 360-473-5375

B. Technical Assistance

Techincal assistance information for potential applicants for funding will be found in Appendix B.

At any time, any citizen may contact the City Block Grant staff for technical assistance, help with an application 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.

Conflict of Interest

a. No member of the Project Review Committee (PRC) shall be beneficially interested, directly or indirectly, in any grant applications which may be made by, through or under the recommendation of the PRC, in whole or in part, or which may be made for the benefit of his or her office, or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein (from RCW 42.23.030).

b. No member of the PRC shall engage in any activity, including participation in the selection, award, or administration of a grant award or contract if a conflict of interest, real or apparent, exists.

c. Additional information on Remote Interest can be found in the full Conflict of Interest Policy under Appendix E.

C. Funding Recommendations & Action Plan

Organizations submitting applications will be notified whether or not the Project Review Committee (PRC) has recommended their proposal for funding. The City Council will consider the staff
recommendation, will hold a public hearing on the proposal, will take public testimony and will adopt the funding package. Notifications will include the date, time and place of the public hearings.

All projects approved for funding will be included in the City's Action Plan. A summary of each Action Plan will be published in the newspaper of record and on the City's website. 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 30 days to review and comment on the plans. Comments or views of citizens will be considered, 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 will submit the Action Plan, including the projects proposed to be funded, to HUD no later than November 15th of each calendar year, unless HUD instructs the City not to submit until an appropriations bill has been enacted and HUD has notified the City of Bremerton of our actual allocation amounts.

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.bremertonwa.gov/209/Consolidated-Planning (scroll down for a link to the documents)
- A printed copy may be requested from the 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** (Updated within the annually updated Policy 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 (Submitted Annually); 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. (Submitted Annually)

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 will coordinate with the Bremerton Housing Authority (BHA) 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.

3. Agencies working with low- and moderate-income persons, particularly those living in 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 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 PRC prior to submission to 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
- Adding a new activity
- A substantial change to the purpose, scope, location or beneficiaries of the project as defined in the application for funds and approved by the PRC.

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, <u>prior written approval of these changes must be obtained from the appropriate Block Grant Administrator</u>.

Minor project changes may need to be formalized as an amendment to the sub-recipient Agency's contract with the City. 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. The 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 will be published in the newspaper of record and copies will be available on the City's website:

   - City of Bremerton: http://www.bremertonwa.gov/198/Federal-Grants---CDBG 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 responses to public questions and proposals. Annually a public hearing will be held in spring for the approval of the next year's Policy Plan. 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 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.

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/155/City-Council.

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:

Sarah Achaoui
Community Development Block Grant Administrator
City of Bremerton
345 6th Street, Suite 100
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:

City of Bremerton Block Grant – The Kitsap Sun

Notices may also be published on City website:

City of Bremerton Block Grant Program:
http://www.bremertonwa.gov/198/Federal-Grants---CDBG

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

Appendix B

Funding Process

Introduction

The City of Bremerton is an entitlement community, and uses a competitive application process to find the best subrecipients to implement programs and activities around the City.

The City has an independent funding process for its CDBG funds based on the prioritization of the City Council and utilizes a Project Review Committee to assist in making funding determinations. However the City still participates with the Housing and Homelessness Program (which administers Homeless Housing (HHGP), Affordable Housing (AHGP), and Consolidated Homeless Grant (CHG) Program) which has a combined funding & application process. These funds typically go to projects and programs which benefit the Homeless.

This combined process includes a single application for funds, a single Grant Recommendation Committee (GRC) process and funding recommendation for use of HOME funds and Homeless Housing Grant Program. Funding recommendations are approved by the Kitsap Board of Commissioners for County CDBG/HOME funds and by the Bremerton City Council for City CDBG/HOME funds.

For the 2020 application process the City of Bremerton will use the fluid review online system. This system will allow for a more streamlined application and review process. Applicants will no longer be required to provide paper copies of the application.

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 Notice of Funding Availability (NOFA). The NOFA will be published on May 15, 2019. Applications must be submitted online and require access to the internet.

2020 Program Year Funding Specifics:

The 2020 Program Year will have two competitive funding applications for:

- City-Wide Economic Development emphasizing job training programs and;
- Capital Projects in the target area with additional preference given to projects that create or support affordable housing, provide weatherization and minor home repair to housing units, or provide suitable living environments for Bremerton residents.

Specific funding amounts for these applications and RFP will be detailed in the Notice of Funding availability which will be released to the public on May 15th.

Application Review & Project Review Committee Recommendation Process

On May 15th, 2019 the City will publish a Notice of Funding Availability. Within this document will be information about the two funding applications which have the following priorities:

-Capital Projects in the Target Area with additional emphasis on affordable housing, weatherization and minor home repair or projects which create suitable living environments for Bremerton residents and

-City-wide economic development projects emphasizing job training programs.

The Grant Recommendation Committee (GRC) will be used to review applications for HOME funds through the coordinated grant process. The City of Bremerton uses a separate Project Review Committee to review applications for CDBG funds.

The Project Review Committee must adhere to the Conflict of Interest Policy in **Appendix C.**

Applications will be initially reviewed by Block Grant Staff to determine compliance with technical requirements including eligibility for CDBG and/or HOME funds. Applications which are found not eligible for CDBG, HOME, Homeless Grant Program or Affordable Housing funds, will be disqualified and the applicant will be notified. Eligible applications will be reviewed and evaluated by staff for organizational and financial capacity, will be interviewed by the Project Review Committee, and a recommendation will be provided by the Project Review Committee and forwarded to City Council. The Council will review all recommendations, and select the projects for funding based how they address needs & objectives identified in the 2016-2021 Consolidated Plan. The details of the multi-level review process are listed below:

Stage 1: Qualification Review

Applications are reviewed for potential disqualification using the following process:

1. Applications are reviewed for completeness, soundness, and eligibility against the following criteria. Applications meeting one or more will be disqualified. At least two different staff members must agree that an application should be disqualified.

    a. Amount requested is not consistent among narrative questions, Sources of Financing form, budget form, and/or applicant information;

    b. Missing or blank attachments or forms or using old versions of forms;

    c. Project or applicant organization is not eligible for any of the funding sources;

d. Project does not meet a priority identified in the City of Bremerton Consolidated Plan (2016-2021) or does not meet a Bremerton City Council funding priority.

e. Wrong application type is submitted for project.

2. Applicants will be notified of the results of the Stage 1 Review via email, either:

a. Application is moving to Stage 2 and the applicant will be contacted to schedule an interview; or

b. Application is disqualified and the basis for disqualification is provided.

Stage 2: Review and Scoring

Applications are reviewed and scored for organizational capacity, financial soundness, and project priority.

1. Staff members review and score all areas of the application utilizing scoring criteria specific to each application type.

2. Project Review Committee (PRC) members make funding recommendations using the following process:

a. Review, evaluate, and score each application using review and scoring guides specific to each application type;

b. Conduct interview with each applicant and score applicant interviews; interview length will depend on application type.

- CDBG Economic Development will have interviews consisting of the following:
  - 20 minutes in length which includes 10 minute agency presentation and 10 minute question/answer.
- Capital applications will have interviews consisting of the following:
  - 35 minutes in length which includes 15 minute agency presentation and 20 minute question/answer.

c. Assign a priority ranking and recommend funding awards to applications.

Stage 3: Funding Awards

The funding recommendations go through a multi-step process, prior to finalizing the award amount.

1. Project Review Committee (PRC) – All Stage 2 applications will have a final score comprised of the staff application review score, PRC application review score, and PRC interview score. The PRC will use the finalized score of applications to assist in making the funding recommendations and contingencies.

2. City of Bremerton City Council- The City Council receives the recommendations from the Project Review Committee, holds a public comment period and a public hearing, and makes awards and contingencies.

3. Federal CDBG and HOME funds- Applications awarded CDBG and HOME funds must be included in an Action Plan associated with the 2016-2021 Consolidated Plan and submitted to HUD for approval. The Action Plan cannot be finalized until the City of Bremerton receives the federal award amounts from HUD.

4. Final Awards – Funding recommendations were made based on estimated funds. Once the actual amounts are known awards will be adjusted based on the contingency set by the PRC's and approved by the Bremerton City Council.

Project Review Committee

The Project Review Committee (PRC) will be formed consisting of three City of Bremerton staff members (Director-Department of Community Development, Assistant Finance Director, Community Development Project Assistant), one member from City Council, one representative from the Planning Commission and two citizens at large. (If a representative from the Planning Commission is unavailable, another citizen representative will serve in their place). The role of this committee is to read all applications and complete independent, scored reviews, review projects for community need and benefit, review evaluations, conduct interviews, and discuss, rank and recommend projects for funding. The appointees to this committee are appointed by the Mayor and confirmed by Bremerton City Council.

The PRC will provide recommendations to City Council and the Council will have the opportunity to approve all the final recommendations.

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

Appointments for PRC members serving for the 2020 funding year were appointed in 2018 for a two year term. PRC members are appointed to serve a two year term and can be re-appointed to serve successive terms and/or additional terms.

Technical Assistance

All applicants for funding who have never received City CDBG funding before, or have never used the fluid review system will be required to attend the technical assistance session. 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 including technical assistance in filling out the application, the application deadline, and how decisions concerning funding will be made. There will also be a workshop on how to use the Fluid Review system.

In addition to the mandatory Technical Assistance described above, City 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. Please contact Block Grant staff to set up an appointment.

At any time, any citizen may contact the City Block Grant staff for technical assistance, help with an application 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.

This technical assistance session, for CDBG applicants will be held on July 26, 2019, from 10:00 am-12:00 pm at the Norm Dicks Government Center in the Mayor’s Conference room.

- ☑ 51% of these units must be available to low/moderate income.
- ☑ 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.
- ☑ Affordable rents must be maintained for a period of five years after CDBG assistance.

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.**

CDBG FUNDING - SPECIFIC REQUIREMENTS

1. **Reversion of Assets / Change-of-Use of CDBG Assisted Property** All recipients must agree to restrict the use of the property, which was acquired and/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 of land for new construction	Any $ amount	20 Years

* Dollar threshold is per facility, or if housing, per unit for single family housing

Reversion of assets provisions require agency to transfer to the City any CDBG funds on hand at the time of expiration of the subrecipient agreement, any accounts receivable attributable to the use of CDBG funds, and any nonexpendable personal property that was purchased with CDBG funds

2. 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.

3. Guidelines for Economic Development Projects (24 CFR 570.209) City will utilize the guidelines provided at 24 CFR 570.209 relative to project costs and financial requirements and standards for evaluating public benefit.

4. 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.

Appendix C

CDBG Eligibility Requirements & Program Rules

CDBG NATIONAL OBJECTIVES AND ELIGIBILITY REQUIREMENTS

Every CDBG activity must meet a national objective and must be eligible in order to be funded, and each CDBG applicant must be able to demonstrate eligibility based on data collected. 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 will need to gather from the population you serve to provide to the City Block Grant office. 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 –
   a. Activity which is available to benefit all the residents of an area which is primarily residential.
   b. At least 51% of beneficiaries are low or very low income persons/households.
   c. Applicants will be responsible for defining the service area and City staff will check to ensure that it meets the Low Moderate Income (LMI) criteria.

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)
   a. 51% of units must be occupied by low-and moderate-income households.
   b. Affordable rents must be maintained for 5 years

D. Job Creation or Retention - Economic Development
   a. Must be located in a predominantly Low/Moderate (L/M) income neighborhood and serve the L/M income residents; or

b. Involve facilities designed for use predominantly by L/M income persons; or
c. Involve the employment of persons, the majority of whom are L/M income persons.

NEIGHBORHOOD REVITALIZATION STRATEGY AREA

The City of Bremerton has an approved Neighborhood Revitalization Strategy Area (NRSA) which matches the CDBG target area. This NRSA allows for increased flexibility in undertaking economic development (L/M jobs) and housing activities with CDBG funds.

Areas of enhanced regulatory flexibility include:

-Job creation or retention effort focused in the NRSA may be classified as meeting the LMI area benefit national objective requirements.

- Businesses that receive such assistance need not track the specific income of newly hired employees to demonstrate LMI benefit.
- This provision reduces the administrative burden to the business and is intended to provide an incentive to businesses to participate in the community's job creation/retention programs.
- Aggregation of housing units for which CDBG funds are obligated during each program year and treat them as a single structure.
    - 51% of total number of units must be occupied by LMI households.
    - This permits grantees greater flexibility in applying the LMI housing national objective criteria for the housing category.
- Economic development activities carried out in the NRSA may be excluded from the aggregate public benefit standards thereby reducing recordkeeping requirements.
- This affords greater flexibility in selecting and implementing economic development activities, and reduces the amount and scope of information that grantees must collect and document regarding its programs.

II. Reduce or Eliminate Blight

For the 2020 Program Year, the City will not fund any projects that qualify on a Slum Blight Basis.

III. Meet an Urgent Need

A. Urgent Need would be a natural disaster or federally declared disaster.

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 area median 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 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

This criteria allows a project located in principally residential area to meet a National Objective by demonstrating that, based on the demographics of a project's defined service area, at least 51% of the residents are low or very low income. Certain activities are a natural fit for area benefit, as they serve a geographic area, such as parks, neighborhood facilities, community centers and streets/sidewalks.

Any activities that take place within the Neighborhood Revitalization Strategy Area would qualify on an Area Benefit as 72% of the residents are low or very low income. (Please consult with the Block Grant office to confirm your activity will qualify on an Low/Mod Area basis).

Please contact the City Block Grant office for maps and more information on documenting your service area and determining eligibility under Area Benefit.

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 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 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.
- ☑ Demonstrate that your clientele meets HUD's definition for the presumed group you serve, for example, homeless individuals must meet HUD's definition and documentation requirements at https://www.onecpd.info/resources/documents/HomelessDefinition_RecordkeepingRequirementsandCriteria.pdf

2. Require documentation on family size and income in order to show that at least 51 percent of the clientele are low income – This means your program can serve low and moderate income clientele if at least 51% of your clientele are low 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 2020 (if this is an existing service);
- ☑ State what percent of the clients/households served in 2020 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 income qualification criteria that were used to screen clients to determine low and very low income status;

   - ☑ 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, free childcare in 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 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 X 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.

Appendix D

HOME Eligibility Requirements & Program Rules

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?

- **Rental Housing:** Affordable rental housing may be acquired and/or rehabilitated, or constructed.
- **Construction of new rental units**
- **Rehabilitation or construction of affordable housing units**
- **Down payment assistance to income-eligible homebuyers**

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 a 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 replacement 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, and 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 hard costs 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. Due to regulatory changes in the HOME program, the 15% set-aside for Community Housing Development Organization (CHDO) projects must be awarded annually to a certified CHDO. HUD no longer grants a waiver for this requirement.

There is a significant amount of funds available for a CHDO in this program year the funds are as follows:

2018 CHDO: $35,921.41

2019 CHDO: $35,921.41

2020 CHDO: $35,921.41

Total CHDO funds: $107,764.23

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:

1. **HOME Project Completion**
   Recipients of HOME funds will have 4 years from the commitment date (contract date) to complete projects/ Project completion means that all construction work and title transfer (if applicable) is completed and the final draw of HOME funds has been disbursed

   Rental Housing: Within six months from the date of project completion, if a HOME assisted rental unit remains unoccupied, the Block Grant office will provide to HUD information about current marketing efforts, and if appropriate, an enhanced plan for marketing the unit so that it is leased as quickly as possible. Within 18 months from the date of project completion, if efforts to market the unit are unsuccessful and the unit is not occupied by an eligible tenant, HUD will require repayment of all HOME funds invested in the unit.
   Homeownership Housing: *Priority for HOME funds will not be given to homeownership housing projects.*

2. **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.

Homeowner/Homebuyer Activities	
HOME assistance provided per unit	**Period of Affordability**
Under $15,000	5 years
Between $15,000 to $40,000	10 years
Over $40,000	15 years

Rental Housing Activities		
Activity	**Dollar Threshold****	**Minimum Affordability Period**
Rehabilitation of Acquisition of existing housing	Less than $15,000/unit $15,000-$40,000/unit Greater than $40,000/unit	5 years 10 years 15 years
Refinance of a Rehabilitation project	Any $ amount	15 years
New Construction (including land acquisition) or Acquisition of new housing	Any $ amount	20 years

3. HOME Resale/Recapture Provisions

For HOME, the Participating Jurisdiction (County) will designate in the written agreement 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.

4. HOME Assisted Rental Housing

The HOME Program requires that all households who occupy HOME units be low income. Property owners and operators must develop policies and procedures which address:

- Admission and Tenant Selection (including an Affirmative Marketing Plan)
- Lease Provisions & Occupancy

At initial occupancy and during the period of affordability Block Grant staff will monitor the project for compliance with HOME requirements. The monitoring will include inspection of HOME assisted units and the property overall, review of policies and procedures, project financial information and tenant files.

5. CHDO Certification

A Community Housing Development Organization (CHDO) must meet certain statutory requirements under the HOME program to be designated as a CHDO. CHDO activities must involve acquisition, construction or rehabilitation, and sale (homebuyer or rental) of housing to eligible households. To be a CHDO, an organization must have "demonstrated capacity for carrying out activities assisted with HOME funds." There are specific requirements to be certified as a CHDO. Kitsap County Block Grant Program is required to certify that an organization qualifies as a Community Housing Development

Organization (CHDO) each time it commits CHDO set-aside funds to the organization. CHDO certification will be required before a commitment of set-aside funds is made.

6. Underwriting, Subsidy Layering Review & Developer Capacity Analysis

Kitsap County, using guidelines it has established, will document that when HOME funds are used in combination with other government assistance in a project, no more subsidy is invested than necessary. Staff will also conduct a review of developer capacity and project fiscal soundness. A Conditional Commitment of funds will be made until all other project funding has been secured and documented.

7. Leveraging

The City of Bremerton requires leveraging of HOME funds for homeownership housing projects. For every $1 of HOME funds committed, the project sponsor must show leveraged funding of $2 from other sources.

8. HOME Match Requirements

THE HOME program requires a match of 25% for every HOME dollar spent. Block Grant staff is responsible for ensuring that the HOME Consortium is meeting this requirement. Staff will work with agencies to identify sources and levels of HOME match required on a project basis. The match requirements may be met in several ways:

A. Non-Federal Cash or Cash Equivalent-acceptable sources of cash match include:
   - **a.** Local or state general revenues
   - **b.** Housing Trust Funds
   - **c.** Foundations, donations
   - **d.** State appropriations
   - **e.** HFA reserves that are not federal funds (e.g. bond proceeds)
   - **f.** The interest rate subsidy achieved by the exemption of state or local taxes
   - **g.** Present value of the interest subsidy for loans made at rates below market

B. Value of waived taxes, fees or charges associated with the project;
C. Value of donated land or real property;
D. Cost of infrastructure improvements associated with the project;
E. A percentage of the proceeds of single or multi-family housing bonds issued by state or local government;
F. Value of donated materials, equipment, labor and professional services;
G. Sweat equity;
H. Direct costs of supportive services to residents of the project;
I. Direct cost of homebuyer counseling to families purchasing homes with HOME assistance.

9. Market Assessment Requirement

Most housing development projects (includes acquisition, rehabilitation, new construction, down payment assistance) awarded HOME funds will be required to have

a Market Assessment. For HOME-funded direct homebuyer assistance that is not part of a HOME-funded development activity and homeowner rehabilitation activities, a market assessment is not required.

It must be completed by the applicant (or consultant hired by the applicant) and submitted at the time of application for funding or before the commitment of funds. Block Grant Program staff will review the market Assessment to determine:

- If a need for the type and number of housing units has been convincingly demonstrated;
- If the developer/program will be able to sell the planned homebuyer units prior to the six-month deadline;
- If the developer/program will be able to lease-up the planned rental units as expected, e.g. within the timeframe specified in the project pro-forma;
- If the development will adversely impact existing affordable housing developments.

10. Site and Neighborhood Standards

HOME funded rental projects that are newly constructed are subject to a site and neighborhood standards [24 CFR 92.202(b)] review by the Block Grant Program to determine that:

1. Site is adequate for proposed purpose
2. Project and location furthers compliance with fair housing laws
3. Site is not in an area of minority concentration-if the site is in an area of minority concentration, the Block Grant Program will determine that one or more of the following is true:
    - **a.** The project will not increase significantly the proportion of minorities
    - **b.** Sufficient comparable housing opportunities exist outside the area for minorities based on analysis of HUD-assisted housing
    - **c.** Proposed project is necessary to meet overriding housing need that cannot otherwise be met
    - **d.** Proposed project is integral to a neighborhood preservation strategy or integral to revitalization area strategy.
4. Project promotes greater choice of housing opportunities and avoids undue concentration of assisted persons
5. Proposed site is not seriously detrimental to family life
6. Proposed site is comparably accessible to broad range of services and facilities
7. Travel and access to jobs from proposed site is not excessive.

<u>Long Term Affordability</u>

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. Deed restrictions must be recorded on the property to ensure the affordability.

Homebuyer activities will use either Resale or Recapture (24 CFR 92.294(a)(5) for maintaining affordability for each HOME assisted property. Kitsap County and City of Bremerton will designate in the written agreement (contract) the method to be used.

Rental housing activities will carry rent and occupancy restrictions during the period of affordability. Affordability restrictions remain in force regardless of transfer of ownership.

Resale for Homebuyer Projects

All HOME assisted homebuyers subject to Resale provisions must meet the following during the Period of Affordability, which will be recorded in a restrictive covenant and shall be required of the original and any subsequent buyer of the subject property during the term of the Period of Affordability:

1. The homebuyer must enter into restrictive covenant outlining resale requirements.
2. Subject property must be homebuyer's principal residence at all times during the period of affordability.
3. Property is sold to an income qualified homebuyer with an income within the range of 51% and 80% of Area Median Income. The property must be sold at a price that is "affordable to a reasonable range of low-income buyers." The sales price shall be set such that the amount of Principal, Interest, Taxes and Insurance does not exceed 30% of the new buyer's annual income. The Kitsap County Block Grant Program must approve the resale price.
4. The owner shall receive a fair return on their investment. Fair Return on Investment means the total homeowner investment which includes the total cash contribution (excluding standard maintenance) plus the approved capital improvements as described below:
    a. The cost of any capital improvements documented with receipts provided by the homeowner, including but not limited to:
        i. Any additions to the home such as a bedroom, bathroom, or garage;
        ii. Replacement of heating, ventilation, and air conditioning systems;
        iii. Accessibility improvements such as bathroom modifications for disabled or elderly, installation of wheel chair ramps and grab bars, any and all of which must have been paid for directly by the Owner and which were not installed through a federal, state, or locally-funded grant program; and
        iv. Outdoor improvements such as a new driveway, walkway retaining wall, or fence
    b. All capital improvements will be visually inspected to verify their existence.

5. The **Housing Price Index** (HPI) of the **Federal Housing Finance Agency** will be used as the index to determine fair return on investment. The percentage of change as calculated by the HPI projects what a house purchased at a point in time would be worth today if it appreciated (or depreciated) at the average rate for all homes in the areas. The calculation shall be performed for the Bremerton-Silverdale Metropolitan Statistical Area (MSA).
6. Calculating Fair Return on Investment: Calculating the Fair Return to the original homeowner would be as follows:
    a. Step 1: Owner cash contribution at closing + capital improvements x HPI% change = fair return on initial & capital investments.
    b. Step 2: The results are then added to the owner's cash contribution + capital improvements to get the total return to the original homebuyer at sale.

Recapture for Homebuyer Projects

All HOME assisted homebuyers subject to Recapture provisions must meet the following during the Period of Affordability, which will be recorded in a restrictive covenant and shall be required during the term of the Period of Affordability:

1. The homebuyer must enter into restrictive covenant outlining recapture requirements.
2. The PJ will record a lien on the property securing the asset until expiration of the Period of Affordability.
3. The homeowner may sell the home at any time during the Period of Affordability, to any willing buyer, and at the price the market will bear.
4. In the event of voluntary or involuntary sale during the Period of Affordability, the PJ will recapture the HOME investment as follows:
    a. The owner shall receive a fair return on their investment: portion of HOME funds recaptured will be based on shared net proceeds (down payment and any capital improvements, excluding standard maintenance, since purchase). Net Proceeds = [Sale Price]-[Non-HOME Debt]-[Closing Costs]
    b. A third party appraisal will determine fair market value.

Housing Homeownership Requirements

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

1. All of the HOME funds will benefit families whose incomes are at or below 80% of the area median income.
2. The assisted housing will be the owner's principal residence.
3. 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. The 2013 HOME Final Rule 24 CFR 92.254 (a)(2)(iii) is amended to eliminate the use of the 203(b) limit and to change the methods for determining 95% of area median purchase price. HUD will determine and issue limits that represent 95% of the area median

purchase price separately for newly constructed and existing single family housing units. Kitsap County Block Grant Program will use the HUD-issued limits.

4. All homebuyers that receive HOME assistance or purchase a unit developed with HOME funds must receive housing counseling. The Block Grant staff will review the housing counseling policies of sub recipients and owner/sponsor developers of homeowner housing to determine compliance with this requirement.
5. A subsequent low-income purchaser of a HOME-assisted homeownership unit may assume the existing HOME loan and recapture obligation entered into by the original buyer when no additional HOME assistance is provided to the subsequent homebuyer.
6. *City of Bremerton* HOME funded homeownership projects are capped at $30,000 per unit.
7. Subrecipients administrating homebuyer assistance programs must have and follow written policies for:
    a. **Underwriting:** Underwriting standards for homeownership assistance must address housing debt, overall household debt, the appropriateness of the amount of assistance, recurring household expenses, assets available to acquire the housing, monthly expenses of the household and financial resources available to the household to sustain homeownership.
    b. **Predatory lending**: (HUD will issue guidance on preventing predatory lending)
    c. **Refinancing**: The refinancing policy must address refinancing loans to which HOME loans are subordinated to ensure that the terms of the new loan are reasonable.

Rental Housing Requirements

Rental housing projects which include HOME assisted units must meet the affordability described in 92.252(e), the affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership.

At least 20% of HOME assisted rental units must be occupied by families who have annual incomes that are 50% or less of AMI. Properties with 5 units or less are exempt from this rule. Additionally the Block Grant Program must ensure that 90% of the total households served under HOME rental programs have incomes that do not exceed 60% of the AMI. The remaining households must not exceed 80% of AMI.

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 Fair Housing Marketing Plan

All HOME-funded programs, including down payment assistance programs, must follow an affirmative marketing plan. The specific affirmative marketing procedures to be used will

depend on the type and size of the program or project. The Kitsap County-City of Bremerton HOME Consortium has an Affirmative Fair Housing Marketing Plan that clearly state what actions owners/managers must take to provide information to, and otherwise attract, eligible persons in the housing market who are unlikely to apply without special outreach. The extent of the affirmative marketing activities typically varies depending on the size of the property.

Kitsap County HOME Consortium staff will evaluate the success of the affirmative marketing actions every year for each project. Owners and managers are required to retain certain records so staff can evaluate its results. Affirmative Marketing will be reviewed during annual on-site monitoring.

Property and Construction Issues

A. Compliance with Codes and Standards

For all projects, the Block Grant office is primarily responsible for ensuring compliance with Federal requirements and meeting both project and program gorals. This is the case no matter what cost is funded under the HOME Program.

1. **Acquisition of existing housing (no rehab. Or construction)** 24 CFR 92.251 (c)

   Housing acquired with HOME funds must be inspected for health and safety at the time of title transfer. Block Grant staff will conduct an inspection using established standards. Any deficiencies will be noted and a date for correction and re-inspection will be communicated to the owner. HOME funds will not be disbursed for the acquisition until the project passes the inspection.

2. **Rehabilitation of housing** 24 CFR 92.251 (b)
   For any HOME-funding rehabilitation work, he housing must meet the ***Kitsap County/City of Bremerton Housing Rehabilitation Standards*** and County or applicable City Building Code.
   The Rehabilitation Standards address the following:
   - **Health & Safety**- the rehab. Standards specify the life threatening deficiencies that must be addressed immediately if a housing unit is occupied.
   - **Remaining Useful life of major systems-** An estimate of the remaining useful life of major system must be completed. Major systems include structural support, roofing, exterior cladding, weatherproofing (e.g. windows, doors, siding, gutters), plumbing electrical and heating, ventilation and air conditioning.
     - **Major systems for rental housing-** This must be done with a capital needs assessment for projects with 26 or more units. If the remaining useful life is less than the affordability period, the Block Grant Program will require replacement reserve deposits to ensure that the

project's major systems and physical needs can be adequately maintained and addressed throughout the affordability period.

- **Major systems for homeownership housing**- upon project completion, major systems must have a useful life of at least five years.
- **Lead based paint requirements**-in accordance with 24 CFR Part 35.
- **Accessibility requirements**, as applicable, in accordance with Section 504 of the Rehabilitation Act, the Americans with Disabilities Act, and the Fair Housing Act.
- **Disaster mitigation standards,** in accordance with State and local requirements.
- **Rehabilitation work must comply with local codes, ordinances, and zoning requirements**
- **Uniform physical conditions standards (UPCS)**

3. **New construction of housing 24 CFR 92.251 (a)**

All new housing projects constructed with HOME funds must have project specific material and methods or "construction specifications" for the project. The specifications and design plans will be reviewed by Block Grant staff to ensure that the amenities and aesthetic features of the project are in keeping with modest housing of similar type in the community. Projects will be required to obtain the necessary development permits from the jurisdiction where the project is located and copies of the signed-off permit & certificate of occupancy will be required for final reimbursement of funds.

All new construction work must meet the International Code Council's International Residential Code or International Building Code, whichever is applicable, and disaster mitigation standards in accordance with State and local requirements. In addition projects must meet the applicable accessibility requirements in accordance with Section 504 of the Rehabilitation Act, the Americans with Disabilities Act and the Fair Housing Act.

Block grant staff will review and approve written cost estimates, construction contracts and construction documents. In addition, staff will conduct construction progress and final inspections to ensure that work is done in accordance with the applicable codes, the construction contract, and construction documents.

4. Newly Constructed or Recently Rehabilitated Housing 24 CFR 92.251 (c)(1)

Housing that has been newly constructed or rehabilitated within one year of the date of commitment of HOME funds must meet the applicable property standards [92.251(a)] for new construction and [92.251(b)] for rehabilitation. The Block Grant Office will document compliance based on a review of approved building plans and certificates of

occupancy and a property inspection that is conducted no earlier than 90 days before the commitment of HOME funds.

5. **All Other Existing Housing –Rental**
   For all other housing (housing not recently rehabilitated or newly constructed) that will be acquired (without rehabilitation) for rental housing, the property must meet the applicable standard for rehabilitation at 92.251(b). The Block Grant office will document compliance based upon a current inspection that is conducted no earlier than 90 days before the date of commitment of HOME assistance. If the property does not meet these standards, it cannot be acquired with HOME funds unless it is rehabilitated to meet this standard.

6. **All other existing housing-Homeownership (Down Payment) Assistance**
   Block Grant staff will utilize Uniform Physical Conditions Standards to ensure that existing housing acquired for homeownership is decent, safe, sanitary, and in good repair.

7. **Manufactured Housing Property Standards** [24 CFR 92.2251 (e)]

   Newly constructed manufactured housing and housing that replaces an existing substandard unit must be on a permanent foundation. For all rehabilitated manufactured housing, the foundation and anchoring must meet all applicable State and local codes and other requirements.

   All new construction of manufactured housing must meet the Manufactured Home Construction and Safety Standards codified at 24 CFR part 3280.

   All new manufactured housing must, at the time of project completion, be connected to permanent utility hook-ups and be located on land that is owned (or leased for a period at least as long as the affordability period) by the manufactured housing unit owner.

   Existing manufactured housing that is rehabilitated with HOME funds must meet the property standards applicable to rehabilitation, as outlined in 92.251(b).

8. **On-going Property Standards for Rental Projects** [24 CFR 92.251(f)]

   Properties must be maintained to meet all applicable State and Local Codes. Housing will be inspected using UCPS as the standard (replaces HQS). Housing must be free of all health and safety defects and any life-threatening deficiencies identified during inspection must be corrected immediately. Housing must also meet the lead-based paint requirements in 24 CFR part 35.

B. Lead Based Paint

All housing funded with HOME and/or CDBG constructed before 1978 must comply with lead-based paint regulations at 24 CFR Part 35. The purpose of the regulation is to identify and address lead-based paint hazards before children are exposed to lead.

Appendix E

Conflict of Interest Policy

Conflict of Interest Policy

City of Bremerton Project Review Committee

From time to time, community volunteers who are appointed to the Project Review Committee (PRC) have prior experience with one of the applicants or programs requesting grant funding. The following guidelines are intended to clarify what should happen in these cases to avoid real or perceived conflict of interest.

1) Conflict of Interest:

a. No member of the PRC shall be beneficially interested, directly or indirectly, in any grant applications which may be made by, through, or under the recommendation of the PRC, in whole or in part, or which may be made for the benefit of his or her office, or accept directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein (from RCW 42.23.030)

b. No member of the PRC shall engage in any activity, including participation in the selection, award, or administration of a grant award or contract if a conflict of interest, real or apparent, exists.

2) Remote Interest

a. A PRC member is not interested in a contract, within the meaning of 1.a. above, if the member only has a “remote interest” in the contract and the extent of the interest is disclosed to the PRC and Staff at the beginning of the review process and is noted in the official minutes prior to the recommendation of the contract. (from RCW 42.23.040).

i. As used in this section “remote interest” means:

1. That of a non-salaried officer of a non-profit corporation;

2. That of an employee or agent of a contracting party where the compensation of such employee or agent consists entirely of fixed wages or salary;

3. That of a landlord or tenant of a contracting party;

4. That of a holder of less than one percent of the shares of a corporation or cooperative which is a contracting party.

ii. Even if the PRC member's interest is only remote, the member cannot influence or attempt to influence any other PRC member in the award of a contract they are remotely interested in. For purposes of this provision, influence or attempt to influence includes any of the following:

1. Scoring the grant application;

2. Discussing the grant application with other PRC members;

3. Joining the audience, acting on behalf of the applicant or interacting in any manner with members of the PRC.

4. PRC members should physically leave the room when the remaining PRC members discuss the matter. This removes any potential claim that the PRC member has attempted to exert undue influence over the other PRC members.

3. <u>Potential Bias by Prior Association</u>

A. A PRC Member may have a "potential bias by prior association" if they have had an interest in the past, but do not meet these definitions during the time they are serving on the PRC, or who have personal prior experience with an applicant including serving as a board member in the past, being employed in the past, or being a current or past volunteer. In the event of a potential bias by prior association:

i. The PRC member should disclose to the PRC and staff the nature of their prior association at the beginning of the application review process.

4. <u>Conflicts Disclosed</u>

The staff should advise PRC members before the process begins that members need to disclose, in advance, any remote interest, potential bias by prior association that they have, or relatives serving as staff to any applicants. It is recommended that the disclosures be done in writing.

5. <u>Voting and Recommendations</u>

a.The PRC member should recuse themselves from voting on any recommendation that would include applications in which they have a remote interest in or with whom they have a potential bias by prior association.

b. If the final recommendations of the PRC are consolidated into a single motion, then the PRC member may participate in the vote so long as their

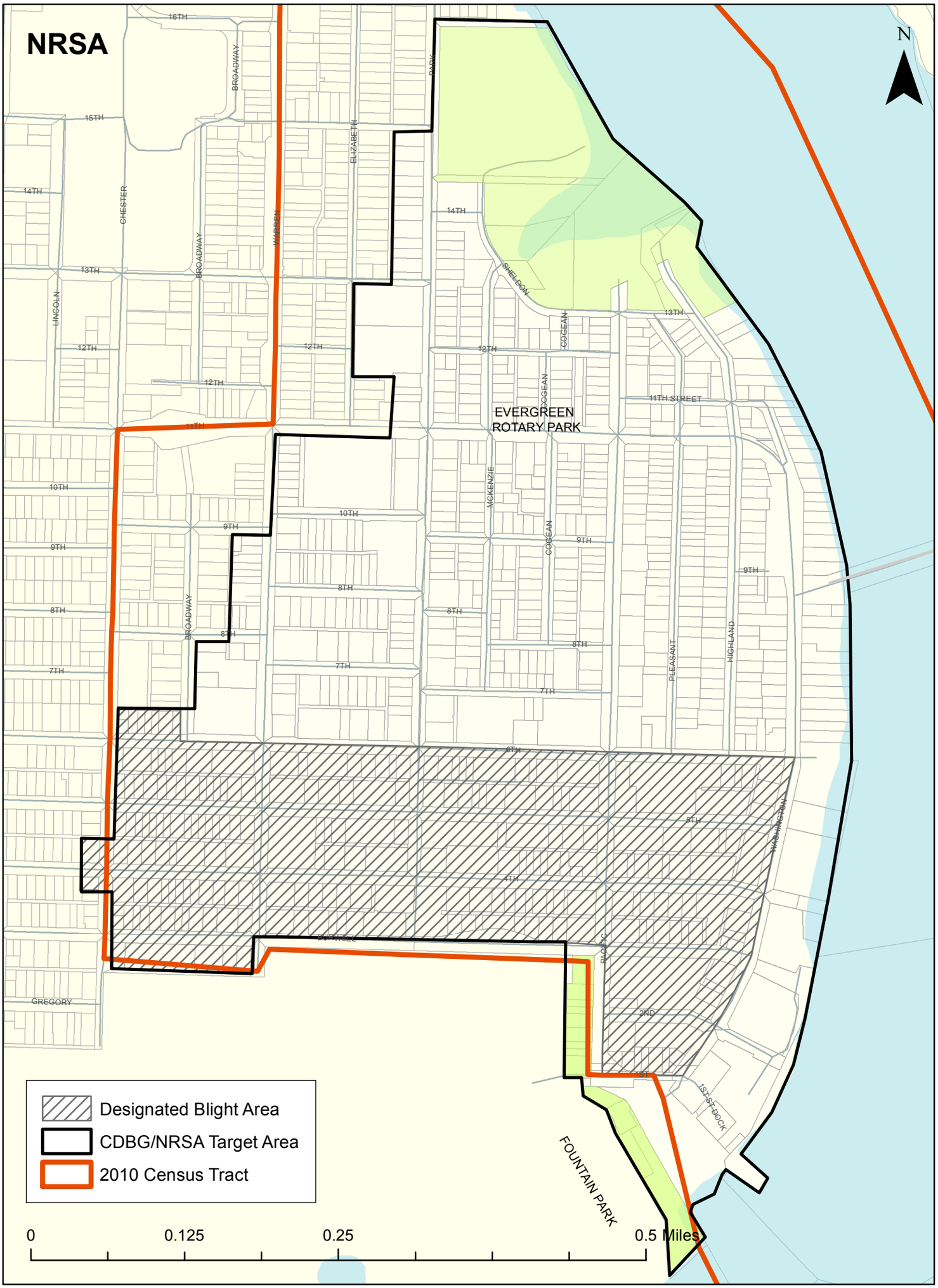
participation in the discussion does not influence or attempt to influence the outcome with respect to the applicant in which they have a remote interest in or with whom they have a potential bias by prior association.

c. Occasionally members of the City Council will sit on the Board of Directors of organizations which are proposed to receive funding. In this instance, the Council member with the conflict of interest will state their conflict, leave the Dias, and return when voting has been completed. Because the votes are passed as one resolution, the Council member with the conflict will not be allowed to vote on the resolution as a whole.

6. Alternate PRC

If there are two or more PRCs in a funding cycle or process, and a member has a conflict of interest, remote interest, or potential bias by prior association with an application that one of the PRCs is reviewing, that member may serve on a different PRC without reservation or restriction.

Appendix F- Maps


NRSA
N
16TH
15TH
14TH
13TH
12TH
11TH
10TH
9TH
8TH
7TH
6TH
5TH
4TH
2ND
1ST
BROADWAY
CHESTER
LINCOLN
WARREN
ELIZABETH
PARK
SHELDON
COGEAN
MCKENZIE
PLEASANT
HIGHLAND
WASHINGTON
PACIFIC
GREGORY
11TH STREET
1ST ST DOCK
EVERGREEN
ROTARY PARK
FOUNTAIN PARK
Designated Blight Area
CDBG/NRSA Target Area
2010 Census Tract
0
0.125
0.25
0.5 Miles

Appendix G

Glossary

GLOSSARY

Administrative Expenses. Those expenses directly associated with the recipient's general administration of the CDBG or HOME programs, 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 City of Bremerton HOME funds.

Citizen Participation Plan: This plan is prepared to facilitate and encourage public participation and involvement in the Consolidated Plan process and the City'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.

Household: all persons occupying a housing unit. The occupants may be a family, as defined in 24 CFR 5.403; two or more families living together; or any other group of related or unrelated persons who share living arrangements, regardless of actual or perceived, sexual orientation, gender identity, or marital status.

Housing. Housing includes permanent housing units for sale or rent including; manufactured housing, permanent housing for disabled homeless persons, transitional housing, single-room occupancy housing, and group homes. Housing **does not** include emergency shelters or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, halfway houses, housing for students or dormitories.

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.

Neighborhood Revitalization Strategy Area: A specific neighborhood targeted by the City and approved by HUD. Communities with approved NRSA's receive enhanced flexibility in undertaking economic development, housing, and public service activities with their CDBG funds.

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.

Persons with Disabilities. This term means a household composed of one or more persons, at least one of whom is an adult, who has a disability. A person is considered to have a disability if the person has a physical, mental, emotional or developmental impairment that is expected to be of long-continued and indefinite duration and substantially impedes his or her ability to live independently.

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

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

Project Review Committee. This committee, made up of City of Bremerton staff, a member of the City of Bremerton City Council, Planning Commissioner and two citizen volunteers, evaluate, rank, and make funding recommendations to the Bremerton City Council for use of CDBG funds.

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.

Single family housing: one to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot.

Single room occupancy (SRO) housing: housing (consisting of single- room dwelling units) that is the primary residence of its occupant or occupants. The unit must contain either food preparation or sanitary facilities (and may contain both).

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).

Transitional housing: housing that is designed to provide housing and appropriate supportive services to person, including (but not limited to) deinstitutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children. It has as its purpose facilitating the movement of individuals and families to independent living within a time period that is set.

Uniform Physical Condition Standards (UPCS): Uniform national standards established by HUD pursuant to 24 CFR 5.703 for housing that is decent, safe, sanitary, and in good repair. Standards are established for inspectable items for each of the following areas: site, building exterior, building systems, dwelling units, and common areas.